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Economic System

Sistema Económico
Latino-Americano e do Caribe
Système Economique
Latinoaméricain et Caribéen

Final Report on the XXXVII Regular Meeting of the Latin American Council

*XXXVII Regular Meeting of the Latin American Council
Caracas, Venezuela
19 to 21 October 2011
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A. RAPPORTEUR'S REPORT

1. In compliance with the provisions set forth in Article 12 of the Panama Convention, the XXXVII Regular Meeting of the Latin American Council was held in the headquarters of SELA in Caracas from 19 to 21 October 2011.

2. Participants included delegations from the following Member States: Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Chile, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Suriname, Trinidad and Tobago, Uruguay, and Venezuela. Also attending the meeting were representatives of the following international and regional organizations: Inter-American Development Bank (IDB), European Union (EU), UNESCO International Institute for Higher Education in Latin America and the Caribbean (IESALC/UNESCO), Inter-American Institute for Cooperation on Agriculture (IICA), International Organization for Migration (IOM), United Nations Industrial Development Organization (UNIDO), Latin American Parliament (PARLATINO), Andean Parliament (PARLANDINO), CAF-Development Bank of Latin America (CAF), and Organization for Economic Cooperation and Development (OECD); as well as special guests, the Permanent Secretary of SELA, His Excellency Ambassador José Rivera Banuet, and officials from the Permanent Secretariat of SELA.

3. The Bureau was made up as follows: His Excellency Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia in Venezuela, as Chairman; His Excellency Samuel Pawironadi, Ambassador of the Republic of Suriname in Venezuela, as First Vice-Chairman; His Excellency Ramón Mayorga, Ambassador of the Republic of El Salvador, as Second Vice-Chairman; and the Honourable Mr. Ramiro León Torras, Specialist in Economic Policy with Latin America and the Caribbean of the Ministry for Foreign Trade and Investment of Cuba, as Rapporteur. All of them were elected by acclamation.

4. The Preparatory Stage was opened by His Excellency Jorge Alvarado Rivas, in his capacity as Chairman of the Bureau, who thanked, on behalf of his government, to the Member States for his election and expressed his readiness to fully support the activities of the Latin American Council and the Permanent Secretariat.

5. The delegations congratulated the Members of the Bureau on their election and for the successful conduction of the Preparatory Stage, the Permanent Secretary, Ambassador José Rivera Banuet, and the staff of the Permanent Secretariat for their technical support and hospitality.

6. The Ministerial Stage was opened by the Honourable Ms María Jacqueline Mendoza, Vice-Minister of Foreign Affairs for Latin America and the Caribbean of the Bolivarian Republic of Venezuela, who expressed, on behalf of her government, deep concern and sorrow over the terrible situation that the Central American countries are facing amidst the torrential rains that have badly hit them in the last few days. Afterwards, she pointed out that the whole world is going through times of change and that all the countries in the region should cash in on the new structures and countless opportunities by acting as a single block that is strong and capable of having a say in the world: the voice of unity in favour of the welfare of our citizens, especially the poor and helpless. Next, she underscored the importance of regarding Latin American and Caribbean integration not only from the economic view, but from the social standpoint, just as has been advocated by Venezuela through the Bolivarian Alliance for the Peoples of the Americas - People's Trade Agreement (ALBA-TCP) and PETROCARIBE.

Ms Mendoza said that from the perspective of the Venezuelan government, economic and productive integration in the region should bolster mechanisms to vindicate the

principles of fair trade, thus strengthening production and trade complementarity, boosting production capacity, in line with the capabilities, strengths and weaknesses of the region. Finally, she added that the transformation of the region should be guided by the principles of independence, solidarity, cooperation, economic complementarity, social justice, equity, profit sharing, respect for the sovereignty of our countries, cultural diversity and harmony with nature, as well as the principles of international law. The full text of her speech is included in Annex I.

7. His Excellency, Ramón Leets, Ambassador of the Republic of Nicaragua, took the floor during the opening session, upon concluding his term as Chairman of the Latin American Council. He said that it was a period of intense activity as part of the work carried out by the organization, as reflected by the consultations and responses to requests from Member States as well as regional and subregional cooperation and integration organizations. Leets underscored the important discussion and coordination efforts carried out with the active participation of the Member States to support the Permanent Secretariat in compliance with Decision No. 513, and for the sake of better focusing SELA's work. He noted that the result of such effort was the proposed Draft Work Programme for 2012.

Leets pointed out that the region has decided not to postpone any longer the historically neglected needs of the largest sectors of its population, and, for this reason, SELA is called upon to make its special contribution to the Latin American and Caribbean governments and to the process to create and consolidate the Community of Latin American and Caribbean States (ECALC). Leets reiterated Nicaragua's readiness to continue collaborating with SELA as a unique space for exchanging experiences and ideas as regards issues affecting the region. Finally, he referred to the series of disasters that Central America is currently going through, and thanked for the solidarity and support expressed by the Member States as vis-à-vis such disasters, that have left many victims and huge damage in various countries. The full, text of this speech is included in Annex I.

8. The Chairman of the Bureau of the Council, Ambassador Jorge Alvarado Rivas, thanked Member States for his election, regretted the painful situation currently faced by Central American countries in the wake of the heavy rains that have occurred recently and urged for assistance from the international community. Alvarado enthusiastically welcomed the new direction taken by SELA, focusing more and more on solving the problems of the region. In this regard, he pointed out that the organization has not limited itself to analyzing such problems, but has also undertaken specific projects aimed at seeking solutions, citing as an example, the project with China. Finally, he added that during his tenure as Chairman of the Latin American Council he will fully support SELA's programmes. The full text of his speech can be found in Annex I.

9. The Permanent Secretary of SELA, His Excellency Ambassador José Rivera Banuet, welcomed attendees and expressed his condolences to the Central American countries in view of the heavy rains that have caused the loss of lives, as well as economic and material damage, leaving many people homeless. Rivera urged the international community and the Member States of SELA to express their solidarity to the region and offered the support of the Permanent Secretariat. Afterwards, he congratulated the members of the Bureau on their election and welcomed participants, saying that during his tenure he has endeavoured to comply with the activities entrusted by the Latin American Council aimed at achieving an increasingly stronger and more effective presence of the organization in the region.

In this connection, Rivera noted that the organization has participated in the high-level summits held over the past few years, such as the Latin American and Caribbean Summit on Integration and Development (CALC), taking an active part in activities to follow up its mandates; as well as in the Summit between Latin America and the Caribbean and the European Union, and in the Ibero-American Summits. Rivera pointed out that over the past four years SELA has become a better organization, as its membership has increased from 25 to 28 Member States – the highest in the region – and that the Permanent Secretariat has started negotiations with the countries of the Organization of Eastern Caribbean States (OECS) on their accession to SELA.

Rivera also underscored that the organization is carrying out its activities within a difficult context characterized by the following factors, among others: uncertainties as a consequence of the performance of developed countries' economies; the increase in imports of raw materials and manufactured goods; and a slowdown in growth rates forecasted to continue in the next year. Rivera said that the long-term vision of the region raises reasons for concern, and that there are many challenges to face. By way of example about the current situation of the region, he pointed out that one in every three inhabitants in Latin America live in poverty, and 90 million people in the region live on less than US\$ 2.50 per day. In this regard, Rivera stressed that the time of waste production has ended, saying that it is necessary to encourage the development of domestic markets and emphasized the need to promote productive integration of the region.

Afterwards, Rivera cited some positive figures as regards growth in Latin America and the Caribbean, saying that our region has the essential resources needed to support a better future, which leads us to state that the decade of Latin America and the Caribbean is just beginning. However, he noted, the region is in need of an external economic environment and a global order and governance that can contribute to and boost its growth prospects. Then he referred to some elements that are adversely affecting the economies of developed countries and the international financial institutions, as well as the asymmetries in the global debate aimed at finding structural solutions.

Rivera noted that there is a need to build a long-term project for Latin America and the Caribbean to respond to the aspirations for a more prosperous and fairer region, and listed the challenges facing the development of the countries in our region in order to consistently coordinate the economic, social and environmental pillars. He referred to the creation of the Community of Latin American and Caribbean States (CELAC), saying that it is the ideal instance to promote this renewed integration purpose.

He listed some urgent actions that SELA must undertake immediately, namely: to suggest mechanisms for financial cooperation on specific joint projects at the regional and subregional level; to establish an information system in support of the regional networks of suppliers and to identify opportunities in terms of competitiveness of the regional industries and the development of clusters of specialized industries; to promote regional coordination policies for innovation programmes, and to develop trade facilitation instruments to deepen integration and define actions for strengthening SMEs, mainly in the production of services to support the regional networks of suppliers; and to encourage specific proposals for the diversification of trade and economic relations of Latin America and the Caribbean with other countries and regions. Finally, he said that the Permanent Secretariat will give continuity to the purposes of targeting and streamlining its tasks, and the evaluation of its results. The full text of his speech is included in Annex I.

10. During the Plenary Session of the Ministerial Stage the central topic was "Latin America and the Caribbean on the Green Economy and Growth, within the framework of

the General Conference of the United Nations Industrial Development Organization (UNIDO),” which included the following presentations:

11. Mr. Carlos Chanduvi, Manager of Programmes for Latin America and the Caribbean of UNIDO, referred to the XIV General Conference of UNIDO, held in Vienna from 28 November to 2 December 2011, noting that the subject chosen by Latin America and the Caribbean to be discussed at a round table is whether the green economy can reduce inequalities in the region. In this connection, he pointed out that UNIDO Secretariat has worked closely with the Organization for Economic Cooperation and Development (OECD) as regards this issue because this organization has thoroughly dealt with the subject. The full text of his speech is included in Annex I.

12. Ms. Nathalie Girouard, Green Growth Coordinator of the Organization for Economic Cooperation and Development (OECD), made a presentation focused on the importance of transforming the economy to make it more sustainable. In this connection, she said that the OECD, just like the World Bank, prefers to use the term “green growth” because it encompasses increased productivity, innovation and expansion into new markets. She pointed out that in the coming years, the demand for both energy and food will increase significantly, and therefore it is necessary to start to make emphasis on the ways to face such challenge. She recognized environmental pollution as an emerging problem, stressing that deaths from pollution in China are estimated to triple in the next few years. She also noted that agricultural production is expected to grow by 35% by 2030, while water shortage will increase by 30%, and for this reason it is necessary to develop innovative technologies.

Ms Girouard said that green growth can help reduce poverty through the development of technologies and infrastructure, while making special emphasis on the conservation of natural resources. Referring to fossil fuel subsidies, she stressed that if they were not used, there would be a 10% decrease in greenhouse gases emissions in the world. Finally, she said that in order to monitor and evaluate the progress made by different countries as regards green growth, the OECD has set up a series of indicators to assess performance in this area. The full text of her speech is included in Annex I.

13. The delegate of Bolivia expressed some discrepancies as regards the presentation made by the OECD representative. Specifically, he considered that it is crucial for industrialized countries to reduce their greenhouse gas emissions. Referring to subsidies, he said that the great amount of resources invested by the United States in farm subsidies affects the performance of developing countries, adding that with such policies being in force it will never be possible to eliminate inequities between developed and developing countries in international trade. Particularly, he disagreed with the concept of green development explained above because, in his opinion, it is based on increasing the extraction of natural resources from Latin America and the Caribbean by 70%. With respect to subsidies, he said that while in the 1980s and 1990s, the IMF made its aid to the countries of the region conditional on their avoiding farm subsidies, the United States has allocated US\$ 80 billion annually to subsidize its agricultural sector, for a 10-year period. The delegate said that green development is based on gains, which is a characteristic feature of capitalism, and that, under the pretext of solving the great problems of the region, it is driving an indiscriminate approach to development aimed at “business as usual” and destroying the Pachamama (Mother Earth, in Aymara and Quechua languages) through the so-called green bonds. He said that the reduction of greenhouse gas emissions is a necessary condition to mitigate greenhouse effects and stop environmental destruction. Finally, he said that the notion of green development, based on increasing extraction and exploitation of natural resources from the region, with a subsequent increase in hunger and poverty in the countries that comprise it, cannot be acceptable.

14. The Permanent Secretary of SELA thanked for the presentations made by the representatives of UNIDO and the OECD, noting that one of the issues dealt with in recent years is achieving sustainable development by increasing investment while protecting the environment. Rivera said that Latin America and the Caribbean should develop industrial policies to gain ground in the international arena, adding that in view of the growing middle class in the region, demand for energy and food will increase in coming years. For this reason there is a need to find responses that are compatible with the environment and do not put at stake the future of coming generations. He said that, in this regard, the challenge is to increase research and development in order to determine the best way to use available resources in the region.

15. The delegate of Belize greeted the other participants and thanked for the presentation made by the OECD. He agreed with the representative of Bolivia as regards the need for industrialized countries to conceive development in a fairer way. Referring to the lack of political will so as to achieve sustainable and equitable growth, he said that too often the name of the game is changed but the behaviour remains the same. He noted that most of the times, the lack of political will and institutionality prevent countries from complying with their goals. Finally, he underscored the importance of educating all people – especially children – so that they understand that sustainable development is not an option but an obligation.

16. The delegate of Colombia congratulated the speakers and recalled that at the end of 2010 the phenomenon of La Niña caused economic losses in his country equivalent to 1% of its GDP, adding that infrastructural repairs are not yet complete but the country is already preparing itself to face another climate phenomenon. He underscored the importance of developing new standards for development in view of the fact that non-renewable natural resources are being depleting, adding that, in his opinion, green energy sources are not always more expensive than conventional energy sources. He explained that Colombia has strived to replace conventional energy sources with green energy sources in some places, and considers that there are many areas where to apply environmental friendly technologies.

17. The delegate of Costa Rica thanked the OECD representative for her presentation and stressed that his country has made significant efforts to develop green technologies.

18. The delegation of El Salvador said that the calamities currently faced by Central America are the largest in its history in terms of human, economic and infrastructure losses. He said the most important thing is not knowing which policies should be applied but to garner the political will to do so, both in industrialized and developing countries, so that the green growth and development models can yield fairer and more equitable results.

19. The delegate of the Bahamas welcomed the presentation made by the OECD representative and stated that, in his view, the tools described to achieve green growth are very interesting, but he wondered how could it be possible for a country such as the Bahamas to develop these technologies in view of its territorial conditions and its economy, which is based on tourism. He also wondered what would be the implications of applying green technologies, taking into account that an increase of 5° C in global temperature would make many island states disappear from the face of the earth.

20. The delegate of Cuba thanked the speakers as well as the UNIDO and OECD representatives. In his opinion, it is essential to preserve the planet and raise human awareness about its preservation. Nature can live without the man, but the man cannot live without nature. He highlighted that developed countries have not expressed a

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commitment to substantially reduce greenhouse gas emissions in any international forum at all.

21. The delegate of Ecuador made a presentation in which he stressed that for his country SELA has been one of the most important organizations in the region, and for this reason Ecuador has a lot of expectations as regards the rethinking and consolidation of this new vision of substantial progress, in order to project SELA's image as a truly regional economic system. In this connection, he said that Ecuador proposes the following strategic guidelines as regards SELA: Amid the crisis of the international financial and economic system, the objectives of the countries of the region should be aimed at learning, evaluating and strengthening the economies of the region. In view of the crisis and its positive experiences, the region has the opportunity to develop and strengthen regional financial systems, regional development banks, investment and credit systems and payment clearing mechanisms. It is a timely opportunity to think about this economic and financial architecture in order to propose a new architecture and consolidate already gained experiences as regards the economy at the regional level. One of the most important emerging issues to look at with concern and attention are the reflections within the context of the G-20 and G-8, which identified the possibility of creating a new monetary system to overcome the "war" between the euro and the dollar, at a time when Latin America and the Caribbean are in the creative search, with positive results, for a regional clearance mechanism. Hence the importance of the dimension that the SUCRE could gain, not only as a mechanism within the framework of ALBA, but also at the regional level.

He considered that the regional economic policy must take into account the criteria of sustainability, as well as the environmental and social factors that constitute the economy for good living, the economy for the human being and nature, and the economy for biodiversity. Therefore, he stressed, SELA should specialize in promoting and analyzing the components, factors and characteristics of the new economy in the region, so as to recover its origin: the Latin American and Caribbean economic thought.

Finally, he considered that the region has various opportunities to address the crisis, namely: the consolidation of the Bank of the South as a regional financial mechanism to support economic and environmental initiatives in the region; the coordination of a financial security network which, as a reserve fund, should build capacity for intra-regional loans and investments as well as macroeconomic convergence initiatives; and the development of dialogue and cooperation to replicate the experience of the Regional Clearance Unitary System (SUCRE). In his closing remarks, the delegate of Ecuador presented two proposals for Declarations: One on the global financial and economic crisis and the other one to support the Yasuni-ITT Initiative, both of which were approved by the Council. Upon his request, the full text of his speech is included in Annex I.

22. The delegate of Chile thanked the UNIDO and OECD representatives for their presentations, recognizing that the subject is of great importance for the region.

23. The delegate of Guyana stressed that the issue of green development is not necessarily a new topic, since it has been a reason for concern for ancient communities. He said that Guyana has started to build a hydroelectric dam aimed at reducing the use of fossil fuels by 25% and recognized the important work carried out by UNIDO and the OECD in trying to outline roadmaps towards green growth. However, he said, that there is no universal recipe and that each country must find its own path.

24. The delegation of Uruguay recognized that the major sources of financing are clear, and noted that while Latin America and the Caribbean recognizes its share of

responsibility, it is necessary to address the issue of the green economy will more accountability and fairness.

25. The UNIDO representative agreed that the phenomenon of pollution is a global one and therefore the purpose of the organization is to present best practices to mitigate it. He highlighted the creation of an Observatory of renewable energy sources that seeks to share technological tools that can help to achieve green development, saying he was convinced that there are technological solutions that can help to accomplish green growth.

26. The OECD representative welcomed all participants' remarks. She said that green growth has a different face in each country; however, the challenge is a global one and therefore international cooperation is of the essence. She thanked for the comments regarding the political will of industrialized countries.

27. The delegate of Brazil considered that there is not single model that can actually cover all countries. Referring to subsidies, he noted that industrialized countries invest one billion dollars in farm subsidies every day, thus moving away from green growth and hindering the way for developing countries. As for the trade liberalization proposed by the OECD, the delegate identified a number of inconsistencies, which are due, among other factors, to the high tariffs imposed by industrialized countries on agricultural products from developing countries and renewable energy sources.

28. During the forum *"Towards productive integration in Latin America and the Caribbean"*, the following speakers took the floor:

- a. His Excellency Ambassador José Rivera Banuet, Permanent Secretary of SELA, welcomed participants in the forum and expressed his satisfaction at the fact that it was being held at SELA given the importance of productive integration for the development of the region and the need to provide sustainability to its growth. For this reason, he added, SELA has worked as regards this issue since its very inception.

Rivera noted that, for several years, the region stopped promoting the development of industrial policies, which gradually led it to become less productive. But now it's time to revive the design and promotion of such policies as a way to move towards productive integration in Latin America and the Caribbean. Then he outlined three elements to provide a reference for reflection and a better focus at the forum, namely: i) the transformation of the regional productive structure; ii) the accumulation of capital; ii) the accumulation of knowledge for production; and iii) a new institutional change that fosters this transition towards a higher level of productive integration and development in the region. In this regard, Rivera pointed out that the resulting development, in addition to generating employment, must be environmentally sustainable and take place within the framework of a *green economy*, which would require making the best use of natural resources in the best possible way, with increased investment and based on the best possible combination of both elements. Finally, he noted that the upcoming institutionalization of CELAC will open up new opportunities for Latin America and the Caribbean to strengthen and move towards its productive integration. The full text of his speech is included in Annex II.

- b. The Honourable Mr Yoshiteru Uramoto, Deputy to the Director General of the United Nations Industrial Development Organization (UNIDO), started his presentation by saying that the efforts for productive integration in Latin America and the Caribbean should be looked at within the context of the global trend. The world, he said, has witnessed an increasingly accelerated drive towards regional

integration and strategic partnerships among nations, such as those seen in the European Union, Africa and Asia. Then, Uramoto made a comparative analysis between Latin America and the Caribbean and Asia.

Referring to Latin America and the Caribbean, Uramoto underscored the significance of the plans of the Andean Community and the Southern Cone Common Market to create a free trade area and recalled that UNASUR was established in 2008, absorbing the two custom unions of the Andean Community and MERCOSUR with three additional members; Suriname, Guyana and Venezuela. He pointed out that this union is planning to have a common defence, parliament, passport, currency and integrating 388 million people with a total combined GDP of US\$ 4 trillion into a single market by 2014.

He stressed that what has been achieved so far in Latin America and the Caribbean is already remarkable. Afterwards, he referred to the Association of Southeast Asian Nations (ASEAN), which was created in 1967 to facilitate economic growth, social progress and cultural development of its Member States, saying that since its formation ASEAN has walked a long way. In comparing the two regions, he said that in the area of high technology manufacturing (which includes chemicals, electrical machinery, radio, TV and communication equipment, among others) the difference is widening between the two regions, in favour of Asia. In resource-based manufacturing (food and beverage, tobacco, wood and paper, among others) there is a declining trend in Asia compared with a stabilization in LAC over the last three decades. With respect to poverty reduction, he underscored China's achievements, saying that, on the contrary, the level of inequality in Latin America is still rising. Finally, he expressed UNIDO's readiness to support LAC efforts towards development, and to this end, to strengthen its cooperation relations with SELA. The full text of his speech is included in Annex II.

c. The Honourable Mr Enrique García, President of CAF - Development Bank of Latin America, congratulated SELA for organizing the forum, saying that productive integration is crucial to achieve integration in Latin America and the Caribbean, and that its analysis must be carried out within the global context, comparing the region with others. He stated that despite the economic and financial crisis, 2010 was a very good year for the region, since it achieved an average growth rate of 6%. However, he said, development goes well beyond growth, as it should not only generate jobs, but must also be socially inclusive and respect biodiversity. He explained that there are numerous differences between LAC and Asia, and, even though LAC has had a good performance, it has lost relevance in the international arena. He said that 25 years ago, the per capita GDP in the region accounted for 35% of GDP per capita in industrialized countries, but it currently represents only 25%. Therefore, he said, it is necessary to reflect on, and analyze, the deficiencies affecting the region.

García explained that the first thing to do is to develop convergence with the developed economies, and the second one is to ensure that growth allows for reducing the levels of inequality because even though the region has made significant progress in the fight against poverty, according to the Gini index it remains the most unequal region in the world. He also noted that drug trafficking and insecurity are fundamental and priority issues that should be addressed, adding that the region must have a long-term vision and attach priority to the issues of infrastructure, education and institutionality.

Furthermore, García recognized that while most countries in the region have succeeded in eradicating illiteracy, it is necessary to evaluate the quality of educational systems so as to usher them into the 21st century. In this connection, he said that integration is not a luxury but a necessity and stressed that even though the region has a strong institutional framework, further efforts are needed aimed at materializing activities in integration schemes. In this regard, he noted that productive integration must generate the bases for sustainable production and sources of employment in the region, and that while LAC has great amounts of natural resources, in recent years it has experienced a *reprimarization* of exports, which has made it necessary to focus attention on investment in technology and research to increase productivity. Finally, he underscored the need for companies in the region to be successful not only because of the protection of the State, but also because they really have become productive through investment in infrastructure and efforts to achieve productivity. The full text of his speech is included in Annex II.

d. The Honourable Ms Mayi Antillón Guerrero, Minister of Economy, Industry and Trade of the Republic of Costa Rica, outlined the achievements of his country, which, she said, were based on the following factors: free and compulsory education, one hundred years of uninterrupted democracy, full social guarantees, the abolition of the military, and the evolution of productive development models. All these factors form part of a process of industrialization and opening-up whose goal is to take advantage of the opportunities offered by global markets. She added that Costa Rica is “a country full of rich nature”, which issued a decree to preserve 25% of its territory in such natural state. Moreover, she said, it has turned peace into its globally recognized flagship and earmarks 30% of its social investment to education. In this connection, she referred to the conditional cash transfer programme “*Avancemos*”, aimed at favouring the poorest sectors of the population while reducing the school dropout rate. She stressed that, to date, Costa Rica has signed twelve free trade agreements which cover a market of 2,500 million consumers for its products, adding that in 2008 the country attracted US\$ 2.2 billion in foreign direct investment. He underscored the importance of having an efficient infrastructure as a condition for achieving the desired productivity and competitiveness levels.

She noted that Costa Rica is quite vulnerable to natural disasters, as well as the rest of Central America, and that such problem should be addressed. She wondered: How could we unite the countries of the region in order to prevent something that we know will come every year and will affect the most vulnerable sectors?

She referred to a series of experiences and best practices as regards entrepreneurship and SMEs, as well as in the social and cultural areas, in several countries of the region that are being adopted in Costa Rica, and are worth knowing and replicating in the rest of Latin America and the Caribbean.

Finally, she said that development models involve a highly participatory concept of regional competitiveness, based on criteria favouring equity, sustainability and balance, but above all, real indicators that allow being certain that sustainable development is actually being promoted. The full text of her speech is included in Annex II.

29. The Council adopted the following agenda:

- I. Organization of works
- II. FORUM: Towards productive integration in Latin America and the Caribbean

- III. Annual Report of the Permanent Secretariat
- IV. Work Programme for the year 2012
- V. Administrative Budget for the year 2012 and Administrative Matters
- VI. Institutional Matters
- VII. Election of the Permanent Secretary
- VIII. Other Matters

30. The List of Participants and the List of Documents are included in Annexes III and IV, respectively.

31. As a result of its debates, the Council adopted the Conclusions included in section B, the Declarations detailed in section D and the following Decisions.

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| Decision N° 521 | Work Programme of the Permanent Secretariat for the year 2012 |
| Decision N° 522 | Administrative Budget for the year 2012 |
| Decision N° 523 | Exhortation to pay outstanding quotas |
| Decision N° 524 | Audit Report on the Financial Statements of the Permanent Secretariat at 31 December 2010 |
| Decision N° 525 | Appointment of Auditors for 2011 |
| Decision N° 526 | Designation of a Member of the Administrative Tribunal of SELA |
| Decision N° 527 | Support of the Permanent Secretariat of SELA and its Work Programme to the establishment of the Community of Latin American and Caribbean States (CELAC) |
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| Decision N° 529 | Extension of the Mandate of the Permanent Secretary |
| Decision N° 530 | Cooperation of Latin America and the Caribbean in Trade and Competition |

32. The Chairman adjourned the debates of the Council and underscored the importance of the discussions for the future of cooperation and integration in Latin America and the Caribbean, as well as the consolidation and strengthening of SELA. He thanked the delegations for their active participation and support, which contributed to the success of the meeting, as well as the representatives of regional and international organizations, the Permanent Secretary of SELA and his team for their cooperation during the event.

33. The Permanent Secretary of SELA, Ambassador José Rivera Banuet, took the floor and highlighted the satisfactory balance of the meeting, which has strengthened the organization and considered that the decisions adopted will provide new impetus to its activities in favour of development and integration in Latin America and the Caribbean.

34. The Council thanked the Chairman and the Members of the Bureau for their efficient and successful conduction of the meeting, and the Permanent Secretary of SELA and his work team for their support to the event and their hospitality. Finally, the Council thanked the authorities of the Bolivarian Republic of Venezuela for their hospitality during the meeting.

B. CONCLUSIONS

XXXV ANNUAL REPORT OF THE PERMANENT SECRETARIAT

35. The Permanent Secretariat of SELA submitted its Thirty-Fifth Annual Report of Activities for the period from November 2010 to September 2011, document SP/CL/XXXVII.O/DT N° 3-11, which details the implementation status of the Work Programme for the year 2011, as well as other tasks and activities carried out by the organization in compliance with the mandates received.

36. The Coordinator of the IBERPYME Programme presented the General Report of activities carried out during 2011, highlighting the background and objectives of the programme, an assessment and prospects for 2012 (document SP/CL/XXXVII.O/Di N° 29-11).

37. The Chairman thanked the Permanent Secretariat for the presentation of both reports and invited delegations to comment on this matter.

38. The delegate of Cuba congratulated the Permanent Secretariat for its efficiency in meeting the agreed upon mandates and endorsed the reports. He acknowledged the efforts made during this year, particularly those in support of the integration process in the region. He also highlighted the need to continue this effort and support the institutionalization of the Community of Latin American and Caribbean States (CELAC).

39. The delegate of Brazil appreciated the presentation of both reports. Afterwards, he referred to the IBERPYME Programme, stressing that it should cover the whole region and not just Ibero-America and expressing that the incorporation of the Caribbean States is a challenge. He stressed the need and importance of developing mechanisms to evaluate the performance of SMEs in the region before and after the programme. To this end, he suggested five elements for this assessment, namely: i) number of SMEs; ii) production of SMEs; iii) improvement in employment rate; iv) collection of taxes; and export market share; and v) financing modalities.

Regarding the number of activities developed by the Programme, the delegate noted that the Report does not allow for an assessment. Regarding the number of participants per country in each activity, he requested further information on the numerical disparity of such participation. He also requested more information on the funding source of the Spanish Government and the usefulness of business missions to Spain.

40. The delegate of Mexico congratulated the Permanent Secretariat for the work carried out and agreed with the delegation of Cuba, stating that the activities conducted in 2011 were a starting point of the Work Programme for the year 2012. With respect to the IBERPYME Programme, they asked how each country's participation was determined in the activities.

41. The Permanent Secretary took the floor to stress that the Programme is undergoing a transitional stage, during which efforts have been made with the participation of Member States to define its new structure. As regards its scope, he said that over the last three years the Permanent Secretariat had intensified efforts for the Caribbean countries to be incorporated into it, and in this connection he underscored the release of the English edition of the book "PYMES como factor de integración: 35 años de esfuerzo continuo del SELA" (SMEs as a factor for integration: 35 years of sustained efforts by SELA), published by the Permanent Secretariat in October 2010. In addition, he said that during the XXI Ibero-

American Summit, to be held in Paraguay on 28 and 29 October 2011, SELA will raise a proposal for the expansion of this Programme so that it covers the Caribbean States. As regards the business missions to Spain, he said that they make it possible to understand the SME-related public policies being implemented in that country and respond to requests made by Spanish institutions.

42. The Coordinator of the IBERPYME Programme explained that the programme has grown in importance, and an example of this are the guarantee systems, which rose from eight to 28 in ten years. He explained that the decision on which events should be organized and where they should take place depends on Member States and their respective focal points. Regarding the participation of States, he said it varies greatly depending on the nature of the event, stressing that focal points and contacts developed in each country determine the number of participants per State.

43. The delegate of Brazil requested information on the support of SELA to the IBERPYME Programme, its impact on the regular budget of the organization and the possible limitations and impositions that could result from such cooperation.

44. The Coordinator of the Programme said that the support of SELA to the Programme is limited to providing physical office space and secretarial support, without any monetary contribution. He added that the Spanish Agency for International Development Cooperation (AECID) annually contributes 100,000 euros, and six countries of the region also make monetary contributions. He stressed that when activities are carried out in Member States of the organization, they offer physical space, meals, refreshments and transportation, among others, which lowers costs.

45. The representative of Mexico thanked the Coordinator of the Programme for the information, and noted that the Programme represents a very low cost for SELA.

46. The delegate of Guyana reported that CARICOM includes a programme to support SMEs with which many Caribbean States do not agree, because no realistic assessments have been made to determine its results. He explained that many programmes in the Caribbean are funded by the European Union, and some of them are successful and others not. He highlighted the weakness of many of these programmes, because they do not really contribute to integration, and emphasized the need to develop follow-up and assessment mechanisms. With respect to SELA, he expressed that the Latin American Council should determine the indicators for assessing the Programme for SMEs.

47. The delegate of Guatemala expressed his gratitude and congratulated the Permanent Secretariat for the report. In addition, he suggested a correction in the wording of the Report of the Permanent Secretariat, as regards Decision 513, "Work Programme of the Permanent Secretariat for the year 21011". He explained that, due to its informal nature, the Informal Working Group cannot approve the Work Programme, but propose something and that approval corresponds exclusively to the Latin American Council.

48. The Permanent Secretary informed that the Permanent Secretariat would propose a mechanism to assess the work of SELA with respect to the IBERPYME Programme. He added that the Informal Working Group had only presented a draft work programme, and consideration would be made to the correction requested by the delegation of Guatemala in the corresponding document.

WORK PROGRAMME OF THE PERMANENT SECRETARIAT FOR THE YEAR 2012

49. The Permanent Secretary submitted the Draft Work Programme for the year 2012 (SP/CL/XXXVII.O/DT N° 4-11), and highlighted that the programme dealt with the guidelines set forth in Decision 440 of the Latin American Council, whereby the activities were divided into three thematic areas, namely Intra-regional Relations, Technical and Economic Cooperation, and Extra-regional Relations. The Permanent Secretariat also stated that during the preparation of the contents of the Draft Work Programme, the objectives of the Work Programme for the year 2011 were assessed for compliance. Furthermore, the recommendations of Member States during the various meetings held in 2011 were also included.

Similarly, he said, the programme took into account the views, suggestions and proposals that emerged in the Reflection Meetings on the Future Work Programme of SELA, which were attended by representatives of the Embassies of Member States accredited in Caracas and the Permanent Secretariat.

He stressed that, in accordance with Article 3 of Decision No. 513 of the Latin American Council, issued at the XXXVI Regular Meeting in October 2010, the Permanent Secretariat convened and held a Plenary Meeting on 12 January, four sub-regional meetings on 17 March, on 1, 6 and 8 April, and a Plenary Session on 16 May, 2011, for such reflection. At the Plenary Meeting of 16 May, the Permanent Secretariat was requested to convene an Informal Working Group in order to further consider the issue with a greater degree of specificity, based on a Synthesis prepared by the Permanent Secretariat which contains the matrixes summarizing the results of previous meetings.

The Informal Working Group conducted five meetings on 8 July, 5 August, 9 and 16 September, and 14 October, which addressed the key elements to be included by the Permanent Secretariat in the proposed Work Programme for the year 2012, which is presented at this time.

50. Furthermore, the Permanent Secretariat reported on the results of the First Meeting of the Working Group on Trade and Competition in Latin America and the Caribbean, held in Bogota, Colombia, on 4 and 5 July 2011, in which the participating Member States agreed that the Permanent Secretariat should act as Technical Secretariat of said Working Group along with the General Secretariat of UNCTAD. In this connection, the Council approved Decision N° 530.

51. The Chairman thanked the Permanent Secretariat for the presentation of the Draft Work Programme for the year 2012 and invited delegations to comment on the subject.

52. The delegation of Suriname stated that it would be advisable to conduct further studies on the international economic crisis and long-term prospects, as well as to support the neediest countries in their development programmes, such as the case of Haiti.

53. The delegation of Cuba concurred with the proposal of Suriname and stressed the importance of further strengthening interagency cooperation in projects, where possible.

54. The delegation of Belize stressed the desirability of further work on food safety.

55. The Permanent Secretary said that the Reflection Meetings contributed to the preparation of the Draft Work Programme, adding that the document can be modified on the basis of mandates that may arise from the CELAC, as well as based on the

proposals of Member States, according to their topics of interest. He stated that the Permanent Secretariat will make its best to implement the Programme.

56. The delegation of Brazil suggested the other delegations to assess the Work Programme based on a three-step methodology, namely: 1) To assess the Work Programme in general; 2) To assess the Work Programme on a project-by-project basis; and 3) To assess the budget for each proposed activity.

57. The Permanent Secretary explained that the concerns of the Brazilian delegation regarding budgetary matters would be dealt with in Item V (Budget), where budget allocations for each of the activities of the Work Programme are itemized.

58. The delegate of Cuba supported the Mexico's proposal to include other activities, arguing that subject matters as important as education and health have not been included in the Work Programme, even though they are priority issues in the region. The Cuban delegate stressed that it was necessary to discuss the role played by SELA in the creation of the CELAC. They stated that strengthening coordination with integration schemes is important, not only to avoid duplication but also to make efforts more efficient.

The delegate of Cuba described as feasible the proposal to assess the impact of activities, arguing that it has been possible in other regions. Referring to the regional financial architecture, they stated that dealing with this issue is vital, regardless of the differences or similarities between the Member States of SELA. He added that economic independence will be achieved only through the financial architecture. The Cuban delegate stressed that this topic has been discussed on several occasions by the Heads of State and Government of some States of the region. Finally, they acknowledged the need to create the Latin American and Caribbean unity.

59. The Brazilian delegate congratulated the Permanent Secretariat for the implementation of the Work Programme for the year 2011, especially with regard to Decision 513, and also acknowledged the efforts of the Informal Working Group during the meetings that sought to maximize the benefits of the activities.

The delegate of Brazil stressed that it was a participatory work of all delegations, and acknowledged the work of the Ambassador of Nicaragua, as Chairman of the Latin American Council, as well as the Permanent Secretary's role in this process. The delegate stated that such work should be continued as permanent assessment mechanisms are needed, in the first place, in order to ascertain what is being done and, secondly, for purposes of accountability. In this regard, the delegate highlighted the importance of reviewing the budgets of each of the activities contained in the Work Programme. He reiterated the intention of strengthening SELA through better targeting and definition of its actions.

60. The delegate of Mexico, referring to the intervention of Brazil, said that Mexico shared the view of strengthening SELA. As for the intervention of the Delegation of Cuba, the Mexican delegate highlighted that defining the areas to be included should be a priority. Reference was made to the representative of Belize's statement and the Mexican delegate agreed that the issue of food security cannot be left out of the agenda of SELA.

The delegate of Mexico also referred to the issue of Disaster Risk Reduction and said that given the number of casualties and economic losses, it is necessary to include this item on the agenda. The delegate stressed that rather than duplicating efforts, the goal is to improve the organization and coordination of work. Finally, regarding the issue of budget,

since no increase in the annual budget has been proposed, they suggested the creation of a voluntary fund where countries can deposit additional fees to implement more activities under the Work Programme.

61. The delegate of Jamaica congratulated the delegation of Mexico for bringing about the issue of disaster management. They stressed that the Caribbean and Central America each year face disaster threats, and if they join forces they are more likely to reach a joint solution, either in terms of disaster insurance or other disaster response mechanisms.

The Jamaican delegate stated that the issue of climate change has not been paid enough attention, adding that this situation would affect more seriously the small island States. They recommended SELA to give greater attention to this topic. In terms of air, sea and land transport, the delegate of Jamaica said it is necessary to increase efforts to improve roads, which would facilitate trade and consequently integration. They urged SELA to take into account these considerations.

62. The delegate of Venezuela proposed a change in the wording of the objectives of Activity 1.1.1, "Compliance with the tasks stemming from the mandates of CALC and CELAC", of the Work Programme for 2012. With such change, the wording would be as follows: "Conduct the tasks and possible actions for coordination with other regional and subregional organizations on specific issues, as instructed to SELA by the Heads of State and Government of Latin America and the Caribbean at the III Summit of Latin America and the Caribbean on Integration and Development (Caracas, December 2011)."

63. The delegate of the Dominican Republic said that during the meetings of the Informal Reflection Group, the delegations of both the Dominican Republic and Cuba proposed to ponder the issue of speculation in food and fuel prices, and suggested that such topic be addressed in the Work Programme for the year 2012.

64. The delegate of Guyana asserted that SELA could make a contribution regarding the issue of disasters, without becoming the main coordinator of disaster management in the region. Guyana stated that the Permanent Secretariat may conduct research and, based on the results thereof, make valuable contributions. The delegate of Guyana said that the same is true for the areas of climate change, food security and communications. Finally, the Guyanese delegate said that these issues should not be excluded from SELA's agenda, but should be treated in a very specific way. That is, referring to Project 1.1.4, the focus of SELA would be on how ALBA, UNASUR, SICA, CARICOM, for example, as well as other sub-regional mechanisms, are integrating and collaborating on natural disasters, climate change, transportation, free trade zones and food security.

65. The delegation of Chile, in line with the delegation of Guyana, deemed it necessary to better focus the work and, above all, assign priorities to the various issues raised, because, even though all of them are important and necessary, budgetary constraints are a reality that should be taken into consideration, while trying to avoid duplication of the efforts made by other organizations.

66. The delegate of Cuba, referring to the thematic area of Intra-Regional Relations, Project 1.1, said that decisions regarding both the efforts of coordination with CELAC and the issue of financial structures should be maintained. The Cuban delegate noted that some social aspects are missing in the area of Intra-Regional Relations. The delegation referred to the XXII Meeting of International Cooperation Directors of Latin America and the Caribbean, held in Panama on 29 and 30 September 2011, whose central topic was integration, cooperation and convergence in the area of health. He highlighted that the

meeting was very successful and, as such, they proposed to include a meeting on healthcare services in 2012 in the Work Programme for the year 2012. Furthermore, he proposed to include the issue of education as a priority area. As for Extra-Regional Relations, the delegate of Cuba recognized the importance of relations with the United States, the European Union and Canada. He proposed, however, not to cast away efforts to ponder relations with China, Russia and India.

67. The delegate of Guatemala referred to Activity 1.2.4, "Regional value chains, SMEs and productive integration in LAC", and proposed to merge this activity with other SMEs-related activities or to remove it from the Work Programme. He explained that by the end of October, a meeting on duty-free zones will be held in Guatemala and asked SELA to include this issue as a development mechanism in LAC.

68. The delegate of Brazil referred to the links between SELA and CELAC. He stressed that given the possibility that CELAC issues mandates for SELA, the US\$ 10,000 budget should be left for an eventuality. They also referred to Activity 1.1.3, "Analysis and development of policy proposals for the consolidation of a regional financial architecture," which provides for participation of financial specialists from five regional agencies. They requested clarification on what these entities are and on which basis they will be funded. Finally, the delegate of Brazil referred to activities that are not fully funded by the Permanent Secretariat, but rather depend on funding from other agencies, and expressed concern that such activities may not be carried out.

69. The delegation of Venezuela proposed to adjourn the discussion on the Work Programme until the next CALC meeting is held, as some mandates for SELA are very likely to be issued during such meeting.

70. The delegation of Mexico endorsed Venezuela's proposal.

71. The delegation of Brazil said that although the Venezuelan proposal was very attractive, SELA cannot sit on its hands until December, when the next CALC meeting will be held.

72. The delegation of Guatemala argued that if the Work Programme is to be approved after the next meeting of CALC, a Special Meeting of the Latin American Council should be convened.

73. The delegation of Guyana proposed to approve the Work Programme in the current Latin American Council and submit it to the Heads of State and Government for their consideration.

74. The delegation of Costa Rica said that while CALC might issue new mandates for SELA, this should not restrict progress in current discussions.

75. The Permanent Secretary said it would be advisable to approve the Work Programme and include the changes that may emanate from CALC later on.

76. The Delegation of Colombia supported the formula proposed by the Permanent Secretary, as well as the possible conduction of a Special Meeting of the Latin American Council.

77. The Permanent Secretary referred to the eventual conduction of a Special Meeting of the Latin American Council, noting that this may incur costs for the Secretariat that are

not originally envisaged in its Draft Budget. In this connection, he deemed it more advisable to hold a meeting of ambassadors after the CALC.

78. Finally, the Council approved Decision N° 527, titled "Support of the Permanent Secretariat of SELA and its Work Programme to the establishment of the Community of Latin American and Caribbean States (CELAC)."

79. The Chairman invited the delegates to discuss Area II of the Work Programme.

80. Guyana underscored the importance of the issue of food security for his country.

81. The delegate of Brazil considered that, while the issue of food security is a priority for the region, it should not be included in the agenda of SELA, since FAO next year will hold its regional meeting in LAC and this is the ideal forum to discuss this issue given its experience.

82. The delegation of Venezuela said that the conduction of the XXIII Meeting of International Cooperation Directors, to be held in Belize in 2012, was agreed by the international cooperation directors during the XXII meeting. Therefore this issue should not be discussed at this meeting.

83. The delegation of Belize insisted that the issue of food security is of the utmost importance to the region.

84. The delegations of Guatemala, Mexico, Venezuela, Dominican Republic, Cuba and the Bahamas endorsed the position of Belize and Guyana in terms of the inclusion of the issue of food security in the Work Programme of SELA, specifically as the central topic of the Meeting of International Cooperation Directors to be held in Belize.

85. The delegate of Brazil stressed that his government is not against the proposal, because it considers the issue of food security a priority. However, in their opinion, FAO is the most appropriate forum to deal with this issue.

86. The Permanent Secretary explained the dynamics of the meetings of Directors for International Cooperation, and pointed out that they are not only attended by the International Cooperation Directors, but also by experts from ministries depending on the nature of the meeting, in order to cover the technical aspects of the discussions. Participants also include representatives of international organizations, integration secretariats and United Nations agencies. Finally, he explained that the meetings on food security organized by SELA have been supported by the WFP, FAO and IICA.

87. The delegation of Brazil proposed to remove Activity 1.2.4 on SMEs and productive integration.

88. The Permanent Secretary explained that the conduction of this activity would be subject to the approval of the necessary resources.

89. Once the debates had concluded, the Chairman submitted for consideration of the delegations the Draft Work Programme of the Permanent Secretariat for the year 2011, which was approved. In this regard, the Council adopted Decision N° 521, along with the recommendations made by the delegates.

ADMINISTRATIVE BUDGET OF THE PERMANENT SECRETARIAT FOR THE YEAR 2012 AND ADMINISTRATIVE MATTERS**a) Budget**

90. The Permanent Secretariat submitted for consideration of the delegations the "Draft Administrative Budget of the Permanent Secretariat for the year 2012" (SP/CL/XXXVII.O/DT N° 5-11), with its corresponding presentation, which maintains the same amount and structure of income and expenses as that of the year 2011, and was approved. Several delegations made an exhortation to those Member States in arrears with SELA so that they get up to date with their quota payments as soon as possible. In this regard, the Council adopted Decision N° 522 and Decision N° 523.

b) Administrative Matters**i) Audit Report on the Financial Statements of the Permanent Secretariat at 31 December 2010**

The Permanent Secretariat submitted for consideration of the delegations the "Audit Report on the Financial Statements of the Permanent Secretariat at 31 December 2010" (SP/CL/XXXVII.O/DT N° 6-11), which was approved. In this connection, the Council approved Decision N° 524.

ii) Audit Proposal for the year 2011

The Permanent Secretariat submitted for consideration of the delegations the "Audit Proposal for the year 2011" (SP/CL/XXXVII.O/DT N° 7-11), which was approved. In this regard, the Council approved Decision N° 525.

INSTITUTIONAL MATTERS**Election of a Member of the Administrative Tribunal of SELA**

91. The Permanent Secretariat submitted for consideration of the delegations the document "Election of a Member of the Administrative Tribunal of SELA" (SP/CL/XXXVII.O/DT N° 8-11). In this connection, the Council approved Decision N° 526.

Accession of the Eastern Caribbean States to SELA

92. The delegations considered the arrangements being made by the Permanent Secretary with the Organization of Eastern Caribbean States (OECS). In this regard, the Council approved Decision N° 528.

Ending the blockade imposed by the United States of America against Cuba

93. The Permanent Secretariat submitted the document "Follow-up report on the application of the Helms Burton Act, 2010-2011" (SP/CL/XXXVII. O/Di N° 14-11).

94. The delegations condemned the application of this legislation. Particularly, the delegation of Nicaragua presented the Draft Declaration "Ending the Economic, Commercial and Financial Blockade imposed by the United States of America against Cuba", which was unanimously approved.

ELECTION OF THE PERMANENT SECRETARY

95. The delegates were informed about the letter of the outgoing Chairman of the Bureau, His Excellency Ramón Leets Castillo, addressed to the Member States and dated 1 August 2011, concerning the special situation as regards the election of the new Permanent Secretary. In this connection, the Council approved Draft Decision N° 9.

The Council discussed on the matter and decided to extend the mandate of the Permanent Secretary until 02 January 2012. For this purpose, it approved Decision No. 529.

96. The Permanent Secretary, Ambassador José Rivera Banuet, thanked the representatives of the Member States for extending his mandate.

OTHER MATTERS

97. The delegation of Brazil proposed to analyze the possibility of finding a new structure for the Reports on the Council Meetings so that they, preferably, deal with the core issues of the debates on the basis of the agreements reached. The Rapporteur welcomed this initiative and proposed the Permanent Secretariat to present a new format for the reports in 2012, which could be submitted for discussion by the Working Group. The proposal was approved.

98. The delegates discussed about the international economic and financial crisis and, in this regard, the Council issued the Declaration "The current international economic crisis and its challenges for Latin America and the Caribbean."

99. The delegates congratulated the Member States that recently celebrated the bicentennials of their declarations of independence, and in this connection, they issued the Declaration "Bicentennial of the independence of Member States".

100. The delegations expressed their solidarity and support to the Central American countries badly hit by recent natural disasters. In this connection, the Council issued the "Declaration of solidarity to the governments and peoples of Central American countries in view of the disasters occurred in October 2011".

101. The delegation of Ecuador referred to the initiative Yasuni-ITT, undertaken by that country as an effective voluntary measure to face the problem of climate change and ensure the preservation of one of the most biodiverse places in the world. In this connection, the Council issued the "Declaration of support to the Initiative Yasuni-ITT".

DECISIONS

DECISION N° 521

WORK PROGRAMME OF THE PERMANENT SECRETARIAT FOR THE YEAR 2012

THE LATIN AMERICAN COUNCIL,

HAVING SEEN:

Article 15, paragraph 6, of the Panama Convention, and

The document "Draft Work Programme of the Permanent Secretariat for the year 2012 (SP/CL/XXXVII.O/DT N° 4-11);

CONSIDERING:

The contents and spirit of Decision N° 440, adopted by the Latin American Council at its XXVIII Regular Meeting, held in Caracas in April 2003;

The work carried out by the Permanent Secretariat of SELA during the year 2011, along with the Member States, in compliance with the instructions set forth in Decision No. 513 of the Latin American Council;

The need to reach a consensus on a permanent instrument for evaluating compliance with the Work Programme of SELA and its impact on the development goals and priorities of its Member States;

DECIDES:

Article 1. To approve the Work Programme of the Permanent Secretariat of SELA for the year 2012, which includes the observations and concrete proposals made by the various delegations during the discussion of Item IV of the agenda for this meeting.

Article 2. In carrying out the various activities foreseen in its Work Programme, the Permanent Secretariat of SELA will keep regular contact with the members of the Bureau of the Latin American Council and the other representatives of the Member States.

Article 3. Along with the Permanent Secretariat, the Member States will initiate in 2012 a joint and gradual effort to implement a mechanism for evaluating the results of the work carried out by the organization and its impact on supporting integration, cooperation and economic development with social inclusion in Latin America and the Caribbean.

Article 4. This work evaluation effort will follow the outcome assessment methodology, based on quantitative and qualitative parameters, which will be discussed at the first meeting of the Informal Working Group to be convened by the Permanent Secretariat for that purpose in May 2012.

In addition, the Permanent Secretariat is instructed to convene a meeting of the Informal Working Group to submit and analyze a new format for drafting reports.

FOREWORD

This Work Programme of the Permanent Secretariat for the year 2012 follows the guidelines set forth by the XXVIII Latin American Council in Decision N° 440, whereby the organization's activities are classified into three areas, namely: intra-regional relations, technical and economic cooperation and extra-regional relations.

To approve this Work Programme, the Permanent Secretariat took into consideration the draft submitted by the Permanent Secretariat, which was based on the provisions of Decision No. 513 of the Latin American Council. This Decision instructed the Permanent Secretariat to define a well focused proposal of activities of the organization – based on a dialogue and evaluation with the representatives of the Member States – so that they could have a more effective impact in terms of the added value that their conduction by SELA could provide and in accordance with the needs for cooperation, integration and development of its Member States. To this end, from late 2010 until mid-September 2011, a total of 12 meetings took place, five of which were held by the Informal Group for Reflection of the Future Work Programme of SELA, with a active participation of representatives of various Member States – as stated in document SP/CL/XXXVII.O/Di N° 32-11, distributed by the Permanent Secretariat.

The activities included in this Programme also cover the tasks to be undertaken by the Permanent Secretariat in compliance with decisions and declarations adopted by consensus of the Member States of the Latin American Council. All activities will be financed with resources from the regular budget of the Permanent Secretariat, earmarked for undertaking the necessary actions to comply with the Work Programme, as summarized in Section II.3 of the Administrative Budget of the Permanent Secretariat for the year 2012 (SP/CL XXXVII.O/DT N° 5-11). This document details the amounts earmarked for each one of the activities foreseen in the Work Programme. However, in some cases it is noted that some additional resources (extra-budgetary income and cooperation resources from international and regional organizations) could also be used to finance certain activities included herein.

AREA I. INTRA-REGIONAL RELATIONS**PROGRAMME I. SUPPORT TO INTEGRATION AND POLICIES FOR ECONOMIC AND SOCIAL DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN (LAC)****PROJECT I.1. Support to Latin American and Caribbean integration.
Deepening of coordination and convergence**

This project has the following objectives:

1. To support efforts to accomplish the gradual coordination and convergence of the various integration processes existing in the region, pursuant to Article 5 of the Panama Convention.
2. To promote cooperation for integration, particularly the efforts undertaken by the Latin American and Caribbean countries to establish a regional financial architecture.

3. Contribute to gaining knowledge and making comparative analysis of the new forms of integration promoted by LAC countries in recent years, and evaluate their impact on the regional integration process.

4. Support the implementation of the agreements adopted in accordance with those mandates issued by the Third Summit of Latin America and the Caribbean on Integration and Development (CALC) which are related to the areas of action of SELA.

These general objectives of the project will be accomplished by conducting the five key activities detailed below, as well as other support actions that the Member States of SELA might recommend during the year, or actions stemming from the recommendations made during other related activities foreseen in the Work Programme.

Activity I.1.1. Compliance with the tasks stemming from the mandates of CALC and CELAC

A. Background and justification

The III Summit of Latin America and the Caribbean on Integration and Development (CALC) will be held in December 2011 in the capital of the Bolivarian Republic of Venezuela, in an event that will mark an important milestone in the process towards the establishment of the Community of Latin American and Caribbean States (CELAC).

As part of this process – and as indicated in the statements and action plans stemming from the two previous regional summits – it is necessary to intensify coordination and collaboration among the various integration and cooperation institutions in the region. At the same time, in line with the decisions adopted in this III CALC Summit and its work programme, regional organizations are expected to be able to take on specific tasks and actions, according to their own areas of competence, in order to contribute to the creation of an integrated Latin American and Caribbean space.

B. Objective

Carry out tasks and possible actions for coordination with other regional and subregional organizations on specific issues resulting from the agreements adopted by the Heads of State and Government of Latin America and the Caribbean during the III Summit of Latin America and the Caribbean on Integration and Development (Caracas, December 2011).

C. Expected results

1. Permanent development and follow-up of the tasks within the competence of SELA under the agreements and mandates stemming from the III Summit of Latin America and the Caribbean on Integration and Development (CALC).

2. Systematization of the updated information on the progress in implementing CALC agreements, which would be made available to Member States and regional and subregional organizations in case they may so require it.

D. Activities and schedule

Activities	Dates
Execution of the tasks stemming from the mandates of the III CALC Summit for SELA	As convenient
Participation in coordination and consultation meetings with other regional cooperation and integration organizations, in line with the mandates of the III CALC Summit.	As convenient
Keep updated information in the Digital Information and Knowledge Centre of (CEDIC-SELA) on the results of the III CALC Summit and the progress in the implementation of its decisions.	As convenient

E. Budget

Expenses involved for SELA in fulfilling the tasks stemming from the CALC Summit and the creation of CELAC – preliminarily estimated at US\$ 10,000 – will be covered with resources from the regular budget of the Permanent Secretariat.

Total estimated expenses: **US\$ 10,000**

Activity I.1.2. Drafting and distribution of the regular reports of the Permanent Secretariat of SELA on the regional integration process**A. Background and justification**

The Permanent Secretariat has been conducting systematic analyses of the integration process in the region, covering its main aspects and interrelations. Such analyses are based on the recommendations and requests made by Member States, official reports, statistics and studies carried out by various integration and cooperation organizations in the region, the direct contacts with them, and the reports from specialized agencies.

Since the regional integration and cooperation processes receive their guidelines through consultation and coordination at the level of Heads of State and Government, the analysis of the orientation and the implementation of the mandates of the Summit of Latin America and the Caribbean on Integration and Development (CALC) and other summits with a regional and subregional scope also forms part of the current vision of the regional integration process offered by the Permanent Secretariat to its Member States.

B. Objectives

1. Conduct a permanent analysis of the evolution of the integration process, with emphasis on regional and subregional aspects, while taking into account its multidimensional nature, in order to gain knowledge about its progress and the obstacles it faces.
2. Provide Member States with a timely vision of the progress of regional integration, as well as an assessment of actual possibilities for coordination and convergence of ongoing processes.
3. Systematically update databases maintained by the organization within the framework of CEDIC-SELA, which reflect the achievements and the challenges faced by

regional integration (with data on trade flows among countries of the Caribbean, Central and South America, and the Regional and Subregional Summits).

C. Expected results

1. Submittal to the Member States of an Annual Report on the Evolution of the Regional Integration Process, which includes the status, progress and difficulties faced by this process in the various fields it covers, namely: international context, institutional, changes, international economic negotiations, trade in goods and services, foreign direct investment, financial and monetary cooperation, and social dimension; while covering the implications of the decisions adopted by the CALC Summit and other regional and subregional summits, as well as regional, subregional and multilateral organizations. The report will also include the evolution of cooperation programmes to bolster integration.
2. Publication of the monthly "Bulletin on Regional Integration" and the fortnightly Bulletin "Avances", which summarize the evolution of the integration and cooperation process and the main activities within the context of SELA and other regional and subregional integration organizations.
3. Systematization of relevant and timely statistical information on regional integration through CEDIC-SELA, and the permanent updating of the Database on Foreign Trade.

D. Activities and schedule

Activities	Dates
Follow-up of the regional integration process	On a permanent basis
Submittal of the "Report on the Evolution of the Regional Integration process, 2011-2012"	October
Bulletin on Regional Integration	Monthly
Bulletin "Avances"	Fortnightly

E. Budget

Expenses to conduct the aforementioned activities are estimated at US\$ 10,000, which include three consultants' fees for three studies on specific issues related to the regional integration process, to be included in the "Report on the Evolution of Regional Integration, 2011-2012". Any other tasks resulting from this activity will be carried out as part of the regular duties of the Permanent Secretariat's technical staff.

Total estimated expenses: **US\$ 10,000**

Activity I.1.3 Analysis and preparation of policy proposals for the consolidation of a regional financial architecture

A. Background and justification

The current situation and prospects of regional integration, amid the new political and economic circumstances of our region and the world, calls for developing and consolidating the various proposals and projects underway in Latin America and the Caribbean to create a Regional Financial Architecture.

This is in line with the statements made by the Heads of State and Government of Latin America and the Caribbean during the two regional summits (CALC), held in December 2008 and February 2010. Therefore, SELA must continue to foster dialogue, interaction and

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synergy among regional and subregional integration and cooperation organizations in LAC, the governments of its Member States, and the monetary and financial cooperation institutions and projects in the region, in order to speed up development through joint and complementary projects for a Latin American and Caribbean financial architecture.

In this connection, the previous meetings held by SELA on this topic and the analyses and proposals made by the organization will serve as background for the actions to be undertaken in 2012, so as to promote financial cooperation for Latin American and Caribbean integration.

B. Objective

The main objective of this activity is to facilitate the analysis, discussion among its Member States, and the preparation of policy proposals to gradually promote the creation of a regional financial architecture for Latin America and the Caribbean.

C. Expected results

1. Preparation of a study on the status, feasibility, possibilities for complementation, and prospects of the proposals and ongoing projects in LAC for the creation of a regional financial architecture.
2. Convening and holding a Regional Meeting on the regional financial architecture, with the participation of representatives of the Member States of SELA and the various financial cooperation mechanisms and institutions in the region for integration and development in Latin America and the Caribbean.

D. Activities and schedule

Activities	Dates
Terms of reference for the study to be prepared by the Permanent Secretariat of SELA	January 2012
Selection of consultant and preparation of the study	February – April 2012
Preparation and convening of Regional Meeting	April 2012
Holding of Regional Meeting	May 2012
Dispatch of the Conclusions and Recommendations of the Regional Meeting and its Final Report to Member States and relevant regional organizations	June 2012

E. Budget

Professional fees for consultant in charge of the study: US\$ 6,000; and US\$ 12,500 for organizing the regional meeting, broken down as follows:

- a) Air ticket and per diem expenses for Consultant (3 days): US\$ 2,000
- b) Contribution for travel expenses and per diem for representatives of four (4) regional cooperation and financial integration organizations: US\$ 6,000
- c) Interpretation services and audiovisual equipment (2 days): US\$ 2,500
- d) Other expenses: US\$ 2,000

Total estimated expenses: **US\$ 18,500**

Activity I.1.4 Analysis and discussion of new forms of regional integration and collaboration being applied (ALBA and UNASUR), possibilities for complementarity, and their impact on integration in Latin America and the Caribbean

A. Background and justification

The noticeable advances and the new modalities adopted by the regional integration process, as well as the need to support processes that contribute to the creation of an integrated regional space in Latin America and the Caribbean, entail specific demands for specific actions by SELA, which – as a regional organization – has the purpose of promoting integration through actions that contribute to the coordination and convergence of ongoing subregional processes.

In this connection, it is advisable to make analytical efforts and spread relevant information about the newest integration schemes (ALBA and UNASUR), which will enhance knowledge among the various economic and social stakeholders in the region and will boost the process to outline proposals as regards the institutional architecture of regional integration.

For this reason, the Permanent Secretariat, in collaboration with the Secretariat General of UNASUR and the Executive Secretariat of ALBA-TCP, will convene and hold a Regional Seminar with the participation of officials of its Member States and representatives of other regional integration organizations in order to analyze the experiences and perspectives of these two new organizations, their possibilities for complementarity and their potential impact on the regional integration process.

B. Objectives

1. To conduct an analysis of the experiences and achievements in the implementation of the commitments taken on UNASUR and ALBA-TCP and their prospects.
2. Assess the possibilities for complementarity between UNASUR and ALBA with other existing regional integration efforts in force in LAC, and their implications for the regional integration process.
3. To hold a Regional Seminar with the participation of representatives of the Member States and other regional cooperation and integration organizations, on the experiences and prospects of UNASUR and ALBA-TCP.
4. Provide Member States with new elements for action, in their efforts to consolidate and deepen regional integration.

C. Expected results

1. A comprehensive study on the experiences, progress in the implementation of commitments and prospects of UNASUR and ALBA-TCP, as well as the likely impact of these projects on the regional integration process.
2. Outlining proposals for regional, medium-term application, which are based on the experiences of UNASUR and ALBA-TCP so as to foster gradual coordination and convergence of integration processes in the region.
3. Holding a Regional Seminar on the experiences of UNASUR and ALBA-TCP and regional integration in Latin America and the Caribbean.

D. Activities and schedule

Activities	Dates
Terms of reference for the study to be prepared by the Permanent Secretariat of SELA	March 2012
Selection of consultant and preparation of the study	April to June 2012
Preparation and convening of Regional Seminar	June 2012
Holding of Regional Seminar	July 2012
Dispatch of the Conclusions and Recommendations of the Regional Seminar and its Final Report to Member States and relevant regional organizations	August 2012

E. Budget

The budget to hold this Regional Seminar can be broken down as follows:

- a) Professional fees for consultant: US\$ 6,000
- b) Air ticket and per diem expenses for Consultant: US\$ 2,000
- c) Expenses involved in inviting four (4) representatives of integration and cooperation organizations in the region: US\$ 6,000
- d) Interpretation services and audiovisual equipment (2 days): US\$ 2,500
- e) Other expenses: US\$ 2,000

Total estimated expenses: **US\$ 18,500**

PROJECT I.2. Analysis, systematization and preparation of policy proposals for strengthening economic and commercial relations among LAC countries

Activity I.2.1. Keeping an updated database and spreading information on trade flows among LAC countries

A. Background and justification

Regular assessments and analyses on the degree of trade integration among LAC countries indicate that, in spite of some achievements, progress has been limited by a series of structural and cyclical factors which, thus far, have prevented them from benefiting from the economic advantages resulting from greater trade integration in our region.

Moreover, despite the efforts made by some regional organizations to collect and analyze statistical data on intra-regional trade flows, there are still great difficulties regarding the level of disaggregation and standardization of recorded data.

However, the Permanent Secretariat – in an effort to build a comprehensive information platform to support strategic decision-making in its Member States – has been developing since 2007 its database on External Trade Flows, which includes data on imports, exports and trade balance of the 28 Member States, as well as data on their trade relations with various subregional integration groups: CAN, CARICOM, CACM and MERCOSUR.

B. Objectives

1. Continue to process available information from the statistics of the Direction of Trade Statistics (DOTS) in order to keep an updated database on intra-regional trade among the Member States of SELA.

2. Effectively respond to the requests for information on intra-regional trade made to the Permanent Secretariat by its Member States and other regional and international organizations.

C. Expected results

Update of the database on intra-regional trade among the 28 Member States of SELA.

D. Activities and schedule

Activities	Dates
Processing information from the DOTS on foreign trade among the Member States of SELA	July and December
Prepare matrixes by countries or sub-regional groups at the request of Member States or regional integration and cooperation organizations.	As convenient

E. Budget

The budget to keep the database on intra-regional trade in Latin America and the Caribbean amounts to US\$ 3,000 (Annual subscription to the DOTS).

Activity 1.2.2. Preparation of report on mechanisms and modalities to promote trade among LAC countries. Case studies

A. Background and justification

One of the fundamental purposes of SELA is to keep a systematic analysis of the dynamics of regional integration, including those factors that directly affect the level and quality of intra-regional trade and economic relations.

As indicated above, since 2007, the Permanent Secretariat has been working on the creation of a database on regional trade. Similarly, experts, regional and international organizations and the Latin American and Caribbean governments have recognized that the levels of trade integration and complementation among our economies are still low.

Therefore, a recommendation is made for SELA to prepare a study – based on the information available – on the mechanisms and modalities to be developed in order to overcome the obstacles hampering trade among Latin American and Caribbean nations, by analyzing some countries the region.

B. Objectives

1. Prepare a study on mechanisms and modalities to promote trade among LAC countries.
2. Distribute the report, along with some proposals for action based on the national case studies conducted.

C. Expected results

Preparation and dissemination of a study on mechanisms and modalities to promote trade among Latin American and Caribbean countries.

D. Activities and schedule

Activities	Dates
- Terms of reference for the study to be prepared by the Permanent Secretariat of SELA	December 2011
Selection of consultant and preparation of the study	January – March 2012
- Distribution of the study among Member States and regional integration and cooperation organizations	April 2012

E. Budget

The budget to conduct the study amounts to **US\$ 6,000**, earmarked for covering consultant's fees.

Activity I.2.3. Analysis of the elements hindering greater integration and trade complementarity among LAC countries**A. Background and justification**

The consolidation of the regional economic integration process depends – among other factors – on the progress towards greater trade integration and complementarity among Latin American and Caribbean countries.

However, as noted above, the levels of reciprocal trade relations among our economies are, in relative terms, still very low. This is due to a series of factors, such as: a) national productive structures that are often characterized by being competitive, not complementary; b) lack of compliance with the trade policy commitments taken on within the context of the integration process; c) foreign exchange differences that alter the pattern of mutual competition; d) limitations as regards the development of transport and communications infrastructure, which increase direct and indirect costs associated with foreign trade; e) poor effectiveness and/or implementation of the mechanisms and incentives included in trade and economic cooperation agreements signed by the countries of our region, among others.

Therefore, it is advisable to make the proposal for SELA to prepare a study on the most remarkable difficulties hindering greater trade integration and complementarity among Latin American and Caribbean countries, and to request cooperation from the General Secretariat of ALADI to organize a Regional Seminar to discuss this issue, with the participation of SELA Member States and the regional and subregional integration and cooperation organizations.

B. Objective

The main objective of this activity is to facilitate the analysis and discussion among SELA Member States, and to outline policy proposals to encourage greater trade integration and complementarity among Latin American and Caribbean countries.

C. Expected results

1. Preparation of a study of the main limitations to increase trade flows and trade complementarity among the countries of Latin America and the Caribbean.

2. Assessment of the effectiveness of some of the most important trade and economic cooperation agreements entered into by the countries of Central America, the Caribbean and South America in order to promote intra-regional trade relations.

3. Convening and holding a Regional Seminar to promote greater trade integration and complementarity among Latin American and Caribbean countries.

D. Activities and schedule

Activities	Dates
Terms of reference for the study to be prepared by the Permanent Secretariat of SELA	March 2012
Selection of consultant and preparation of the study	April – June 2012
Preparation and convening of Regional Seminar	July – August 2012
Holding of Regional Seminar	September 2012
Dispatch of the Conclusions and Recommendations of the Regional Seminar and its Final Report to Member States and relevant regional organizations	October 2012

E. Budget

Professional fees for consultant in charge of the study: US\$ 6,000; and US\$ 14,000 for organizing the regional meeting, broken down as follows:

- a) Air ticket and per diem expenses for consultant (3 days): US\$ 2,000
- b) Contribution for travel expenses and per diem for representatives of five (5) regional cooperation and financial integration organizations: US\$ 7,500
- c) Interpretation services and audiovisual equipment (2 days): US\$ 2,500
- d) Other expenses: US\$ 2,000

This activity will be carried out in collaboration with other regional and subregional organizations, counting on complementary extra-budgetary cooperation. Thus, the net contribution of SELA would be equivalent to 60% of the total budget for the activity.

Total estimated expenses: **US\$ 12,000 (amount to be covered by SELA)**

Activity I.2.4. Free trade zones, export diversification and challenges of international integration of LAC countries

A. Background and justification

The development and consolidation of free trade zones – or export processing zones (EPZs) – by several Latin American and Caribbean countries in the last 25 years contributed to the consolidation of this mechanism in an ideal tool for employment creation, foreign investment attraction, technology transfer, product diversification, broadening of the export base and improvement in modalities of international integration. Until the end of the twentieth century, free trade zones were mainly a tool for export promotion, but from the twenty-first century on they are considered an instrument for productive development.

Around 130 countries include approximately 3,500 export processing zones or EPZs, which generate about 66 million jobs. Forty million of them are in China. These figures contrast with those reported in 1975, when only 29 countries included 665 free trade zones, which

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generated some 800,000 jobs. In just 10 years, from 1997 to 2006, the number of countries with EPZs increased by 40%, from 93 to 130, and the number of free trade zones rose from 845 to 3,500, up 314%. The number of jobs created increased by 200%, from 22.5 million to 66 million.

Free trade-industrial zones of goods and services have been developed in almost all Latin American and Caribbean countries, and their establishment continues to grow. According to IDB estimates, 448 free trade zones were created in 11 countries in the region in 2006, distributed as follows: 155 in Mexico and Central America, 43 in South America and 250 in the Caribbean. These countries are Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Dominican Republic. Unlike Ecuador (3.2%), Brazil and Guatemala (16%), the rest of the countries generate 40% to 80% of the value of their exports from their free trade zones. To this list should be added Antigua and Barbuda, Argentina, Bahamas, Belize, Bolivia, Chile, Cuba, Paraguay, Peru, Saint Vincent and the Grenadines, Saint Lucia, Trinidad and Tobago, Uruguay and Venezuela.

The rules and flexibilities of the WTO on (agricultural, non-agricultural and service) subsidies and performance requirements, as well as the relevant provisions of trade agreements, have imposed bans and limits on the incentives offered to date for operators of free trade zones. This situation, the trend towards relocation of many productive activities throughout the world, the consolidation of strategies for the door-to-door or just in time delivery and the so-called outsourcing and offshoring activities, particularly in the area of services, are demanding new investment strategies and business in the free trade zones. In Latin America and the Caribbean, the review of government and business policies for free trade zones has resulted in their conversion into real centres of productive development and increasing integration with the economies of individual countries. The development of businesses among operators of such areas throughout Latin America and the Caribbean is also expected.

In this connection, it is advisable to know the current role of public policies and the productive and institutional structure that supports these EPZs, in light of trends in Latin American and Caribbean integration over the next decade, including the role of this region in the global economy.

The commitments made within the framework of the WTO and the regional trade agreements (RTAs) have led some Latin American countries to make policy, regulatory and institutional adjustments, particularly in the field of subsidies related to free trade zones. One of these cases is Guatemala, where legislation for free trade zones goes back to year 1989. However, it shall have complied with the provisions of the WTO Agreement on Subsidies by the year 2015. This profound adjustment in its policy of export and productive development promotion primarily requires it to know the experience of other countries that went through a similar situation and rethought the scope of their policy based on international trends for the transformation and integration of the productive sector. In addition, this is an important opportunity to modernize the policy in compliance with current trends in international business being conducted in those EPZs. Furthermore, it is necessary to study the possible effects of new policies on issues related to fiscal, investment, foreign exchange, employment, environmental and regional development areas.

For this purpose, SELA will coordinate a study of the particular case of Guatemala, whose results will be presented in the context of a regional seminar.

B. Objectives

1. Review international trends of policies and businesses related to free trade zones, including the evolution of international standards.
2. Exchange experiences in the development of free trade zones – or export processing zones – and the role of such zones in the formation and consolidation of business sectors related to global or regional value chains.
2. Assess the implications of the development of such free trade zones – or export processing zones – to change the patterns of international integration of LAC countries that have used this mechanism in their economic and productive development strategies, as well as those aimed at fostering exports.
3. Conduct a Regional Seminar with the participation of representatives of Member States about the prospects of free trade zones in LAC over the next decade, in view of the experiences and challenges imposed by international business trends and multilateral commitments accepted in this regard.

C. Expected results

1. Preparation of a comprehensive study on the experiences of Latin America and the Caribbean in the development of free trade zones (or export processing zones), applied incentives, productive specialization, implications for economic and social development of our countries (productive development, employment, technological development, tax revenues, foreign exchange generation, production linkages, international integration) and the prospects for the next decade.
2. Formulation of draft policies to take advantage of international business trends and face the challenges involved in changing the incentives for free trade zones, based on the experience of Guatemala from 2015 and existing international commitments, including an analysis of their impact on production, employment, exports, public finance and regional development.
3. Announcement and conduction of a Regional Seminar on free trade zones in LAC, their prospects for the next decade and role in regional productive integration.

D. Activities and schedule

Activities	Dates
Preparation of terms of reference for the study to be carried out by the Permanent Secretariat of SELA	January 2012
Hiring of the consultant and preparation of the study	February – April 2012
Preparation and holding of the Regional Seminar	April – May 2012
Conduction of the Regional Seminar	June 2012
Sending the conclusions and recommendations of the Regional Seminar and its Final Report to the Member States and relevant regional bodies	July 2012

E. Budget

The estimated budget for the conduction of this Regional Meeting is broken down as follows:

- a) Professional fees for consultant in charge of the study: US\$ 6,000;
- b) Air ticket and per diem expenses for consultant: US\$ 1,500
- c) Contribution for travel expenses and per diem for representatives of three (3) government institutions specializing in promotion and management of free trade zones in our region: US\$ 4,500
- c) Interpretation services and audiovisual equipment (2 days): US\$ 2,500
- d) Other expenses: US\$ 2,000

Total estimated expenses: **US\$ 16,500**

PROJECT I.3. Development of International Trade Single Windows within the framework of international trade facilitation and cross-border paperless trade

Activity I.3.1. IV Latin American and Caribbean Regional Meeting on International Trade Single Windows: Impacts of intra-regional trade facilitation

A. Background and justification

The importance of improving international competitiveness, making export capacity more efficient, deepening trade agreements in force, and decreasing transaction time and costs in international trade has given rise to a growing interest in Latin America and the Caribbean in developing instruments for trade facilitation. In line with these trends, the Permanent Secretary is making a systematic effort to promote foreign trade facilitation and contribute to overcoming obstacles hindering international trade flows, with special emphasis on promoting cross-border paperless trade. Hence the need to develop International Trade Single Windows as a highly important mechanism to facilitate foreign trade exchanges, which can increase the efficiency of export capacities and the effectiveness of integration in the region within the context of the global economy. Single Windows are conceived as an essential instrument in the context of trade facilitation. Developing them necessarily involves streamlining foreign trade procedures, while increasing transparency and security.

In this connection, the Permanent Secretariat organized three regional meetings and one workshop in 2010 and 2011, with the purpose of creating a space for rapprochement and coordination that encourages regional dialogue through the exchange of experiences and best practices, the definition of strategic issues, and dissemination of the achievements in the region with respect to International Trade Single Windows, thus contributing to their development and consolidation.

The "First Latin American and Caribbean Regional Meeting on International Trade Single Windows" was held in Bogotá on 25 and 26 March 2010, with the support of the Ministry of Trade, Industry and Tourism of Colombia, the Bogotá Chamber of Commerce and the World Bank Group's International Finance Corporation (IFC). It was followed by the "Second Latin American and Caribbean Regional Seminar on Foreign Trade Single Window: Advances and pending challenges", organized with the support of the National Customs Service of Chile, and the "First Workshop on Foreign Trade Single Windows: Considerations and Proposals for Regional Action within the Framework of the Latin American Pacific Rim Forum", organized jointly with the National Customs Service of Chile under the auspices of the Inter-American Development Bank (IDB) and CAF-Development

Bank of Latin America. Both events were held in Valparaiso, Chile, on 30 November and 1 December 2010.

Pursuing the aforementioned goals, in compliance with the mandate of its Member States, as stated in the Work Programme for 2011, the Permanent Secretariat will organize jointly with the Ministry of Foreign Trade and Tourism of Peru the “III Latin American and Caribbean Regional Seminar on International Trade Single Window: Innovation practices and interoperability”, on 24 and 25 November 2011.

From the perspective of digital inclusion within the framework of regional integration, it is evident that it is important to promote the exchange of information about the requirements for consolidating mechanisms for harmonization of International Trade Single Windows, with the purpose of achieving a more effective cooperation among the various applications to enable new services – thereby contributing to intra- and inter-regional trade facilitation and the creation of an environment that favours a profitable and dynamic insertion of the region into the global economy.

B. Objectives

1. Promote regional dialogue through the exchange of information, analysis and discussion of best practices and critical aspects of International Trade Single Windows, emphasizing the factors that contribute to improve already consolidated and projected Single Windows in the countries in the region.
2. Contribute to the gradual coordination of the various efforts undertaken at the regional level in Latin America and the Caribbean to develop Single Windows and pursue digitalization of foreign trade procedures, in line with international standards for simplification of cross-border paperless trade procedures.
3. Define strategic issues for the development of international Trade Single Windows with a view to providing guidelines for a technical cooperation agenda in this regard, with a regional scope.

C. Expected results

Based on the aforementioned goals, the expected results are as follows:

Holding a Regional Meeting on the development of International Trade Single Windows to deal with the achievements and regional strategies, and to determine the impacts of trade facilitation from a regional perspective, with the participation of representatives of the Member States of SELA related to the design and implementation of Single Windows, as well as representatives of international organizations such as ECLAC, UN/CEFACT, IDB, CAF and others.

D. Activities and schedule

The only event foreseen as part of Activity I.3.1 is as follows:

Activity	Date
Holding of IV Regional Latin American and Caribbean Meeting on International Trade Single Windows. Impacts of intra-regional trade facilitation.	October Host country to be defined

E. Budget

To organize and conduct this activity, a total amount of US\$ 40,000 is required. Arrangements are being made to obtain extra-budgetary resources to cover travel and per diem expenses of the representatives of the Member States.

The aforementioned amount can be broken down as follows:

US\$ 40,000 for conducting the "IV Latin American and Caribbean Regional Seminar on International Trade Single Window: Impacts on intra-regional trade facilitation". This includes expenses involved in inviting representatives of the Member States, experts and officials of relevant regional and subregional organizations, as well as logistics expenses. SELA will provide 25% of the overall amount, by using resources from its regular budget.

Total estimated expenses: **US\$ 10,000 (amount to be covered by SELA)**

Activity I.3.2. Project Phase I: Methodological basis for interoperability and harmonization of International Trade Single Windows in LAC and related activities

A. Background and justification

The activity is aimed at launching a pilot project for interoperability and harmonization of International Trade Single Windows, whose first phase is focused on developing a methodological basis adjusted to the specific realities of participating countries. It is expected to lay the groundwork for the conceptualization of an architecture and platform for interoperability to harmonize and make their systems interoperable with each other, and with the rest of Single Windows in the countries that form part of the Latin American Pacific Rim and the region as a whole.

The pilot project is based on the premise that Single Windows involve complex processes, not merely isolated experiences in the area of informatics. In this connection, such processes must be analyzed and assessed; and to this end, it is necessary to establish a methodology and a roadmap to develop regional processes for harmonization and standardization of terminology, data and procedures among Single Windows, in order to ensure that they can operate in an integrated and inter-related environment.

In its initial phase, the countries that form part of this non-refundable technical cooperation project between SELA and CAF are Colombia and Panama. The ultimate goal is to achieve replicability of the results of Phase I in other countries of the Latin American Pacific Rim and the whole region, according to the specific needs and interests of each country as regards the overall development of their International Trade Single Windows.

B. Objectives

1. Build a methodology tailored to the specific realities of participating countries, thereby contributing to the development of their Single Windows, and expand opportunities for harmonizing their systems and make them interoperable with each other and with other Latin American and Caribbean countries.
2. Define the minimum requirements in terms of technology and informatics to ensure functionality of Single Windows, and establish the budgetary, legal and institutional

supports necessary for their operation and sustainability.

3. Lay the groundwork for the conceptualization of the architecture and platform for interoperability, based on concrete solutions, in order to enhance the possibilities of making Single Windows interoperable at the regional level.

C. Expected results

Based on the aforementioned goals, the expected results are as follows:

Establishment of a methodology to facilitate the gathering of standardized information, and design of formats that allow for constructing a working methodology that can be transferred to other countries. Ultimately, this may lead to the harmonization of procedures and to the compatibility of systems and data, as a necessary condition for achieving harmonization and interoperability at a regional level.

D. Activities and schedule

The only task foreseen as part of Activity I.3.2, "Project Phase I", is as follows:

Activity	Date
Creation of a methodological basis for interoperability and harmonization of International Trade Single Windows in LAC	January to December

E. Budget

To organize and conduct this activity, and any related tasks, the Secretariat will count on a non-refundable technical assistance contribution from CAF-Development Bank of Latin American for a total amount of US\$ 250,000.

The budget to be allocated by SELA is estimated at US\$ 25,600, broken down as follows:

- a) Air tickets and per diem for coordinator: US\$ 17,796
- b) Logistics expenses to conduct seminars, meetings and other events: US\$ 6,804
- c) Expenses in publications and printed material: US\$ 1,000

AREA II. ECONOMIC AND TECHNICAL COOPERATION

PROGRAMME: SUPPORT TO ECONOMIC AND TECHNICAL COOPERATION AMONG LAC COUNTRIES TO CONTRIBUTE TO REGIONAL INTEGRATION AND DEVELOPMENT

PROJECT II.1. Strengthening Economic and Technical Cooperation in Latin America and the Caribbean

Activity II.1.1. Annual Meeting of International Cooperation Directors for Latin America and the Caribbean

A. Background and justification

Since its inception in 1975, the Permanent Secretariat has carried out – in compliance with a mandate from the Member States of SELA – a series of programmes and initiatives in the area of regional and international cooperation, including meetings, forums, seminars, studies, training courses and the creation of Action Committees, aimed at addressing specific problems identified as priorities on the Latin American and Caribbean agenda, particularly in relation to international cooperation, Technical Cooperation among Developing Countries (TCDC) and South-South Cooperation.

As of 1987, the Member States of SELA started to hold the Meeting of Directors of International Technical Cooperation on an annual basis, which provided a space for rapprochement for stakeholders in the area of international cooperation to exchange ideas and experiences on this issue, from a Latin American and Caribbean perspective. The Permanent Secretariat – acting as a regional focal point – has provided support to the national focal points of international cooperation for implementing such initiatives.

Later on, the IX Regular Meeting of the Latin American Council in September 1983 adopted Decision No. 156, by which SELA was appointed as the regional focal point for exchanging information on Technical Cooperation among Developing Countries.

These events started as meetings of Directors of International Technical Cooperation, and later on they included the modality of Working Sessions of the Ad-Hoc TCDC Working Group and meetings of the Mechanism for Coordination of international organizations and regional bodies carrying out activities TCDC-related activities. In 1998, those mechanisms were integrated into the Meetings of International Cooperation Directors for Latin America and the Caribbean.

Through time, these meetings have allowed national focal points for international cooperation in the Member States of SELA to discuss issues or undertake training activities in various areas of priority for the governments in the region.

For 2012, the Permanent Secretariat is planning to hold the XXIII Meeting of International Cooperation Directors for Latin America and the Caribbean in Belize, according to the offer kindly made by the government of that country during the XXI Meeting of International Cooperation Directors (held in Paramaribo, Suriname, on 29 and 30 July 2010). Its central topic will be regional cooperation to support food security in Latin American and Caribbean countries.

B. Objectives

The general objectives of the Meeting of International Cooperation Directors for Latin America and the Caribbean are as follows:

1. Promote a space for rapprochement among the national authorities and focal points responsible for international cooperation so that they can exchange experiences and best practices as regards priority issues on the agenda for development assistance, South-South Cooperation and Triangular Cooperation in Latin America and the Caribbean.
2. Identify actions and initiatives for better coordination and synergy among the various international cooperation actors at the regional and subregional levels as regards food security.
3. Analyze, organize and update the available information on cooperation programmes, projects, and actions related to food security that have been undertaken by the various integration schemes and regional and subregional cooperation in Latin America and the Caribbean (SICA, CARICOM, MERCOSUR, CAN, MESOAMERICA PROJECT, ALBA, UNASUR, CALC), in order to identify their strengths and weaknesses, and support inter-institutional coordination.
4. Promote the identification of bilateral and multilateral cooperation sources for the countries of Latin America and the Caribbean, as well as cooperation opportunities that can be exploited within the region to support food security.
5. Identify policy proposals and recommendations for strengthening international cooperation, South-South and Triangular Cooperation in the area of food security.
6. Promote and facilitate opportunities for exchanging offers and requests in priority areas of international cooperation and in fields with an impact on economic and social development in the region.

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C. Expected results

Expected results are as follows:

1. Conduction of a regional meeting with the national authorities and focal points in charge of international cooperation.
2. Emphasizing successful experiences and recent best practices in cooperation in the area of food security identified as priorities, both in Member States, and in regional and international organizations and regional and subregional integration and cooperation groups.
3. Mapping of the major cooperation sources and opportunities for the region in food security and sectors identified as priority areas for agri-food development.
4. Conduction of an updated study systematizing the major cooperation actions, programmes and projects being developed in the region in the area of food security, particularly those implemented by the regional and subregional integration and cooperation schemes of Latin American and Caribbean, and
5. Identification of policy proposals and recommendations for national authorities responsible for international cooperation in order to increase the efficiency of the cooperation activities being implemented in the Latin America and the Caribbean.

D. Activities and schedule

The XXIII Meeting of International Cooperation Directors for Latin America and the Caribbean will last two days and will be held in Belize, in accordance with the offer made by this country on the occasion of the XXI Meeting of International Cooperation Directors, held in Paramaribo, Suriname.

Participants will include national focal points and officials responsible for international cooperation in the Member States of SELA, representatives of regional and international organizations and bilateral and multilateral development agencies, regional and international organizations, experts, academicians, and other cooperation partners related to food security.

Activities	Dates
Convening of XXIII Meeting of International Cooperation Directors for Latin America and the Caribbean	March 2012
Holding of XXIII Meeting of International Cooperation Directors for Latin America and the Caribbean	June 2012

E. Budget

The budget for conducting the Regional Meeting will be US\$ 35,000 to cover travel costs of cooperation directors of regional and international organizations. As customary, for this activity, co-sponsorship has been requested from the Perez-Guerrero Trust Fund of the Group of 77. Therefore, the Permanent Secretariat of SELA would provide 50% of the total amount required.

Total estimated expenses: **US\$ 17,500 (amount to be covered by SELA)**

Activity II.1.2. Tasks for the creation of a Regional Programme to systematize information and evaluate offers and requests for cooperation and technical assistance that could be covered by the countries of the region

A. Background and justification

During its IX Regular Meeting, held in Caracas in September 1983, the Latin American Council adopted Decision No. 156, by which SELA was appointed as the regional focal point for exchanging information on Technical Cooperation among Developing Countries.

In accordance with this mandate and in keeping with the recommendations made by the International Cooperation Directors, the Permanent Secretariat will undertake the necessary actions to promote the exchange of offers and requests for cooperation and technical assistance among national focal points responsible for international cooperation in SELA Member States in those areas and sectors identified as priorities for economic and social development.

In order to conduct such activities, the Permanent Secretariat will seek cooperation and coordination with the Special Unit for South-South Cooperation of the UNDP, the Perez Guerrero Trust Fund of the Group of 77, as well as other regional and subregional organizations that may be conducting similar initiatives.

B. Objectives

The general objectives of the activities involved in this programme are as follows:

1. Support the dissemination of manuals and catalogues of offers and requests for international technical cooperation prepared by the national authorities and focal points for international cooperation of the Member States of SELA.
2. Support the dissemination of the directories and databases of the centres of excellence of SELA Member States with the capacity to provide technical assistance within and outside the region.
3. Provide a space for rapprochement among the national authorities and focal points responsible for international cooperation so that they can exchange experiences and best practices as regards priority issues on the agenda of development assistance, South-South Cooperation and Triangular Cooperation in Latin America and the Caribbean.
4. Identify actions and initiatives that provide opportunities to improve international cooperation and increase coordination and synergy among the various international cooperation actors at the regional and subregional levels.
5. Promote the exchange and dissemination of information on cooperation programmes, projects, and actions that have been undertaken by the various integration schemes and regional and subregional cooperation organizations in Latin America and the Caribbean (SICA, CARICOM, MERCOSUR, CAN, MESOAMERICA PROJECT, ALBA, UNASUR, CALC) in order to support inter-institutional coordination.
6. Organize this information and make it available to Member States on SELA's Web page.

C. Expected results

The expected results are as follows:

1. Conduction – at the request of Member States – of meetings and events to exchange offers and requests for international cooperation, South-South Cooperation

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and/or Triangular Cooperation among the national authorities and focal points responsible for this type of cooperation in areas of priority for economic and social development in the region;

2. Development of a digital space that allows for organizing and systematizing the information available in the Member States as regards offers and requests for international cooperation, centres of excellence, publications, and other resources of interest for the national authorities and focal points responsible for this subject.

D. Activities and schedule

The Permanent Secretariat will start to gather and systematize this information in November, and to design the structure that this information service will have on SELA's Web site.

In order to hold meetings and events for the exchange of offers and requests for international cooperation, South-South Cooperation and/or Triangular Cooperation among the national authorities and focal points responsible for this subject in priority areas for economic and social development in the region, the Permanent Secretariat has started to make arrangements and coordinate with other regional and international organizations so as to obtain the necessary resources to carry out such activities.

Activities	Dates
Meeting on an exchange of offers and requests for international cooperation, South-South Cooperation and/or Triangular Cooperation among the national authorities and focal points responsible for this subject in priority areas for economic and social development in the region.	At the request of Member States
Start of the search for information and documentation.	November 2011
Design of the section on SELA's Web site which will contain the information.	January 2012
Feeding and analyzing information for the corresponding section on SELA's Web page.	February – December 2012

E. Budget

The budget to conduct the activities foreseen in this project amounts to US\$ 10,000, which will be used for hiring specialized services for collecting information and designing the section in the Web page that will host SELA's catalogue on offers and requests for cooperation.

The Permanent Secretariat has taken the necessary coordination steps to search for additional resources that may be required depending on the needs raised by Member States.

Total estimated expenses: **US\$ 10,000**

Activity II.1.3. Creation of database on South-South Cooperation initiatives and projects and possible methodology for quantification and assessment of their effectiveness, and definition of a cooperation structure in Latin America and the Caribbean

A. Background and justification

In compliance with Decision No. 156, adopted by the Latin American Council at its IX Regular Meeting, held in Caracas in September 1983, by which SELA was appointed the regional focal point for the exchange of information on technical cooperation among developing countries, and in accordance with the conclusions and recommendations of the "Regional Workshop on funds and instruments for financing South-South Cooperation projects in Latin America and the Caribbean" (Mexico City, 28 and 29 July 2011), organized by the Permanent Secretariat and the Secretariat of Foreign Affairs of Mexico, participants agreed to create a database with information on initiatives and projects for South-South Cooperation among countries of LAC. They also agreed to promote discussion, analysis and dissemination of possible methodology to assess the effectiveness of South-South Cooperation.

To develop these activities, the Permanent Secretariat will seek cooperation and coordination from the Special Unit for South-South Cooperation of UNDP, the Perez-Guerrero Trust Fund of the Group of 77 and other regional and subregional organizations that may be implementing similar initiatives, and will maintain constant communication with authorities and national focal points for international cooperation of Member States.

B. Objectives

The general objectives of this activity are as follows:

1. Support efforts to systematize information on the various tools, mechanisms and funds for financing South-South Cooperation that are developed or implemented by regional or subregional integration and cooperation organizations, bodies of the United Nations system, and bilateral and multilateral development institutions.
2. Gather information to develop profiles of each cooperation institution with a view to keeping a "Directory of cooperation sources for financing South-South Cooperation and Triangular Cooperation" up to date.
3. Create a database with relevant information on actions, activities, programmes and projects for South-South Cooperation carried out by countries and regional and subregional integration and cooperation organizations, which will contribute to dissemination of successful experiences and best practices.

C. Expected results

1. Creation of a section on SELA's Web site to report and disseminate the activities for South-South Cooperation being developed in Latin America and the Caribbean;
2. Development of a "Directory of cooperation sources for financing South-South Cooperation and Triangular Cooperation".

D. Activities and schedule

Collection and systematization of information will start in November, as well as the design of this information service on SELA's Web site.

Once the design of this information service is ready, the database will be fed with information and publications from national authorities and focal points responsible for international cooperation, as well as from regional, international and multilateral development organizations.

Activities	Dates
Design of the information service on SELA's Web site	November – December 2011
Inclusion of contents in the information service on SELA's Web site	January 2012
Directory of cooperation sources for financing South-South Cooperation	October 2012

E. Budget

The budget to carry out these activities amounts to US\$ 10,000.

The Permanent Secretariat will make arrangements and coordination efforts to search for additional resources from other international cooperation organizations, in order to ensure long-term maintenance of this database.

Total estimated expenses: **US\$ 10,000**

Activity II.1.4. Support to existing institutions for disaster risk reduction in Latin America and the Caribbean

A. Background and justification

Within the framework of the Latin American Council of SELA, the Ibero-American Summits, the Rio Group and meetings of Latin American and Caribbean institutions specializing in disaster risk reduction, specific mandates have emerged to assess and analyze Ibero-American, Latin American and Caribbean actions with a view to improving the mechanisms to respond to emergencies and contingencies arising from disasters, taking into account the increased vulnerability of the countries in the region to natural disasters and the impact of climate change on our environment.

The Permanent Secretariat has analyzed the issue of cooperation in cases of natural disasters and the need to strengthen the Latin American and Caribbean institutions for disaster risk reduction since 2007, when the "XVIII Meeting of International Cooperation Directors for Latin America and the Caribbean: Cooperation for countries with a high degree of vulnerability to natural disasters" was carried out (Caracas, Venezuela, 17 and 18 September 2007). Later in 2009, it organized two seminars on "Mechanisms to respond to natural disasters" to analyze the experiences in the Andean Region and Southern Cone (Caracas, 3 and 4 September 2009) and the experiences of Mexico, Central America and the Caribbean (Panama City, 15 and 16 October 2009).

Following up on these initiatives, on 7 June 2010, the "Working Group Meeting to improve a proposal for a simplified mechanism to manage and reduce disaster risks in Latin American and Caribbean countries" was held in the headquarters of the Secretariat of Foreign Affairs of Mexico. That meeting resulted in the creation of the "Technical Advisory Group¹ for the establishment of a regional simplified mechanism to respond to emergencies and contingencies arising from disasters," coordinated by the Government of Mexico.

In 2010, the Permanent Secretariat continued to analyze cooperation for disaster risk reduction in collaboration with the United Nations International Strategy for Disaster Reduction (ISDR), and focused on complying with the priorities defined within the framework of the "World Conference on Disaster Reduction" (18 to 22 January 2005, Kobe, Japan) and contained in the "Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities to Disasters."

That same year, SELA organized the "Meeting on the Institutional Framework for Disaster Risk Reduction in Latin America and the Caribbean, Asia and Africa" (13 and 14 December 2010, Panama City), along with the United Nations International Strategy for Disaster Reduction (ISDR), the Perez Guerrero Trust Fund (PGTF) of the Group of 77 (G-77) and the Ibero-American General Secretariat (SEGIB). That opportunity was propitious to advance in regional cooperation and coordination in this area through the conduction of the "IV Meeting of the Forum on Cooperation and Coordination of Regional Mechanisms for Disaster Risk Reduction in the Americas," attended by subregional institutions specializing in this matter (CAPRADE, CEPREDENAC, CDEMA and REHU).

¹ This Technical Advisory Group is made up of representatives from: ACS, AECID, CAPRADE, ISDR, OCHA, OAS, PAHO, REUH, SEGIB, SELA, UNASUR, SEGOB and the Government of Mexico. Furthermore, it is open to the participation of other interested institutions, such as ALBA, CEPREDENAC, CDEMA, IFRC and the Ibero-American Association of Governmental Organizations and Civil Defence.

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In 2011, the Permanent Secretariat, along with the United Nations International Strategy for Disaster Reduction (ISDR), held the "Regional Seminar on cooperation between governments and the private sector for disaster risk reduction in Latin America and the Caribbean: Focus, Progress and challenges" on 17 and 18 November 2011 in Panama City.

In 2012, the Permanent Secretariat will continue to support Latin American and Caribbean institutions specializing in disaster risk reduction in the region and strengthen their cooperation and coordination with the United Nations International Strategy for Disaster Reduction (ISDR).

B. Objectives

The objectives of this activity are:

- i) Support activities and initiatives developed by Latin American and Caribbean institutions specializing in disaster risk reduction;
- ii) Strengthen coordination and cooperation with Latin American and Caribbean institutions specializing in disaster risk reduction, as well as other regional and international organizations, such as the United Nations International Strategy for Disaster Reduction (ISDR);
- iii) Undertake support actions defined by Member States through authorities of national systems for disaster risk reduction; and
- iv) Follow up the conclusions and recommendations arising from the "Regional Seminar on cooperation between governments and the private sector for disaster risk reduction: Focus, progress and challenges" (Panama City, 17 and 18 November 2011).

C. Expected results

- i) Assistance and support to activities and events developed by Latin American and Caribbean institutions specializing in disaster risk reduction, and dissemination of their findings, conclusions and recommendations;
- ii) Signing of an agreement on cooperation and coordination with the United Nations International Strategy for Disaster Reduction (ISDR), so that actions to be developed are in line with the priorities of Latin American and Caribbean institutions specializing in disaster risk reduction and the priorities of the Hyogo Framework for Action 2005-2015.
- iii) Consideration of specific requests for cooperation made by the authorities of national systems for disaster risk reduction in Member States of SELA.

D. Activities and schedule

This programme will be developed according to the priorities set by Latin American and Caribbean institutions specializing in disaster risk reduction, as well as the authorities of national systems for disaster risk reduction, and implemented in coordination with the United Nations International Strategy for Disaster Reduction (ISDR). This will avoid duplication of efforts and waste of time and resources.

Budget

The budget to support the implementation of this programme amounts to **US\$ 10,000**.

The Permanent Secretariat, in coordination and cooperation with other regional and international cooperating institutions, will take the necessary steps to search for additional resources required to implement actions as a result of this activity.

PROJECT II.2. Inter-Institutional Cooperation for the development of Small and Medium-sized Enterprises (SMEs) in LAC

A. Background and justification

Since its inception, SELA has promoted the creation and strengthening of small and medium-sized enterprises (SMEs) in Latin America and the Caribbean.

SMEs are the main creators of employment opportunities, which give them a central role in the purposes of our societies to reduce poverty. SMEs are also the primary source of economic growth, creation of goods and services, and export promotion. In addition, these entities contribute to a more equitable distribution of income, not only because they offer opportunities, but also because these small and medium-sized enterprises tend to be more geographically dispersed than larger companies, helping reduce economic disparities between urban and rural areas and between the most developed and most backward regions.

SMEs have the ability to adapt to changing technology and the flexibility to meet market demand.

B. Objective

The objective of this project is to contribute to the development of institutional capacities of government and business entities that conduct programmes to support SMEs in LAC countries.

C. Expected results

1. Support for training of those in charge of public and private programmes for the development of SMEs on strategies to improve efficiency, innovation, productivity, financing, and internationalization of those enterprises.
2. Exchange of experiences for the adoption of organizational forms of intermediate institutions in order to improve the supply of products and services to support SMEs.
3. Support for and strengthening of efforts to create thematic networks on SMEs.
4. Boost to cooperation activities among Member States of SELA regarding public policies to support SMEs and their involvement in regional value chains and productive integration of LAC.
5. Promotion of cooperation with public and private national and international institutions, whose programmes and actions are expected to support the development of SMEs in our region.

Activity II.2.1. Conduction of analysis and design of public policies to support SMEs and their participation in regional value chains

I. PUBLIC POLICIES

A. Background and justification

Since the establishment of SELA, the issue of productive development has been the cornerstone of reflection and implementation of various activities, such as forums, seminars and workshops on industrial policy. From the mid-eighties, SELA has promoted the work of SMEs, becoming an important reference for Member States interested in defining and implementing public policies in this sector.

Since 1999, SELA has carried out a number of activities through the IBERPYME Programme, including seminars, forums, training courses and workshops, for the treatment of public policies to support SMEs, as well as studies regarding the design and implementation of strategies and policies for this sector.

In addition, it should be noted that the Permanent Secretariat of SELA has constantly reiterated the importance of the productive dimension of integration in Latin America and the Caribbean and the role to be played by SMEs in that process.

During 2011, and as part of the preparatory work to facilitate dialogue among regional and subregional organizations on the productive dimension of integration – within the framework of SELA's support to the Pro-Tempore Presidency of CALC – the limited development of regional value chains was considered to be at the bottom of the low level that is commonly evident in economic and trade relations among the countries of the region, which represents a critical factor in advancing the process of convergence and coordination of Latin American and Caribbean integration.

Public policies to support SMEs – designed to facilitate and promote the consolidation of this sector – should provide a set of instruments that promote and contribute to the leap required to face future challenges. They should focus on the fundamentals and the substantive improvement in business efficiency, based on more and better infrastructure, access to information for decision-making, better management of available knowledge and access to technology, innovation, credit and markets.

A. Objectives

The general objectives are as follows:

1. Support initiatives and efforts being carried out by Member States for effective implementation of public policy instruments and strategies through direct technical support or triangular cooperation to contribute to the participation of SMEs in regional value chains.
2. Collect and disseminate information on best practices in the design and implementation of public policies to contribute to the participation of SMEs in regional value chains that support the efforts carried out by interested Member States.
3. Promote meetings among different actors, from both public and private sectors, for implementation and evaluation of public policies to support SMEs.

B. Expected results

1. Training of government officials in the design, implementation and evaluation of the impact of public policies to support SMEs, related to the participation of the sector in regional value chains.
2. Creation of a permanent communication network of government officials responsible for public policies to support SMEs and promotion of the interconnection among them through a specific link on the Web site of SELA.
3. Preparation of a study on the progress in implementing best practices on public policies to support the participation of SMEs in regional value chains.

D. Activities and schedule

Survey, collection and publication of information on best practices in public policies through the link on the Web site of SELA.

Conduction of a forum on public policies to exchange successful experiences and analyze the implementation of best practices to support SMEs.

Direct support for Member States as required, using the method of triangular cooperation.

Activities	Dates
Organization of information on best practices in public policies and its publication on the Web site of SELA	November 2011 - February 2012
Conduction of a study on best practices to contribute to the participation of SMEs in regional value chains	March - April 2012
Preparation of the forum on public policies to support SMEs	May 2012 (Panama)
Technical support and advice on public policies at request of Member States	July - October 2012

E. Budget

The budget to prepare and carry out these activities amounts to US\$ 42,500, broken down as follows:

- a) Professional fees for consultant in charge of the study on progress in implementing best practices as regards public policies to support SMEs, related to the participation of this sector in regional value chains: US\$ 6,000
- b) Participation of government officials of Member States at the Forum on Public Policies to support SMEs: US\$ 30,000
- c) Travel expenses for experts to provide technical support and advice on the design or evaluation of public policies to support SMEs: US\$ 4,000
- d) Audiovisual equipment and interpretation services (2 days): US\$ 2,500

Of the total budget, the contribution of SELA would be equivalent to US\$ 17,500. The remaining resources will be provided by various sources of cooperation.

Total estimated expenses: **US\$ 17,500 (amount to be covered by SELA)**

II. PRODUCTIVE COORDINATION

A. Background and justification

One of the key features that characterize the SME sector is the flexibility and dynamism to respond to changing market demands due to its small size. Obviously, this last feature implies the consequent limitation in terms of generating economies of scale in the sector, which limits their ability to be extremely competitive in world markets. As a solution to this dichotomy, all analyses and successful experiences conclude that "partnership" in the SME sector is the most suitable way to overcome this contradiction.

The opportunities offered by partnership are considered collective learning, which expands throughout innovative management processes and arises from the coordination of models that impact long-term economic growth and competitiveness.

SELA has conducted seminars and workshops on inter-enterprise cooperation and partnership with a view to strengthening the productive integration capacity of SMEs in value chains and thus favouring the formation of sectoral production chains.

B. Objectives

1. Develop activities to disseminate successful experiences in partnership of the countries in the region;
2. Promote the implementation of strategies for productive integration;
3. Contribute to the development of institutional capacities of government and business entities that conduct productive integration programmes through clusters, linkages and local production developments.

C. Expected results

1. Creation of a platform for officials and professionals with capacity to promote, develop, operate and manage business networks, local production systems and clusters, according to a base of theoretical and practical knowledge.

2. Identification and dissemination of successful experiences in production integration, including strategies and best practices in partnership, business networks, supply chains, export consortia, supplier development and clusters.
3. Assistance to Member States that require technical support to advance productive integration strategies and programmes.

D. Activities and schedule

Activities	Dates
Compilation and publication of case studies on best practices and strategies for productive integration on SELA's Web site	March - April 2012
Conduction of a seminar-workshop on experiences in productive integration	June 2012 (Brazil)
Technical support and advice on public policies at request of Member States	July - October 2012

E. Budget

The budget to carry out these activities amounts to US\$ 32,500, broken down as follows:

- a) Conduction of seminar-workshop on productive integration: US\$ 25,000
- b) Travel expenses for experts from countries with greater experience, in order to provide technical support and advice on transfer of best practices in productive integration: US\$ 5,000
- c) Audiovisual equipment and interpretation services: US\$ 2,500

Of the total budget, the contribution of SELA would be equivalent to US\$ 17,500. The remaining resources will be provided by national and international cooperation institutions.

Total estimated expenses: **US\$ 17,500 (amount to be covered by SELA)**

Activity II.2.2. Specialized technical assistance to support the internationalization, efficiency, innovation and partnership of SMEs in LAC

III. INTERNATIONALIZATION

A. Background and justification

Small and medium-sized enterprises face the challenge of exporting, and to that end they should incorporate criteria for international business creation into their daily work. In this connection, they must formulate strategies with long-term objectives in their search for new markets, with trained staff at all levels acting in an integrated manner and establishing various forms of sectoral linkages. Statistics show that many SMEs, in particular those in the manufacturing sector, have succeeded in overcoming barriers in the local and domestic markets and have begun to participate in the global market, increasing their exports.

The experience gained by SELA in this area is well-known, as courses and workshops on internationalization of SMEs have been conducted with the support of experts from various public and private organizations of several countries in the region.

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Many Latin American and Caribbean nations that have successfully promoted strategies, programmes, and tools to facilitate the inclusion of their SMEs in international markets.

B. Objectives

1. Deepen knowledge about internationalization and contribute to the design, development and strengthening of institutional capacities of local government and business institutions to facilitate the inclusion of SMEs in global markets;
2. Provide methodologies to identify potential business capabilities to enter international markets and develop sectoral promotion policies;
3. Disseminate successful export strategies developed by some countries in our region.
4. Transfer methodologies for the creation of export consortia, as a strategy to enhance the collective capabilities of participating companies.

C. Expected results

1. Training of Latin American and Caribbean officials and businessmen on SMEs' internationalization strategies.
2. Dissemination of information on successful export experiences on SELA's Web site.
3. Direct assistance to officials and businessmen from member countries that demand technical support to implement strategies and programmes for internationalization of SMEs.

C. Activities and schedule

Activities	Dates
Compilation and publication of case studies on best practices and strategies for productive integration on SELA's Web site	January - June 2012
Preparation of a training workshop of export consortia	September 2012 (Mexico)
Technical support and advice on internationalization of SMEs at request of member countries	July - October 2012

D. Budget

The budget to carry out these activities amounts to US\$ 20,500, broken down as follows:

- a) Training workshop of export consortia on productive integration tools: US\$ 12,000
- b) Travel expenses for experts from countries with greater experience, in order to provide technical support and advice on transfer of best practices in productive integration: US\$ 6,000
- c) Audiovisual equipment and interpretation services: US\$ 2,500

Of the total budget, the contribution of SELA would be equivalent to US\$ 12,500. The remaining resources will be provided by other cooperation institutions.

Total estimated expenses: **US\$ 12,500 (amount to be covered by SELA)**

IV. INNOVATION, PRODUCTIVITY AND COMPETITIVENESS

A. Background and justification

SMEs should consider constant improvements in its products and services, for which it is essential to enhance innovation processes. In most cases, these processes involve the implementation of (technological and organizational) actions that respond to the problems arising from competition and changes in markets.

Moreover, ongoing technological changes have contributed to a rapid transformation to a “real time” economy, leading to an improvement in business productivity.

Moreover, information and communication technologies (ICTs) have contributed to a rapid transformation towards a real-time economy, creating improved business productivity.

To meet the demands of employers and governments regarding this issue, SELA has organized courses, seminars and other training activities that have tried to convey the concepts and methodologies aimed at promoting innovation and to encourage productivity and competitiveness for a more efficient business management by SMEs.

B. Objectives

1. Disseminate successful experiences to promote innovation in the context of the ongoing technological revolution, as strategic tools to support the improvement of competitiveness and productivity of SMEs;
2. Provide working methods to promote knowledge management and innovation.
3. Contribute to the training of officials and entrepreneurs for the development of innovative processes and improvement of competitiveness and productivity of SMEs.

C. Expected results

1. Training of officials and entrepreneurs on strategies for innovation, local productive arrangements, competitiveness and technological management in SMEs.
2. Dissemination of information on successful innovation experiences on SELA’s Web site.
3. Assistance to officials and businessmen from member countries that demand technical support to implement strategies and programmes for innovation, local productive arrangements and productivity of PYMES.

D. Activities and schedule

Activities	Dates
Compilation and publication of case studies on best practices and strategies for productive integration on SELA’s Web site	January - June 2012
Preparation of a workshop on innovation, local productive arrangements and productivity	April 2012 Peru
Technical support and advice on internationalization of SMEs at request of member countries	July – October 2012
Preparation, collection and dissemination of documents and studies on strategies to promote innovation, competitiveness and productivity of SMEs	November - October 2012

E. Budget

The budget to carry out these activities amounts to US\$ 17,500, broken down as follows:

- a) Workshop on innovation, local productive arrangements and productivity:
US\$ 10,000
- b) Travel expenses for experts from countries with greater experience, in order to provide technical support and advice on transfer of best practices: US\$ 5,000
- c) Audiovisual equipment and interpretation services: US\$ 2,500

Of the total budget, the contribution of SELA would be equivalent to US\$ 10,000. The remaining resources will be provided by national and international cooperation institutions.

Total estimated expenses: **US\$ 10,000 (amount to be covered by SELA)**

Activity II.2.3. Analysis, consultancy and design of public policies to support financing and guarantee systems for SMEs

V. FINANCING

A. Background and justification

Guarantees are mechanisms traditionally used by the financial system to cover the risk of financial operations. More recently they have been recognized as useful to overcome problems of information asymmetry between lender and borrower, as described in the scientific literature. This instrument is considered in the standards for regulating the solvency of financial institutions and incorporated into credit risk assessments. Therefore, the expected effect of guarantees is a reduction in capital requirements and provisions of financial institutions.

Obviously, one of the most recommended actions to facilitate SME access to credit is the strengthening of guarantee systems in the region, increasing levels of support for financing, creating regional mechanisms for guarantees, refinancing and reinsurance, and diversifying types of customers.

SELA has actively participated for fifteen years in the organization of annual forums on guarantee and financing of SMEs, which has meant a recognition of the role the institution has played in this matter.

B. Objectives

1. Gain knowledge and disseminate the progress in establishing innovative guarantee systems and instruments for financing SMEs in the region;
2. Encourage the development of new institutional and instrumental initiatives for guarantees and financing SMEs in the region;
3. Promote the training of officials and businessmen on the creation and implementation of guarantee systems at request of Member States.

C. Expected results

1. Training of officials on guarantee systems to support SMEs.
2. Dissemination of information on successful experiences in innovative financing instruments and guarantee systems to support SMEs.

3. Assistance to officials and businessmen from member countries that demand technical support to implement programmes and strategies for innovation and use of ICTs.

D. Activities and schedule

Activities	Dates
Preparation of a training course on guarantee systems to support SMEs in the region	July 2012 (Trinidad and Tobago)
Compilation and publication of case studies on best practices and strategies for creation of guarantee systems on SELA's Web site	January - June 2012
Technical support and advice on creation of guarantee systems to support SMEs at request of member countries	March - October 2012
Preparation, collection and dissemination of documents and studies on guarantee systems to support SMEs	November 2011 - October 2012

E. Budget

The budget to carry out these activities amounts to US\$ 14,984, broken down as follows:

- d) Workshop on guarantee systems to support SMEs in the region: US\$ 6,000
- e) Travel expenses for experts, in order to provide technical support and advice on creation and strengthening of guarantee systems: US\$ 6,000
- f) Other expenses: US\$ 2,984

Of the total budget, the contribution of SELA would be equivalent to US\$ 8,984. The remaining resources will be provided by national and international cooperation institutions.

Total estimated expenses: **US\$ 8,984 (amount to be covered by SELA)**

AREA III. EXTRA-REGIONAL RELATIONS

PROGRAMME: SUPPORT TO THE ANALYSIS AND PREPARATION OF POLICY PROPOSALS FOR PROMOTING LAC EXTERNAL ECONOMIC RELATIONS AND PARTICIPATION IN DISCUSSIONS ON THE GLOBAL ECONOMIC AGENDA

PROJECT III.1. Evaluation, promotion and diversification of extra-regional economic relations of Latin American and Caribbean countries

A. Background and justification

The reduction of external vulnerability in LAC economies requires a change in the commercial structure of exports of goods and services in the region, as well as a diversification in the geographical matrix of extra-regional trade exchanges of our countries.

In addition, there have been noticeable changes in the balance of global economic forces, such as the emergence of countries such as China, India, Russia and South Africa as powerful actors at the global level, which have been strengthening their presence in international markets for goods, services and capital.

The Permanent Secretariat of SELA has historically analyzed the trends of the economic relations between our region and two of its key extra-regional partners – the United States and the European Union – and more recently has begun to systematize information and propose actions to promote and strengthen our relations with China, India, Russia and the nations of the Middle East and Africa.

Considering this background and the very uncertain global economic developments, it is necessary to continue monitoring the macroeconomic dynamics and the prevailing trends in external economic relations between LAC and its extra-regional partners.

Activity III.1.1. Permanent analysis of the dynamics and trade policies of the United States and their impact on Latin American and Caribbean countries

B. Objective

Analyze the economic dynamics and trade policies of the United States in 2012 and their impact on LAC countries.

C. Expected results

Preparation and dissemination of the SELA Antenna in the United States on a quarterly basis.

D. Activities and schedule

The collection and systematization of information on the economic dynamics of the U.S. and trade policy actions will be kept permanently, and four issues of the SELA Antenna in the United States will be prepared at the end of each quarter of 2012.

Activities	Dates
Design of the preliminary thematic structure of the four issues of the SELA Antenna in the United States	January 2012
Release of the quarterly issues of the SELA Antenna	March, June, September and December 2012

E. Budget

Professional fees for consultant in charge of conducting the study: **US\$ 12,000**

Total estimated expenses: **US\$ 12,000**

Activity III.1.2. Analysis and preparation of policy proposals to promote economic relations between Latin America and the Caribbean and Canada

A. Objectives

- Analyze and develop policy proposals to promote economic relations between LAC countries and Canada.
- Convene and hold a Regional Seminar, with the participation of representatives of SELA Member States, to analyze the status and prospects of economic relations between LAC and Canada.

B. Expected results

Conduction of study; preparation, convening and holding of a regional seminar on economic relations (trade, financial and cooperation relations) between Latin America and the Caribbean and Canada.

C. Activities and schedule

Activities	Dates
Terms of reference of the study to be prepared by the Permanent Secretariat of SELA	October 2011
Selection of consultant and preparation of the study	November 2011
Preparation and convening of the Regional Seminar	December 2011
Conduction of the Regional Seminar	February 2012
Dispatch of conclusions and recommendations and the Final Report of the Regional Seminar to Member States and relevant regional organizations	March 2012

D. Budget

The budget to conduct this Regional Seminar can be broken down as follows:

- a) Professional fees for consultant: US\$ 6,000
- b) Air ticket and per diem expenses for consultant: US\$ 2,000
- c) Travel expenses to invite five (5) representatives of integration and cooperation organizations: US\$ 7,500
- d) Audiovisual equipment and interpretation services (2 days): US\$ 2,500
- e) Other expenses: US\$ 2,000

Total estimated expenses: **US\$ 20,000**

Activity III.1.3. Analysis of the economic relations of Latin America and the Caribbean with the European Union within the context of the VII Bi-regional LAC-EU Summit

A. Objectives

1. Analyze and prepare a study on the current status and prospects of economic relations of LAC countries with the European Union.
2. Propose possible courses of action to strengthen economic relations of LAC countries with the EU.

B. Expected results

Preparation of a study and its distribution to SELA Member States.

C. Activities and schedule

Activities	Dates
Terms of reference for the study to be prepared by the Permanent Secretariat of SELA	January 2012
Selection of consultant and preparation of the study	February – April 2012
Dispatch of the study to SELA Member States and its publication on the Web site of the organization	May 2012

D. Budget

Professional fees for consultant: US\$ 6,000

Total estimated expenses: **US\$ 6,000**

Activity III.1.4. Analysis and preparation of policy proposals to promote the economic relations between LAC and the emerging countries in Southeast Asia

A. Objectives

1. Analyze and develop policy proposals to promote economic relations between the countries in Southeast Asia and LAC nations.
2. Convene and hold a Regional Seminar, with the participation of representatives of SELA Member States, to analyze the status and prospects of economic relations between LAC and the countries in Southeast Asia.

B. Expected results

Conduction of a study and preparation, convening and holding of a Regional Seminar on economic relations (trade, financial and cooperation relations) between the countries in Southeast Asia and the nations of Latin America and the Caribbean.

C. Activities and schedule

Activities	Dates
Terms of reference for the study to be prepared by the Permanent Secretariat of SELA	December 2011
Selection of consultant and preparation of the study	January – March 2012
Preparation and convening of the Regional Seminar	February 2012
Conduction of the Regional Seminar	March 2012
Dispatch of conclusions and recommendations and the Final Report of the Regional Seminar to Member States and relevant regional organizations	April 2012

D. Budget

The budget to conduct this Regional Seminar can be broken down as follows:

- a) Professional fees for Consultant: US\$ 6,000
- b) Air ticket and per diem expenses for Consultant: US\$ 2,000
- c) Travel expenses to invite three (3) representatives of regional organizations specializing in the topic of the seminar: US\$ 4,500
- d) Audiovisual equipment and interpretation services (2 days): US\$ 2,500
- e) Other expenses: US\$ 2,000

Total estimated expenses: **US\$ 17,000**

Activity III.1.5. Analysis of the economic relations of Latin America and the Caribbean with the People's Republic of China

A. Objectives

1. Analyze and prepare a study on the current status and prospects of the economy of the People's Republic of China and its impact on global economic developments.
2. Review the latest trends that characterize the economic relations of LAC countries with the People's Republic of China.

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3. Propose possible courses of action to strengthen economic relations of LAC countries with the People's Republic of China.

B. Expected results

Preparation of a study and its distribution to SELA Member States.

C. Activities and schedule

Activities	Dates
Terms of reference for the study to be prepared by the Permanent Secretariat of SELA	April 2012
Selection of consultant and preparation of the study	May – July 2012
Dispatch of the study to SELA Member States and its publication on the Web site of the organization	August 2012

D. Budget

Professional fees for Consultant: US\$ 6,000

Total estimated expenses: **US\$ 6,000**

Activity III.1.6. Update of the analysis on the prospects of LAC economic relations with Arab countries**A. Objectives**

1. Update the study prepared by the Permanent Secretariat of SELA on prospects of economic relations between LAC countries and Arab nations.
2. Improve the proposal of possible courses of action to promote economic relations of LAC countries with Arab nations.

B. Expected results

Preparation of a study and its distribution to SELA Member States.

C. Activities and schedule

Activities	Dates
Terms of reference for the study to be prepared by the Permanent Secretariat of SELA	June 2012
Selection of consultant and preparation of the study	July - September 2012
Dispatch of the study to SELA Member States and its publication on the Web site of the organization	October 2012

D. Budget

Professional fees for consultant: US\$ 6,000

Total estimated expenses: **US\$ 6,000**

PROJECT III.2. Follow-up, evaluation and preparation of proposals on the central elements of the international economic agenda

Activity III.2.1. Latin America and the Caribbean vis-à-vis the XIII United Nations Conference on Trade and Development. Public policy proposals to promote the multilateral economic agenda, in the areas of trade and development, in order to contribute to establish guidelines for the region's participation in the next UNCTAD

A. Background and justification

Since 2003, the Permanent Secretariat of SELA has been following up and analyzing international trade and economic negotiations and their possible implications for the international integration of LAC countries. In fact, several regional consultation meetings have been held in recent years, focusing particularly on the Doha Round negotiations within the framework of the WTO and financing for development.

Under the Work Programmes for 2010 and 2011, the Permanent Secretariat prepared studies, with proposals for regional courses of action, on a necessary new agenda of trade for development in our region.

Considering that the XIII United Nations Conference on Trade and Development is scheduled to take place in 2012, consultations will be conducted throughout the Latin American and Caribbean region as usual, and UNCTAD and SELA have established a cooperation relationship, the Permanent Secretariat will contribute to the preparation and development of proposals based on a regional approach requested by the member states to promote the agenda of this event.

B. Objectives

1. Contribute to the Latin American and Caribbean preparation prior to the XIII United Nations Conference on Trade and Development.
2. Prepare a study with proposals to improve the international integration of LAC in the global economy, taking into account the scope of the agenda of UNCTAD.

C. Expected results

1. A study to promote the multilateral economic agenda, in the areas of trade and development, in order to contribute to establish guidelines for the region's participation in the next UNCTAD.
2. At the request of Member States, support for the preparation of the Latin American and Caribbean region prior to the XIII United Nations Conference on Trade and Development.

D. Activities and schedule

Activities	Dates
Preparation of a study on content, scope and comments to promote the agenda and proposals for UNCTAD XIII	December 2011 - January 2012
Support for preparation and conduction of the regional meeting prior to the XIII United Nations Conference on Trade and Development	To be defined

E. Budget

The budget for this project can be broken down as follows:

- a) Professional fees for consultant: US\$ 6,000
- b) Air ticket and per diem expenses for consultant: US\$ 6,000

Total estimated expenses: **US\$ 12,000**

**ACTIONS TO BE TAKEN IN COMPLIANCE WITH DECISIONS AND DECLARATIONS ADOPTED BY
THE LATIN AMERICAN COUNCIL IN ITS XXXVII REGULAR MEETING**

- DECISION N° 527: SUPPORT OF THE PERMANENT SECRETARIAT OF SELA AND ITS WORK PROGRAMME TO THE ESTABLISHMENT OF THE COMMUNITY OF LATIN AMERICAN AND CARIBBEAN STATES (CELAC)

By this Decision, the Latin American Council requests the Permanent Secretariat of SELA to attach priority, in implementing its Work Programme, to the activities of the Community of Latin American and Caribbean States (CELAC), in accordance with decisions to be made by the Heads of State and Government of our region during the upcoming Summit of Latin America and the Caribbean, scheduled to be held in Caracas on 2 and 3 December 2011.

In compliance with this mandate:

- The Permanent Secretariat shall carry out an analysis of decisions to be adopted by the Heads of State and Government of Latin America and the Caribbean in the Caracas Summit. As a result, it shall make adjustments and perform the appropriate actions in its work programme for the year 2012.
- To that end, the Permanent Secretariat – in consultation of the Board of the Latin American Council – shall convene a meeting with representatives of the Member States of SELA subsequent to the Caracas Summit.

- DECISION N° 530: COOPERATION OF LATIN AMERICA AND THE CARIBBEAN IN TRADE AND COMPETITION

This decision of the Latin American Council requests the Permanent Secretariat of SELA to further provide technical support to the organization and development of the activities identified by the Working Group on Trade and Competition in Latin America and the Caribbean.

In compliance with this mandate:

- The Permanent Secretariat of SELA shall perform the tasks entrusted by the authorities of Brazil (appointed as President), and Costa Rica and the Dominican Republic (Vice Presidents), arising from their condition as technical secretariat of such Working Group.

- DECLARATION “THE CURRENT INTERNATIONAL ECONOMIC CRISIS AND ITS CHALLENGES FOR LATIN AMERICA AND THE CARIBBEAN”

This Declaration of the Latin American Council requests the Permanent Secretariat of SELA to monitor the global financial and economic crisis and its implications for our region, and to keep the Member States informed in this regard.

In compliance with this mandate:

- The Permanent Secretariat shall conduct systematic analyses on the evolution of the international economy and its impacts on Latin America and the Caribbean. In addition, and through flexible activities and mechanisms, it shall keep its Member States informed of such evolution and its impacts on the region.

- DECLARATION "ENDING THE ECONOMIC, COMMERCIAL AND FINANCIAL BLOCKADE IMPOSED BY THE UNITED STATES AGAINST CUBA"

By this Declaration, the Latin American Council requests the Permanent Secretariat to continue to examine the economic, commercial and financial sanctions of the United States against Cuba and keep the Latin American Council informed about its evolution, with a view to making a decision during the XXXVIII Regular Meeting of 2012.

In compliance with this mandate:

- The Permanent Secretariat will conduct an analysis of the available information on the nature and scope of the economic blockade against Cuba and its effects on Cuban economy and society. At the end of this analytical effort, the Permanent Secretariat will distribute an informative document on the matter to its Member States before the next Regular Meeting of the Latin American Council.

DECISION N° 522

ADMINISTRATIVE BUDGET FOR THE YEAR 2012

THE LATIN AMERICAN COUNCIL;

HAVING SEEN:

Article 15, paragraph 5; Article 31, paragraph 6, and Article 36 of the Panama Convention; Article 3 of Decision 141; Article 6 of Decision 177; and Decisions 414, 440, 449, 457, 471, 487, 496, 504 and 514 of the Latin American Council;

CONSIDERING:

That it is necessary to provide the Permanent Secretariat with adequate financial resources so as to better enable it to fully comply with the functions set forth in the Panama Convention and the Work Programme approved by the Latin American Council;

DECIDES:

Article 1. To approve a budget in the amount of US\$ 2,200,000 for the period from 01 January to 31 December 2012, according to the following distribution by categories:

	CATEGORIES:	US\$
I.	LATIN AMERICAN COUNCIL	20,000
II.	PERMANENT SECRETARIAT	2,180,000
	1. International Staff	494,373
	2. Local Staff	1,238,798
	3. Consultants, Meetings and Services by Contract	322,584
	4. Official Travels	45,000
	5. General Administrative Expenses	79,245
	TOTAL	2,200,000

Article 2. The Budget for the year 2012 will be financed with the contributions made by the Member States, according to the current system of quotas, as set out hereunder:

<u>PERCENTAGE</u>		<u>REGULAR</u>
<u>APPLIED</u>	<u>MEMBER STATES</u>	<u>QUOTA IN US\$</u>
		<u>YEAR 2012</u>
36,813%	GROUP I	699.455,04
12,271%	ARGENTINA	233.151,68
12,271%	BRAZIL	233.151,68
12,271%	MEXICO	233.151,68
34,275%	GROUP II	651.219,55
6,855%	COLOMBIA	130.243,91
6,855%	CUBA	130.243,91
6,855%	CHILE	130.243,91
6,855%	PERU	130.243,91
6,855%	VENEZUELA	130.243,91
17,422%	GROUP III	331.021,11
1,161%	BAHAMAS	22.068,07
1,161%	BOLIVIA	22.068,07
1,161%	COSTA RICA	22.068,07
1,161%	ECUADOR	22.068,07
1,161%	EL SALVADOR	22.068,07
1,161%	GUATEMALA	22.068,07
1,161%	HONDURAS	22.068,07
1,161%	JAMAICA	22.068,07
1,161%	NICARAGUA	22.068,07
1,161%	PANAMA	22.068,07
1,161%	PARAGUAY	22.068,07
1,161%	DOMINICAN REPUBLIC	22.068,07
1,161%	SURINAME	22.068,07
1,161%	TRINIDAD AND TOBAGO	22.068,07
1,161%	URUGUAY	22.068,07
1,312%	GROUP IV	24.903,24
0,328%	BARBADOS	6.225,81
0,328%	BELIZE	6.225,81
0,328%	GUYANA	6.225,81
0,328%	HAITI	6.225,81
10,179%	HOST COUNTRY	193.401,07
10,179%	VENEZUELA	193.401,07
100,000%	TOTAL QUOTAS	1.900.000,00

The difference of US\$ 300,000 will be financed with income stemming from the payment of outstanding quotas.

Article 3. Reiterate the obligation that Member States have to timely comply with the payments of their budget quotas, in order to help the Permanent Secretariat of SELA to efficiently perform its functions.

Article 4. Petition Member States to comply with the provisions set forth in Article 6 of Decision N° 177, which establishes that the current year's quotas should be paid as follows: a minimum of 33% prior to 31 March; another 33% prior to 30 June, and the remaining balance prior to 30 September.

DECISION N° 523

EXHORTATION TO PAY OUTSTANDING QUOTAS

THE LATIN AMERICAN COUNCIL,

BEARING IN MIND:

The statements made by several delegations during the Preparatory Stage of the XXXVII Regular Meeting of the Latin American Council when the issue of the Budget of the Permanent Secretariat was discussed,

CONSIDERING:

That some Member States are in arrears with the payment of their quotas foreseen in the regular budget of SELA;

That there is a substantial number of activities to be developed by the Permanent Secretariat in order to comply with its Annual Work Programme;

DECIDES

Sole Article. To urge those Member States in arrears with SELA, due to their failure in complying with their annual quotas, to get up to date with their payments as soon as possible.

DECISION N° 524

**AUDIT REPORT ON THE FINANCIAL STATEMENTS
OF THE PERMANENT SECRETARIAT AT 31 DECEMBER 2010**

THE LATIN AMERICAN COUNCIL,

HAVING SEEN:

Article 15, paragraph 5, and Article 31, paragraph 7 of the Panama Convention;
and,

The Financial Statements of the Permanent Secretariat at 31 December 2010 and
the Auditor's Reports that form part of document "Audit Report on the Financial
Statements of the Permanent Secretariat at 31 December 2010" (SP/CL/XXXVII.O/DT N° 6-
11).

DECIDES:

Sole Article.- To approve the Audit Report on the Financial Statements of the Permanent
Secretariat for the fiscal year 1 January to 31 December 2010.

DECISION N° 525

APPOINTMENT OF AUDITORS FOR 2011

THE LATIN AMERICAN COUNCIL,

HAVING SEEN:

Article 34 of the Permanent Secretariat regulations which, among other provisions, stipulates that "in selecting the external auditor, an attempt will be made to rotate the position among the Member States, as far as it is possible, and considering the financial implications", and

The audit services bids received by the Permanent Secretariat, encompassed in document "Audit proposal for the year 2011" (SP/CL/XXXVII.O/DT N° 7-11).

DECIDES:

Sole Article.- To designate PKF Cabrera, Colmenares & Asociados, as the firm in charge of auditing the Financial Statements of the Permanent Secretariat for the period from 1 January to 31 December 2011, bearing in mind the rules that govern the System.

DECISION N° 526

DESIGNATION OF A MEMBER OF THE ADMINISTRATIVE TRIBUNAL OF SELA

THE LATIN AMERICAN COUNCIL,

HAVING SEEN:

Decision N° 370,

and the Document "Election of a Member of the Administrative Tribunal of SELA"
(SP/CL/XXXVII.O/DT N° 8-11)

DECIDES

Sole Article. To designate Dr. Roger Yépez as Member of the Administrative Tribunal of the Latin American and Caribbean Economic System, for the period from 1° January 2012 to 31 December 2014.

DECISION N° 527

**SUPPORT OF THE PERMANENT SECRETARIAT OF SELA AND ITS WORK PROGRAMME
TO THE ESTABLISHMENT OF THE COMMUNITY OF LATIN AMERICAN AND CARIBBEAN STATES
(CELAC)**

THE LATIN AMERICAN COUNCIL,

HAVING SEEN:

Paragraph 2 of Article 5 of the Panama Convention establishing SELA, which indicates that one of the objectives of SELA is "to support the integration processes of the region and encourage coordination among them, or with Members States of SELA, particularly with respect to those activities aimed at promoting greater harmonization, duly respecting the commitments made within the framework of such processes."

DECIDES:

Sole Article: To request the Permanent Secretariat of SELA to attach priority, in implementing its Work Programme, to the activities of the Community of Latin American and Caribbean States (CELAC), in accordance with decisions to be made by the Heads of State and Government of our region during the upcoming Summit of Latin America and the Caribbean, scheduled to be held in Caracas on 2 and 3 December 2011. In order to comply with this Decision, the Permanent Secretariat shall convene a meeting with representatives of the Member States of SELA subsequent to the Caracas Summit.

DECISION N° 528

ACCESSION OF EASTERN CARIBBEAN STATES TO SELA

THE LATIN AMERICAN COUNCIL,

CONSIDERING:

That the Panama Convention establishing the Latin American and Caribbean Economic System (SELA) was signed on 17 October 1975 in Panama City, Panama;

That Article 5 of the Panama Convention establishes the objectives of the Latin American and Caribbean Economic System as follows:

First: To promote regional cooperation, with a view to attaining self-sustained, independent and integral development.

Second: To support the integration processes of the region and encourage coordination among them, or with Members States of SELA, particularly with respect to those activities aimed at promoting greater harmonization, duly respecting the commitments made within the framework of such processes.

Third: To promote the formulation and implementation of economic and social programmes and projects of interest to the Members States.

Fourth: To act as a mechanism for consultation and coordination within Latin America for the purpose of formulating common positions and strategies on economic and social matters before third countries, groups of countries and in international organizations and forums.

Fifth: To promote within the context of the objectives of SELA relating to intra-regional cooperation means to ensure preferential treatment for the relatively less developed countries and special measures for countries with limited markets and for those whose landlocked condition affects their development.

CONSIDERING:

That, in order to duly comply with such objectives, it is advisable to ensure the accession to SELA of those Latin American and Caribbean countries that are not Members as yet;

That, to date, several Eastern Caribbean States are not Member States of SELA;

RECALLING:

That on previous occasions the Permanent Secretary has been entrusted with the task of promoting the accession of those Eastern Caribbean States to SELA;

DECIDES:

To request the Permanent Secretary of SELA to continue making arrangements with the Member States of the Organization of Eastern Caribbean States (OECS) so that they join SELA.

DECISION N° 529

EXTENSION OF THE MANDATE OF THE PERMANENT SECRETARY

THE LATIN AMERICAN COUNCIL,

CONSIDERING:

That, according to Decision No. 489 and since it was not possible to elect a new Permanent Secretary during the XXXIII Regular Meeting held in November 2007, the Latin American Council decided to conduct the election at a Special Council Meeting in March 2008;

That, because the mandate of then Acting Permanent Secretary was to expire in October 2007, the Council agreed in the aforementioned Decision to extend her mandate until April 2008;

That, as a result of the situation described above, in case a new Permanent Secretary is elected during the meeting of this year, more than five months would elapse before he or she can take office, since the term of the current Permanent Secretary concludes in April 2012;

That, in view of this situation, the Council should take appropriate measures in this connection in order to prevent it in the future;

That there are many reasons, related to both the operation of SELA and commitments established in the international agenda of its Member States, for the Latin American Council to continue to hold its regular meeting in the month of October each year, unless a decision is made to reschedule it due to unforeseen reasons;

DECIDES:

Article 1. To proceed with the election of the new Permanent Secretary of SELA in the next XXXVIII Regular Meeting of the Latin American Council in 2012.

Article 2. Extend the mandate of the current Permanent Secretary until 02 January 2013, when the Permanent Secretary to be elected will take office.

DECISION N° 530

COOPERATION OF LATIN AMERICA AND THE CARIBBEAN IN TRADE AND COMPETITION

THE LATIN AMERICAN COUNCIL,

HAVING SEEN:

Article 3 of the Panama Convention;

RECALLING:

Decision No. 519 of the XXXVI Regular Meeting of the Latin American Council, whereby the Council endorses the decision to establish the Working Group on Trade and Competition in Latin America and the Caribbean.

CONSIDERING:

That the First Meeting of the Working Group on Trade and Competition in Latin America and the Caribbean – made up of national authorities of Member States of SELA and open to participation of other Latin American and Caribbean countries and trade integration organizations – was held on 4 and 5 July 2011 in Bogotá (Colombia).

DECIDES:

Article 1. To welcome the establishment of the Working Group on Trade and Competition in Latin America and the Caribbean.

Article 2. To thank the Ministry of Industry, Tourism and Trade of the Kingdom of Spain and UNCTAD's Programme on Competition and Consumer Protection Policies (COMPAL) for their support to the establishment of the aforementioned Working Group.

Article 3. To congratulate Brazil, Costa Rica and the Dominican Republic on their appointment as President and Vice Presidents, respectively, for the period 2011 – 2014.

Article 4. To ask the Permanent Secretariat of SELA to further provide technical support to the organization and develop the activities identified by such Working Group.

D. DECLARATIONS

DECLARATION

“ENDING THE ECONOMIC, COMMERCIAL AND FINANCIAL BLOCKADE IMPOSED BY THE UNITED STATES AGAINST CUBA”

The **Latin American Council of SELA**, gathered in its Ministerial Session, in Caracas on 20 October 2011,

RECALLING

- The mandate given by the Member States of SELA to the Permanent Secretariat (Article 4, Decision No. 377) to submit an annual report on the application of the Helms-Burton Law and the economic sanctions of the United States of America against Cuba;
- That the adverse effects of such sanctions of the United States not only affect one Member State of SELA, but also impose certain rules to the international community as regards economic relations with Cuba;
- Decision No. 112 of the Latin American Council, “Imposition of Economic Measures of a Coercive Nature”, as well as Decisions Nos. 356 and 360, which reject the implementation of unilateral measures that may affect the free development of international trade, in violation of international law and the most basic principles of regional coexistence;
- Decisions Nos. 377, 390, 401, 421, 432, 438, 444, 453, 463, 477 and 482 of the Latin American Council, on the “Necessity of ending the economic, commercial and financial blockade imposed by the United States of America against Cuba”;
- The Declarations “Ending the economic, commercial and financial blockade imposed by the United States of America against Cuba”, adopted by consensus by the Member States of SELA in the XXXV and XXXVI Regular Meetings of the Latin American Council (Caracas, 29 October 2009 and 28 October 2010, respectively);
- The corresponding resolutions adopted by the United Nations General Assembly over the past 19 years urging to put an end to the economic, commercial and financial blockade of the United States of America against Cuba.

BEARING IN MIND

- The need to reaffirm, among other principles, the sovereign equality of the States, non-interference in the countries’ internal affairs, and the freedom of trade and navigation, as established in numerous international legal instruments.
- That despite the expectations of the international community, the arrival of a new administration in the United States has not resulted in the elimination of the series of rules and laws governing the economic, commercial and financial blockade of the United States against Cuba;
- That the decision taken by the current U.S. government on 13 September 2011 to extend the implementation against Cuba of the Trading with the Enemy Act, on which the other laws and regulations on the sanctions imposed against Cuba since 1962 are based, is evidence that the legal framework supporting that policy is still in place;

- That the analysis contained in the document drafted by the Permanent Secretariat of SELA "Follow-up report on the application of the Helms Burton Law, 2010-2011" presents a detailed description of the impacts of the blockade on various economic sectors of the Republic of Cuba, as well as the extra-territorial nature of some of the measures and provisions adopted in this connection by the United States of America.

DECLARES:

1.- The economic, commercial and financial blockade of the United States of America against Cuba violates the International Law and is contrary to the purposes and principles of the United Nations Charter, the rules of the international trade system and the freedom of navigation.

2.- The Latin American Council strongly condemns the application of any law or measure contrary to the International Law, such as the Helms-Burton Law; and in this connection, it calls upon the Government of the United States to put an end to its implementation.

3.- The Permanent Secretariat must continue to examine this issue of special relevance for the external relations of the region, in accordance with Decision N° 482, and keep the Latin American Council informed about its evolution, with a view to making a decision during the XXXVIII Regular Meeting of 2012.

4.- The Latin American Council makes a call to the government of the United States so that it complies with the provisions of a number of consecutive Resolutions of the United Nations General Assembly to put an end to the economic, commercial and financial blockade that it keeps in force against Cuba.

DECLARATION

BICENTENNIAL OF THE INDEPENDENCE OF MEMBER STATES

THE LATIN AMERICAN COUNCIL,

CONSIDERING:

That in recent years nine Member States of SELA have celebrated the bicentennials of their independence, namely: Bolivia and Ecuador in 2009, Argentina, Chile, Colombia and Mexico in 2010, and Paraguay, Uruguay and Venezuela in 2011;

That the events celebrated were crucial to shape up the currently independent countries of Latin America and the Caribbean;

RECALLING:

That only Haiti preceded the aforementioned countries in proclaiming and obtaining its independence;

DECIDES:

Article 1. To join Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Paraguay, Uruguay and Venezuela in the celebration of the bicentennials of their glorious independence, in a spirit of jubilation and pride.

Article 2. To underscore that the ideals that encouraged such independence movements also laid the foundations of solidarity and cooperation among the countries of our region, inspiring their integration efforts.

DECLARATION

“THE CURRENT INTERNATIONAL ECONOMIC CRISIS AND ITS CHALLENGES FOR LATIN AMERICA AND THE CARIBBEAN”

The **Latin American Council of SELA**, gathered in its Ministerial Session, in Caracas on 21 October 2011,

RECALLING

That Article 5 of the “Panama Convention” establishes the objectives of the Latin American and Caribbean Economic System as follows:

- To promote regional cooperation, with a view to accomplishing self-sustained, independent and integral development;
- To support the integration processes of the region and encourage coordination among them, or with Member States of SELA, particularly with respect to those activities aimed at promoting greater harmonization, duly respecting the commitments made within the framework of such processes;
- To act as a mechanism for consultation and coordination within Latin American for the purpose of formulating common positions and strategies on economic and social matters before third countries, groups of countries and in international organizations and forums;
- To conduct systematic analyses of the impacts of decisions and global economic processes on Latin American and Caribbean economies; and
- To promote the formulation and implementation of economic and social programmes and projects of interest for its Member States.

CONSIDERING

- That the problems faced by the United States and some European Union countries as regards their public debt and fiscal sustainability are severely affecting the pace of the global economic activity, which has already weakened in the aftermath of the financial and economic crisis that broke out in 2008;
- That, in view of the importance of these countries in the global economy, the solution to their fiscal imbalances is generating uncertainty about the possibility of a new global recession. Such a risk has resulted in drops in stock and financial markets worldwide, in greater volatility of commodity prices in international markets, credit constraints, and changes in interest rates and referential foreign exchange rates;
- That such a remarkable slowdown in the world economy – or possible recession – is compounded by the food security crisis, which continues to affect the world's poorest regions and particularly the most vulnerable social sectors;
- That in an increasingly inter-dependent world, this financial and economic crisis forces developing countries to face increasingly complex scenarios in order to consolidate an

inclusive and sustainable social and economic system, which actually tends to eradicate poverty and inequality;

- That within this context, it is imperative to continue to work towards the achievement of the Millennium Development Goals by 2015;

DECLARES:

1. In view of this financial and economic crisis, which arose in developed nations, Latin American and Caribbean countries should continue developing their own strategies, mechanisms and tools to mitigate its effects.

2. This situation shows that efforts being made by Latin American and Caribbean countries to further promote regional integration are of the essence. Among the challenges in the region are the deepening of integration, diversification of our extra-regional relations, and – as the case may be – regulation of speculative financial flows.

3. It is very important, in this scenario, to give special attention to the most vulnerable social sectors. It is essential to increase regional cooperation and the exchange of successful experiences in terms of public policies to fight poverty and to prevent setbacks in the achievements made by many of our countries in recent years in this connection.

4.- The participation of the countries of the region that are Members of the G-20 in the upcoming Summit, to be held in Cannes, France, is of the utmost importance for purposes of joining efforts aimed at adopting new joint measures intended to overcome the global financial crisis, such as the promotion of a new international financial architecture, and which take into account the need to generate jobs, develop social programmes and reduce poverty.

5.- To request the Permanent Secretariat of SELA to monitor the global financial and economic crisis and its implications for our region, and to keep the Member States informed in this regard.

DECLARATION

SUPPORT TO THE INITIATIVE YASUNÍ-ITT

“The Latin American Council of the Latin American and Caribbean Economic System (SELA), during the Ministerial Stage of its XXXVII Regular Meeting, held in Caracas on 21 October 2011, welcomed the initiative ‘Yasuní – ITT’ proposed by Ecuador, since it represents an effective voluntary measure to deal with the issue of climate change and ensure the conservation of one of the most biodiverse environments in the world.

Under this initiative, Ecuador will no longer exploit 846 million barrels of oil underlying in the basement of the Yasuní National Park, which will prevent the emission into the atmosphere of 407 million metric tons of carbon that would be produced by burning these fossil fuels.

This initiative will contribute to respect for indigenous cultures of the peoples living in voluntary isolation in the Yasuní National Park, as well as social development, conservation of nature, and promotion of the use of renewable energy sources.”

DECLARATION

SOLIDARITY TO THE GOVERNMENTS AND PEOPLES OF CENTRAL AMERICAN COUNTRIES IN VIEW OF THE DISASTERS OCCURRED IN OCTOBER 2011

The **Latin American Council of SELA**, gathered in its Ministerial Stage, in Caracas on 21 October 2011, expresses its solidarity to the peoples of Central American countries in view of the heavy rains that have caused human losses, damage to personal property, floods, overflowing rivers, environmental and economic damages, and crop losses, among others. In addition, it makes a solidarity call for governments and international organizations to urgently mobilize resources in order to help Central American countries to confront the present state of emergency.

A N N E X I

SPEECHES DURING THE MINISTERIAL STAGE

**Speech by the Vice-Minister of Foreign Affairs for Latin America and the Caribbean
of the Bolivarian Republic of Venezuela, Honourable Jacqueline Mendoza**

His Excellency, Ambassador José Rivera Banuet, Permanent Secretary of SELA;

Her Excellency, Mayi Antillón Guerrero, Minister of Economy, Industry and Commerce of the Republic of Costa Rica;

His Excellency, Ramón Leets Castillo, Ambassador of the Republic of Nicaragua, outgoing Chairman of the Latin American Council;

His Excellency, Jorge Alvarado, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council;

Your Excellencies, Ambassadors and other members of the Diplomatic Corps accredited to the Government of the Bolivarian Republic of Venezuela;

Dear friends:

It is an honour to welcome you to this XXXVII Regular Meeting of the Latin American Council of the Latin American and Caribbean Economic System (SELA) and convey the warmest Bolivarian greetings from our Commander-President of the Bolivarian Republic of Venezuela Hugo Chávez Frías, Foreign Affairs Minister Nicolás Maduro and the Venezuelan people.

We express our deepest concern and sorrow over the terrible situation that our Central American brothers are facing amidst torrential rains, which are hitting hard the poorest people, as usual. We express our solidarity at this forum.

Dear friends:

Both in our region and around the world we are going through times of change. All countries in the region should cash in on the new structures and countless opportunities as a single block that is strong and capable of having a say in the world: the voice of unity in favour of the welfare of our citizens, especially the poor and helpless ones.

Let me seize this opportunity to quote Nobel Peace Prize winner Muhammad Yunus: "The poor people are the bonsai people. Society has not allowed them the real soil. If you allow them the real soil, real opportunities, they will grow as tall as everybody else." True political commitment from people and governments is needed to fight against and overcome inequalities. It is an urgent duty to work jointly for the poor in our Latin America and the Caribbean to enjoy a soil, which belongs to them lawfully, as well as real opportunities to overcome poverty once and for all.

Therefore, as we have done on previous occasions in this forum, this time I would like to emphasize the importance of regarding Latin American and Caribbean integration not only from the economic view, but from the social standpoint.

Such all-inclusive supportive view is put forward and advocated by Venezuela at the Bolivarian Alliance for the Peoples of the Americas - People's Trade Agreement (ALBA-TCP) and PETROCARIBE. The unity of our nations is of the essence to ensure people's development and welfare, as well as to join supportive efforts aimed at overcoming poverty, social exclusion and foreign dependence.

From our perspective, economic and productive integration in the region should bolster mechanisms to vindicate the principles of fair trade, thus strengthening production and trade complementarity, boosting production capacity, in line with the capabilities, strengths and weaknesses of the region.

The principles of independence, solidarity, cooperation, economic complementarity, social justice, equity, profit sharing, respect for the sovereignty of our countries, cultural diversity and harmony with nature, as well as the principles of international law, are our guide in this challenge, which is of the utmost importance for the transformation of the region.

The goal is to attain harmonious development, with a deal among equals, by using joint and complementary cooperation to overcome the asymmetries and weaknesses. Coordinated, supportive and harmonious work is definitely the way to galvanize the strengths in our region.

In this context, the theme of the forum which took place this afternoon is of great importance: "Towards productive integration in Latin America and the Caribbean." The process of productive integration in our region fosters the participation of small- and medium-sized enterprises (SMEs), which turns this process into an instrument for overcoming asymmetries in the region.

We must remember that SMEs are critical to the economy, not only in our countries but worldwide, as they are vital employment sources and help boost Gross Domestic Product (GDP), thus improving people's quality of life.

Dear friends:

On 3 December 2011, the I Summit of Heads of State and Government of the Community of Latin American and Caribbean States (CELAC) will be held in Caracas. It will be an opportunity to show Venezuela's view that Latin American and Caribbean integration is at its peak. The time has come for new opportunities and for the construction of new models. The birth of CELAC, which will take place in a few months, shows that our region can work together for our interests without interference from foreign nations in our realities.

In this regard, we highly appreciate the important contributions and support that SELA has provided to the Bolivarian Republic of Venezuela while we have held the Presidency Pro Tempore of the Latin America and Caribbean Summit on Integration and Development (CALC). We are very grateful to the Permanent Secretary, Ambassador José Rivera Banuet, and all the staff of the Permanent Secretariat of SELA.

Dear friends:

Once again, let me express the most affectionate greetings from the President of the Bolivarian Republic of Venezuela, Commander Hugo Chávez Frías, Foreign Minister Nicolás Maduro Moros and the noble people of Venezuela. The delegation of the Bolivarian Republic of Venezuela believes that these discussions will end successfully and will definitely focus on the welfare of our peoples.

Thank you very much.

Speech by Ambassador José Rivera Banuet, Permanent Secretary of SELA

Ms. María Jacqueline Mendoza, Vice Minister of the People's Ministry of Foreign Affairs of the Bolivarian Republic of Venezuela;

Mr. Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council;

Representatives of SELA Member States and the Diplomatic Corps;

Representatives of regional and international organizations;

Special guests;

Ladies and gentlemen:

The Permanent Secretariat is pleased to welcome you all to this Latin American Council, which gives continuity to 36 years of institutional life of the organization.

For its permanent support to SELA, I would like to thank the Government of the Bolivarian Republic of Venezuela, represented here today by the Honourable Vice-Minister, whose presence we really appreciate.

We are pleased to see that Mr. Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia, has been appointed as Chairman of the Latin American Council, acknowledging the valuable interest that this nation and Mr. Alvarado Rivas himself have shown in promoting our work.

Our congratulations are also extended to the other members of the Bureau, who help guide and encourage the completion of the activities of the organization and its Permanent Secretary.

I would like to express my sincere gratitude to Mr. Ramon Leets Castillo, Ambassador of the Republic of Nicaragua and outgoing Chairman of the Council, for his very effective and constructive tenure, which resulted in our having a better institution.

We also want to express our condolences to the Central American countries which have been severely hit by heavy rains in recent days, suffering the loss of lives, homes and economic and property damages. We are now calling for international solidarity and the solidarity of our Member States to the region, while offering the support of the Permanent Secretariat.

In times of global economic uncertainty, our region, with stability and solid foundations, has managed to restore growth momentum.

Latin America and the Caribbean as a whole had a positive growth rate of 6% last year and forecasts for 2011 and the near future also point to favourable results.

Today there is talk that the decade of Latin America and the Caribbean is just beginning.

Ours is a privileged region, with nearly 600 million people, energy, mining, food, arable land, water resources and a rich biodiversity.

In short, it has the essential resources needed to support a better future and raise our optimism.

Our region, however, is in need of an external economic environment and a global

order and governance that can contribute to and boost its growth prospects.

The developed world continues to suffer the effects of the great recession that began in 2008, and a notable degree of uncertainty still looms on the future.

Particularly, several European economies are currently facing slow growth rates, lack of control in the financial markets, debt crisis, fiscal weakness and trade slowdown.

Furthermore, international financial institutions have also failed to prevent crises and act in a timely manner, all of which helps create a volatile and uncertain environment for our region.

Despite the efforts to tackle the crisis, it has not been possible to ensure equality in the global debate for structural solutions, with the United Nations System being the desirable forum for it, as repeatedly demanded by developing countries.

Decades ago, the engines of global growth were the main industrialized nations, but now the developing countries, particularly Asian nations, are the main drivers of economic growth and international trade.

The interdependence of our countries with the rest of the world could lead to a slowdown in the economies of Latin America and the Caribbean.

An example is the trend in increased exports of raw materials, which is subject to a reduction in demand and the fragility of the prices for these items.

The accumulation of international reserves and the creation of countercyclical funds have been important instruments for protecting the economies; but strengthening domestic markets and establishing stronger links between the southern countries – particularly within the region – will provide greater certainty over future growth.

The 2008 crisis and its continuation has led the world to pay constant attention to the present and to the current circumstances, but Latin America and the Caribbean should also look at the horizon and address the challenges that our societies will face in the future.

There is a need to build a long term project for Latin America and the Caribbean to respond to the aspirations for a more prosperous and fairer region.

The challenges facing the development of the countries in our region, to consistently coordinate the economic, social and environmental concerns, are as follows:

- I. It is essential to generate satisfactory rates of economic growth in the long term. To this end, a permanent environment that promotes adequate levels of savings and investment should be created;
- II. There should be an increase in productivity and competitiveness, which requires an industrial expansion in the areas of technology and manufacturing. This would help reduce the negative impacts of future fluctuations in prices of raw materials from which the region is so dependent;
- III. There is an urgent need for social inclusion and for the expansion and strengthening of domestic markets. There can be no indulgence, given that our region has the most unequal income distribution in the world;
- IV. It is essential to lay solid foundations for the information and knowledge society, which will define the gap between prosperity and poverty. The keys to this are to improve the quality of education and the widespread use of information

technologies;

- V. The prospects of a rapidly aging population means that their health and pension needs will need to be met soon. Implementing appropriate policies to address this demographic change will safeguard the social and economic future of the region;
- VI. It is necessary to coordinate development policies and patterns of environmentally sustainable production and consumption as well as the rational use of natural resources; and
- VII. Greater and more efficient integration and cooperation is a key element in strengthening national development strategies, promoting harmonious regional growth and achieving a more efficient international integration.

In the recent celebrations of the Bicentennial by a number of Member States, the exploits of the liberators and the heroic events of the 19th century were recalled while reaffirming the feelings of unity and identity, as well as the reasons for integration of our peoples.

The Community of Latin American and Caribbean States (CELAC), the creation of which is scheduled for December 2011 significantly in the homeland of Simon Bolivar, is the ideal instance to promote this renewed integration purpose.

This Latin American Council has received last year's Annual Report of SELA's activities and the proposed activities for 2012.

The strong support of SELA Member States has allowed the Agency to carry out the tasks entrusted with the greatest reach an level of compliance.

I will now refer to the purposes that guided the actions of the Permanent Secretariat as to what has been done since October of last year:

SELA was present in most Member States, carrying out a number of activities outside its headquarters. Tasks were conducted in nations where no prior activities had ever been carried out by the organization, particularly in the Caribbean. There were closer contacts and consultations with governments to try to align our work with the priorities of these countries.

In this connection, several Heads of State opened SELA-sponsored events in recent weeks, and our organization was present at the different presidential summits.

There was interaction with representatives of civil society in different countries to highlight the work and potential of SELA.

Thus, our institution now has a greater presence in parliaments, business organizations, universities, political parties and nongovernmental organizations (NGOs).

The Permanent Secretariat raised the technical level of its performance and its reports, which resulted in an increased number of requests for collaboration at national, subregional and regional level.

A free-flowing connection was established with various international agencies, which see SELA as a focal point for activities that link them to 28 countries in the region. An example of this is that the United Nations Industrial Development Organization (UNIDO) was represented by its Director General in today's forum. Similarly, the Secretary General of the United Nations Conference on Trade and Development (UNCTAD) will be here next week.

In turn, the Chairman of the Group of 77, on the occasion of his attendance to the United Nations, participated in several meetings of SELA.

We have been joining efforts with other regional and subregional organizations on a permanent basis, seeking to complement activities and share tasks.

Similarly, we were able to get Member States to reaffirm their membership, and also make arrangements for countries that are not yet part of SELA to adhere to the Panama Convention.

In this connection, we held discussions with the Organization of Eastern Caribbean States (OECS) and signed a comprehensive cooperation agreement. We are confident that all Latin American and Caribbean nations will soon be Member States of SELA.

Additionally, we carried out a wide range of activities to support the work of the Summit of Latin America and the Caribbean on Integration and Development (CALC).

In short, the actions taken were primarily aimed at pursuing the unity of our countries, while at all times trying to reach consensus and pave the way for greater integration and cooperation, as well as better coordination and consultation.

Mr. Chairman, Ladies and Gentlemen:

Earlier I referred to the challenges our region will have to face in the future. Because of the current global economic situation, however, there are actions that SELA must undertake immediately.

An initial task would be to suggest mechanisms for financial cooperation on specific projects at the regional and subregional level.

Additionally, it would be useful to establish an information system in support of the regional networks of suppliers and to identify opportunities in terms of competitiveness of the regional industries and the development of clusters of specialized industries.

Regional coordination policies for innovation programmes could also be promoted, as well as the development of trade facilitation instruments to deepen integration and to define actions for the strengthening of SMEs, mainly in the production of services to support the regional networks of suppliers.

Additional efforts would be oriented towards encouraging specific proposals for the diversification of trade and economic relations of Latin America and the Caribbean with other countries and regions.

In recent months, representatives of Member States have held several meetings with the Permanent Secretariat to present this Council with proposals for a 2012 Work Programme, which contains guidelines consistent with the aforementioned tasks.

In this regard, the Permanent Secretariat will give continuity to the purposes of targeting and streamlining its tasks, and the evaluation of its results.

Before concluding, I wish to emphasize the positive message of rapprochement to our region sent by the United States of America with the approval by the Congress of free trade agreements with Colombia and Panama.

However, we reiterate that a new phase of understanding with Latin America and the Caribbean requires lifting the unjust economic, commercial and financial blockade

against Cuba, which our Member States have deplored through various statements and decisions.

Together with my colleagues of the Permanent Secretariat, whose dedication and efforts I really appreciate. I pledge to keep the firm intention to help SELA to continue to be an organization that effectively serves the interests of the region.

Thank you very much.

**Speech by the outgoing Chairman of the Latin American Council,
His Excellency Ramón Leets, Ambassador of Nicaragua in Venezuela**

Her Excellency Mayi Antillón Guerrero, Minister of Economy, Industry and Trade of the Republic of Costa Rica,

Her Excellency María Jacqueline Mendoza, Vice-Minister of Foreign Affairs of the Bolivarian Republic of Venezuela,

Excellencies Ambassadors and Representatives of Member States,

Ambassador Jorge Alvarado, Chairman of the Latin American Council,

Ambassador José Rivera Banuet, Permanent Secretary of SELA.

Ladies and gentlemen:

As outgoing Chairman of the Latin American Council, I would like to express my congratulations and best wishes for a successful term to the Chairman, First Vice-Chairman and Second Vice-Chairman of the Latin American Council of SELA.

The president of Nicaragua, Commander Daniel Ortega Saavedra, decreed a state of disasters throughout the country on Monday 17 October due to the prolonged and heavy rainfall in recent weeks, which have caused damages to roads, loss of lives, damage to people and property, landslides, floodings and river overflows, as well as severe damages to environment, economy and agricultural crops.

To date, the rains have affected 133,858 people throughout the country.

Around 15,000 families have remained isolated, but are being assisted by relief agencies, which provide them food and medical care.

There are 12,000 families whose homes were destroyed, partially destroyed or flooded.

The water level of Lake Managua continues to rise, which may force authorities to evacuate about 600 families that had not been affected by previous floods of the lake.

Ministries of State and decentralized entities are contributing to repair the damage caused by the collapse of land communications and the destruction of houses and infrastructure, and are taking actions aimed at restoring basic public services and the reconstruction work.

To that end, funds have been used under the General Budget Law of the Republic and support has been requested to the international community.

Regional and municipal governments continue to take active actions with the support of Disaster Prevention, Mitigation and Attention Committees, in coordination with the central government, in order to ensure adequate care to evacuees who are in temporary shelters.

In addition, SE-SINAPRED, Civil Defence, the army, the police and specialized bodies continue to ensure care, prevention and mitigation in case of disasters to the affected population.

The Association of Municipalities of Nicaragua has entrusted 153 mayors across the country with the task of coordinating actions and dealing with the emergency, in coordination with the central government and decentralized entities.

In addition, the government of Nicaragua has launched the emergency response mechanism of the collaborators table.

Nicaragua has made an appeal for solidarity to governments and international organizations, which are requested to mobilize resources to help deal with the state of emergency in our country.

Venezuela, Brazil, Mexico, Spain, Iran, Taiwan and Canada were the first to provide support. They were joined by organizations like the IDB, CABEL and WFP.

Minister Mayi Antillón Guerrero,

Vice-Minister of Foreign Affairs María Jacqueline Mendoza,

Chairman of the Latin American Council,

Permanent Secretary of SELA,

Ambassadors and representatives of Member States:

The effects of climate change continue to be disastrous for our people, our infrastructure, our food sectors and our economies. However, with the solidarity of all Nicaraguans and all of the international community and the timely action and management of our government, we will overcome this climate calamity.

We express our solidarity with the countries of Central America, Mexico and Colombia, which suffered the same disastrous effects of heavy rains.

Thank you very much.

**Speech by the Chairman of the Latin American Council,
His Excellency Jorge Alvarado Rivas,
Ambassador of the Plurinational State of Bolivia in Venezuela**

Representatives of Member States of SELA,

Permanent Secretary of SELA,

Minister of Economy of Costa Rica,

Vice-Minister of Foreign Affairs of Venezuela,

Deputy to the Director-General of UNIDO,

Ladies and gentlemen:

On behalf of the Latin American Council, I thank and congratulate Mr. Yoshiteru Uramoto, Deputy to the Director-General of the United Nations Industrial Development Organization (UNIDO), and the Honourable Mr. Enrique García, President of CAF-Development Bank of Latin America, which, as he mentioned, is the financial organization of the region and an example – to the region and the world – of an institution aimed at financing mainly development projects.

In addition, I thank the Honourable Mayi Antillón Guerrero, Minister of Economy, Industry and Trade of the Republic of Costa Rica, for her significant presentation, which reflects her deep knowledge of the country's economy, trade, industry and tourism. Her mastery of her country's economic data and of the topics dealt with during this forum enables us to be placed in the context of the global economy and its current crisis. In addition, it shows the economic situation of the region compared to other regions, as explained by Dr. Yoshiteru Uramoto and Dr. Enrique García while referring to our region and Asia.

Therefore, I would like to thank them twice: firstly, for their excellent presentations, and secondly, because they have enabled us to be placed in the context of the global and regional economy.

Thank you.

**Speech by His Excellency Ramón Torres Galarza, Ambassador of Ecuador
in Venezuela**

Distinguished representatives of the Member States of SELA,

Ambassadors and delegates of Member States,

Ladies and gentlemen:

For us, SELA was, is and can be one of the most important organizations in the region, and for this reason Ecuador has a lot of expectations as regards its new boost, consolidation and vision based on recent developments, which may project it as a truly regional economic system.

On behalf of Ecuador, I would like to make some proposals that could be considered strategic guidelines as regards SELA:

Amid the crisis of the international economic and financial system, the objectives of the countries in the region should be to learn, evaluate and strengthen our economies. This is a time for us, Latin American countries, to stare at ourselves in the process of developing experiences that allow us to face the economic and financial crisis, and in some cases have successful outcomes. In this connection, I think this is an important moment in the region for us to recognize these objectives or strategic guidelines.

In view of the crisis and based on our positive experiences, Ecuador thinks that the region has the opportunity to develop and strengthen regional financial systems, regional development banks, credit and investment systems and payment clearing mechanisms. We should create, consolidate, redesign or define them, because it is evident that we have significant experience in creating development banks, credit and investment systems and clearing mechanisms. We think it is a timely opportunity to design and materialize this new architecture.

According to Ecuador, one of the most important and emerging issues to look at with concern and attention – but also with a highly responsive capacity – are the reflections within the context of the G-20 and G-8, which – following a presentation by Camdessus – identified the interest of developing countries in creating a new monetary system to overcome the “war” between the euro and the dollar. That is to say, we are witnessing a time when the hegemonic economies try to create a new monetary system; a time when the Latin American and Caribbean region is in the creative search, with positive results, for a regional clearance mechanism. Hence the importance of the dimension that the SUCRE could gain, not only as a mechanism within the framework of ALBA, but also at the regional level.

In this crisis, standards and results of our regional economy are evidence of growth indicators, the possibilities that our gross domestic product continues to grow exponentially, the possibilities of increasing our trade, the sustainability of our economies. Some of these results are very encouraging, but should not leave us satisfied, still or vain regarding the achievements or make us celebrate the worst economic collapse of any economy in the world, because its impacts affect humans.

In our opinion, the challenge posed in view of these achievements is to consolidate the new regional economy and focus on strategic areas and resources, production, productivity, competitiveness, regional development of value chains and obviously the demand for food security and sovereignty. Today these areas are one of the most competitive in terms of our regional offer to the world, and our demand for food security and sovereignty in our countries.

In addition, this regional economic policy has other names, criteria of sustainability, as well as the environmental and social factors, which are some of the key features that

we must preserve in the new character and nature of the regional economy. For Ecuador, this new economy has to do with a beginning, aimed at the economic empowerment of subjects historically excluded from trade and market, and the way this economy deals with poverty and the inequitable distribution of wealth in the region. We should not forget that Latin America is the most unequal continent characterized by an uneven wealth distribution. To overcome this situation, we should generate factors that motivate economic inclusion of historically excluded subjects, and that means a new approach to our work in economy and trade.

This is the economy for good living, the economy for the human being and nature. An aspect is pending as regards the economy for biodiversity. Our countries are megadiverse; we have the biggest and best resources on ecosystems, species and genes. Behind this biodiversity or genetic variability, there are the best and largest investment and interests of the global economy to control the food and pharmaceutical industries.

In this connection, our megadiverse nature, the possibilities for different types of relationships with developed countries, comes basically from our biodiversity and cultural diversity. If we do not value these resources economically, we are still exchanging gold for mirrors; we are still establishing partnerships with those who provide investment and technology while we offer our diversity resources. The possibilities for some countries to continue their development from our resources will perpetuate our dependence.

Therefore, we think that SELA should specialize in promoting and analyzing the components, factors and characteristics of the new economy in the region, so as to recover its origin: the Latin American and Caribbean economic thought. I think that SELA has played and will continue to play an important role in this regard. For us there is one key aspect that has to do with the way SELA, besides characterizing, should promote the economy for integration. There is no integration processes without economic processes, but integration could not be dealt with only from the economic and commercial view.

Another key aspect has been learnt by Ecuador during our integration processes. At this time of economic and trade transition, we strongly believe in different forms of economy and trade. Ecuador strongly condemns free trade due to its effects and what it has meant for our countries; thus, we have proposed, along with Bolivia, trade agreements for the development of our peoples.

The existence of different forms of economy and trade is what guarantees us the possibility of maintaining and generating economic sustainability. Ecuador strongly believes that we are disputing the sense of an economy that emerged from Neoliberalism and must turn into a new economy for the human being and nature. However, it is possible and necessary for these forms to continue to coexist at this time of history in our countries and our economies. In this context, SELA can and should help characterize these forms of economy, not only in the discursive or technocratic rhetoric, but also in its structuring logic. What are their potential factors, markets and niches? What are their exchange mechanisms? What technology is used? How can new markets be accessed and how these forms of economy can coexist? How is it possible to think the complementarity logic? The possibility that the SELA help us develop and design all this represents a major challenge.

Finally, the region has various opportunities to deal with the crisis, namely:

- 1) The consolidation of the Bank of the South as a regional financial mechanism to support economic and environmental initiatives in the region;

2) The coordination of a financial security network which, as a reserve fund, should build capacity for intra-regional loans and investments as well as macroeconomic convergence initiatives;

3) The development of dialogue and cooperation to replicate the experience of the Regional Clearance Unitary System (SUCRE).

On behalf of Ecuador, I submit two proposals for consideration of SELA Member States that could be part of the Declarations to be adopted by the Latin American Council:

i. "The Latin American Council of the Latin American and Caribbean Economic System (SELA), during the Ministerial Session held in Caracas on 21 October 2011, calls for the participation of countries in the region in the upcoming G-20 meeting in Paris, in order to join efforts leading to the adoption of new joint measures to mitigate the global financial crisis, including the promotion of a new international financial architecture, while considering effective initiatives as regards transactions on currency flows, for the purpose of funding policies intended to create jobs and develop social and environmental programmes, aimed at reducing poverty, and thus, face and overcome the speculative economy that has prevailed in recent years; and

ii. "The Latin American Council of the Latin American and Caribbean Economic System (SELA), during the Ministerial Stage of its XXXVII Regular Meeting, held in Caracas on 21 October 2011, welcomed the initiative 'Yasuni - ITT' proposed by Ecuador, since it represents an effective voluntary measure to deal with the issue of climate change and ensure the conservation of one of the most biodiverse environments in the world.

Under this initiative, Ecuador will no longer exploit 846 million barrels of oil underlying in the basement of the Yasuni National Park, which will prevent the emission into the atmosphere of 407 million metric tons of carbon that would be produced by burning these fossil fuels.

This initiative will contribute to respect for indigenous cultures of the peoples living in voluntary isolation in the Yasuni National Park, as well as social development, conservation of nature, and promotion of the use of renewable energy sources."

Caracas, 21 October 2011.

In view of the crisis and opportunities for our region, it is time for SELA Member States to take decisions, affirming and acting on our side, which shows that human rights are more important than the rights of speculative financial capital.

Thank you very much.

**Speech by the Manager of Programmes for Latin America
and the Caribbean of the United Nations Industrial Development
Organization (UNIDO), Honourable Mr. Carlos Chanduvi**

Chairman of the Latin American Council,

Delegates of SELA Member States,

Permanent Secretary of SELA,

Ladies and gentlemen:

First of all, I would like to convey the greetings of our Director-General and thank SELA for the opportunity to discuss a topic on which UNIDO has been closely working with many of the Member States, in compliance with the agenda of the Rio Summit to be held next year in Brazil.

The General Conference in December will focus on green economy, growth and inequality and include a series of activities we call roundtables. Each region (Africa, Arab countries, Europe and Latin America and the Caribbean) has chosen a topic to be discussed at a roundtable with international experts, who are expected to define strategies and guidelines that would enable UNIDO to direct its efforts on each particular topic in the coming years. The topic for this region is: Can a green economy solve the problems of inequality?

To that end, we contacted the OECD, because this organization is one of the few that have worked on the topic of green economy and green growth in a systematic way. Even at its Meeting of Ministers this year, the OECD decided that this topic should be strengthened and, as you will hear from the delegate of the OECD, the organization has a number of publications with its reflections on the subject. On behalf of UNIDO, I would like this proposal for the developing countries to be presented directly by her, so that you can hear her opinion and give us your view about its feasibility in the Latin American and Caribbean region.

Thus, we invite you to reflect with us, because we are confident that your reflections will help us develop our activity according to the General Conference in December.

So, I give the floor to Dr. Nathalie Girouard, who will make a presentation on green economy and green growth, based on documents prepared by the OECD. These studies include policy instruments to promote green development and a number of conceptual considerations.

Thank you very much.

**Speech by the Green Growth Coordinator
of the Organization for Economic Cooperation and Development (OECD),
Honourable Nathalie Girouard**

Thank you very much, ladies and gentlemen:

The interest that we have in adopting a green model of growth really originates in the concern about the scarcity of natural resources but also the increase in the prices that we have seen recently, and the costs of past patterns of development and ecosystem degradation, but also – and more importantly – in the aspiration we have for a better quality of life beyond material wellbeing. You will know that green growth has received high political support, at least in OECD countries, because of its potential to support a short-term recovery from the global economic crisis, and at the same time laying the ground for low-carbon, resource-efficiency and socially inclusive economies over the longer term.

While there are several relevant definitions of green growth, in particular, there were those that emerged from the work implemented by the United Nations Environmental Programme (UNEP), and there was also a definition from the United Nations Economic and Social Commission for Asia and the Pacific. OECD itself has proposed a definition that enjoys acceptance within environmental economic and financial community beyond our membership. We define green growth as a model that aims at fostering economic growth and development, while at the same time avoiding unsustainable pressure on the quality and quantity of natural assets. Green growth is really necessary in order to overcome the risks related to the business-as-usual scenario, which erodes natural capital at a pace that threatens development. Preserving this business-as-usual scenario would really involve high human costs and constrain on economic and social development. The green growth concept does not aim at replacing sustainable development, it is meant to be one of the practical mechanisms for realizing the goals of sustainable development. What is important also is that it does not neglect the social pillar of sustainable development. On the contrary, the OECD would believe that without good governance, transparency and equity no transformative growth can succeed.

Finally, I would like to say that not too much should be read in this choice of the term: green economy, green growth, green development, they all refer to the same process, which is transforming our economies to make them more sustainable and progress in the implementation of sustainable development. At the OECD we prefer the term green growth – as also the World Bank does – through its emphasis on the need for continued growth, but growth that is more sustainable than it has been in the past.

An important message of our work is that green growth has positive development outcomes, such as enhanced productivity and innovation, creation of new markets, fiscal revenue generation and lower risks of economic and social shocks. For example, promoting green technologies can support economic restructuring and diversification. Increasing resource efficiency is the core economic objective that needs to be pursued if one wants to remain competitive in the global market, and the low efficiency levels in many countries create possibilities for competitiveness gains and higher-than-average returns on investment.

While our indicators today show that the green economy is relatively small, if we judge it simply by the size of industries producing green goods and services, we foresee significant growth potential in the future, in particular in the emerging economies. Looking just at the natural resource sector, commercial opportunities related to environmental sustainability could be between US\$ 2 and 6 trillion by 2050. And this is only part of the picture, as many of the environmental growth effects will arise from greening all the sectors of the economy.

Looking ahead, forecasts tell us that the world economy will double roughly every twenty years, about a quarter of this will be population growth and the other three-quarters will be higher income and hopefully better living standards. This will certainly put increasing pressure on natural resource systems. We will need to increase food production by about 35%; increase energy supply close to 40%, and increase all forms of resource extraction by as much as 70%. These rising pressures on resources can strike bottlenecks, leading to higher prices of essential commodities, which will create a real drag on growth. We are already seeing high prices of many commodities. Whether or not this will persist in the short-term is an open question, but we believe that there are risks to growth and that there are sensible things that could be done to mitigate those risks.

As Minister Guerrero reminded us yesterday, for the case of Costa Rica, natural disasters caused damages for the equivalent of 8% of GDP.

Another risk is related to air pollution. It is a major problem, especially in developing countries. For example, without policies to head off current trends, we expect a tripling of the number of premature deaths in China from exposure to particular matters. This reduced human capital and directly reduced people's welfare. Indoor air pollution is also an important problem. It is the leading cause of environmental human mortality worldwide. A significant contribution to this is that more than half of the world's population uses traditional cooking and heating facilities. This is strongly connected to development and in particular to the fact that there are 1.6 billion people around the world who do not have access to electricity and from that, 500 million only in India.

How are we planning to meet the basic needs of this growing world? In agriculture for example, continued yield and production growth means that we will have to maintain the natural asset base. However, the outlook is not entirely positive. Agricultural production needs to increase by around 40% by 2030, and to do this, there is not a lot of quality land to bring into production. On top of that, this increased land conversion that will have to come will put strong pressure on biodiversity, which is providing a range of valuable services and which are undervalued, many of which are directly relevant to yields in agriculture, such as flood protection, and the value of insect pollinator, which is estimated to be in the order of US\$ 133 billion for the main food crop of the whole world. And also there is some water scarcity problem which is expected to increase by about 30%, and we will see more people living in severe risk of water scarcity.

To protect them from such risks, what are countries doing? Well we have seen the development of green growth strategies in many OECD countries and in some non-OECD – in Korea, in China, in South Africa, in the United Kingdom and in Norway. The overarching goal is really to establish incentives for institutions that increase well-being by improving the resource management and boosting the productivity. We want to encourage economic activity to take place where it is of best advantage to society over the longer term. And what is also important is to lead to new ways of meeting these first two objectives. Basically, we need to create more innovation.

Green growth is relevant for all countries. The policy approaches used to anchor this new model in everyday behaviour will have to be tailored to specific regional and national circumstances and stages of development. The choice of such policies and approaches may be influenced by a number of factors, by different market conditions, the informal economy, the maturity of financial systems, or specific governance conditions. Especially for developing countries, strategy needs to build on the complementarities between green growth and poverty reduction. This include for example, providing more efficient water and transport infrastructure, alleviating poor health associated with environmental degradation and introducing efficient technologies

that can reduce costs and increase productivity, while at the same time easing environmental pressure.

As part of our following work to the green growth strategy, we will be conducting a study on the implications of green growth for developing countries and this should be part of our contribution to the meeting of Rio+20 next June.

The green growth strategy also recognizes that there are important pieces missing in GDP. The first one is that GDP is a flow and what is important in the longer term is the capital stock or the wealth, this is what is crucial for us. The second piece is that the value of environmental services and capital is not taken into account and this is a non-trivial part of overall wealth in developing countries; it accounts for almost a quarter of the overall wealth. To give an indication of this top level that we are talking about, U.S. national capital is about US\$ 5.7 trillion, while Venezuela's is US\$ 3.6 trillion.

We have been developing a tool kit which is basically a menu of options that needs to be tailored once again to the specific circumstances of countries, but what we believe is that there are some common considerations. We believe that one of the central elements is really to put a price on pollution or on the over-exploitation of scarce natural resources, and we believe that there are two sets of policies, the ones that are really reinforcing green growth, that are specifically aimed at green growth, and those policies related to price instruments, to environmental taxations, emission trading systems, subsidies, but also non-markets instruments that are very important to complement those price-based mechanisms: regulations, standards, active technology support, information measures and voluntary agreements.

One of our key findings in the work that we have done over the past two years is that we really need to price more adequately natural resources and environmental damage. This will reduce public spending and environmentally harmful subsidies. Of course, by doing this, we need to take account of how price changes could negatively impact poor and vulnerable groups. OECD's work has shown that environmental fiscal reforms can be a way of reducing poverty while also promoting greener growth. It can contribute to poverty reduction directly by addressing environmental problems than impact on the poor, such as water contamination and air pollution. It can help indirectly by generating a pool of resources for poverty reduction programmes, ensuring water supply, sanitation, health and education.

As part of the green growth strategy and its follow-up, we will be providing further insight and policy guidance for implementing growth enhancing green fiscal reform, as well as identifying the associated institutional and governance constraint in developing countries.

Eliminating bad policies, like fossil fuel subsidies, could also offer budgetary opportunities to boost green growth. Some enormous sums in excess of US\$ 300 billion per year are being used to support fossil fuel consumption. Our work has shown that for most countries there would be substantial real income gains from unilaterally removing fossil fuel subsidies. This could reduce emissions by as much as 10% by 2050 compared to the business-as-usual scenario. Fortunately, this subject is getting some traction in major international forums, like the G-20. Emerging economies, such as India, are setting a strong example by implementing a reform in this area. But price setting will not be sufficient, we need complementary regulations and performance standards that address pollution or energy efficiency. We also need to scale up green innovation and facilitate its diffusion, and for that purpose governments have a really critical role to play, to fund research, target barriers to early stages of development and accelerate technology

transfer. We also need to provide the long-term policy certainty and stability to business, to mobilize their talent and resources for green innovation.

The potential for locking in the wrong kind of technology is also large. Based on the need for infrastructure refurbishment and expanding demands in developing countries, we have estimated that we will need to spend US\$ 73 trillion between now and 2030 on infrastructure. A surprisingly large share of this will be spent in developed countries, around 50% in 2020. Water and sanitation services will make up the lion's share on investment needed, almost half of that. But it is clear that the large financial flows that are required for de-carbonized and greener economy will need to come predominantly from the private sector. With their US\$ 28 trillion in assets, pension funds along with other institutional investors could have an important role to play in financing green growth initiatives, yet although the project potentially offers the stable and local relation returns which institutional investors are seeking, the allocation in this area remains really limited. Of the US\$ 95 trillion of investment capital in the global bond market, less than US\$ 16 billion is currently in green bonds. This is partly due to uncertainty with regard to environmental policies but other barriers to investment include a lack of appropriate liquid and financial instruments. To tap into this important source of capital, governments and the financial industries need to ensure that attractive opportunities are available; for example, by providing risk mitigation tools to cover regulatory uncertainty, issuing financing vehicles such as green bond, or setting up green banks.

The implementation challenge is also something that should not be overlooked. It is an important part of a success to make those transformational changes that will be needed. There will be of course winners and there will be losers, and proper consideration of political economic concern is essential if we want to succeed in the reform.

Governments need to take into account the distributive impacts on the lower income share of the population that will be most affected by those changes. Transfer system supports need to be put in place. Similarly, in the labour market sectors, new skills will be needed and training schemes need to be put in place to help workers to adjust to the new needs and the new demands. Other labour market policies to smooth the adjustment will also be essential to succeed.

To monitor the progress we have to make sure that we have some tangible tools. What we have done over the past two years is to develop a methodology to calculate a series of indicators that we think can help countries to measure the progress they make to greener growth. We have set up in our publications a list of 25 possible indicators that capture the main features of green growth. The first series concerns environmental and resource productivity indicators; the second one, economic and environmental assets; the third one talks about environmental quality of life; and the last one talks about the opportunities and the policy responses. Those are the tools that we have developed so far to monitor the progress.

Finally, this slide is to show you how we have organized our thinking and our framework to analyze green growth. We have been looking at important enabling conditions, what are the environmental issues, the tools that could be applied, but also the transition: What are the policies that have to be put in place to make sure that we can transition to a greener economy. And finally, we have put forward a measurement agenda to make sure that we can inform policy makers of the assessment of our policies.

These are some of the general overarching messages of the strategies so far, and there is a large body of supporting work that goes in much greater details on various policy areas. For example, on taxation, on urbanization, trade, investment and also on

innovation. Over the coming years at the OECD we would be tailoring the strategy to provide country- and sector-specific guidance. This will involve mainstreaming green growth in our economic surveys, in our environmental performance reviews and also in our innovation reviews. It would also mean continued work on green growth indicators and other measurement tools. This output is expected to cover OECD as well as emerging and developing economies. And we will also look on how the implementation of the strategy, both globally and in developing countries, can maximize development outcome.

Thank you very much and I hope that this will give you an overview of the green growth agenda that is at the OECD for several years to come.

Thank you.

A N N E X I I

FORUM

“Towards productive integration in Latin America and the Caribbean”

Speech by Ambassador José Rivera Banuet, Permanent Secretary of SELA

Mr. Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council;

Distinguished speakers;

Representatives of the Member States of SELA and the Diplomatic Corps;

Representatives of international and regional organizations;

Special guests;

Ladies and gentlemen:

It is a reason for great satisfaction for the Latin American Economic System (SELA) to welcome you to this event whose topic is especially important for our region.

We sincerely appreciate the presence in our organization of speakers such as Ms. Mayi Antillón, Minister of Economy, Industry and Trade of the Republic of Costa Rica; Mr. Enrique García, President of the Development Bank of Latin America (CAF); and Mr. Yoshiteru Uramoto, Deputy to the Director-General of the United Nations Industrial Development Organization (UNIDO).

Together with Costa Rica, CAF and UNIDO, our organization has conducted several activities and joint projects, with positive results and a broad scope, in a collaboration effort that we are sure will expand in the future.

The issue of productive integration has been attached priority in the Work Programmes of the Latin American and Caribbean System (SELA) since its inception.

The Member States have recognized that the productive integration and the promotion of policies to underpin industrialization processes provide the bases for the economic and social development of our region and its better integration into the international economy.

In this context, it is imperative to attach priority to those economic policies aimed at promoting production and employment, amid conditions of environmental sustainability and rational use of natural resources.

We also believe that a requirement for a sustained process of productive integration leads to reopen an area for industrial policy within the framework of the national economic policies of the countries of the region.

This forum is aimed at analyzing the key determinants for productive integration and the strengthening of industrialization in the countries of Latin America and the Caribbean.

The elements that we believe may provide a reference for reflection at this Forum are as follows:

First of all, the improvement in the pattern of international insertion of Latin America and the Caribbean goes hand in hand with the transformation of the regional productive structure, so as to enable it to develop competitive products and services in the global market.

Secondly, economic growth must be conceived as a result of the interaction of various dynamics: the accumulation of capital, the use of knowledge applied to production and the institutional development, and;

Third, Latin America and the Caribbean can accelerate their economic growth through policies that promote not only an increase in investments but also the best use of existing resources in their economies.

The event that we started today is of great importance in terms of exchange of information and the identification of possible actions as regards the aforementioned subject.

We are confident that the upcoming creation of the Community of Latin America and the Caribbean (CELAC), within the framework of the Summit convened for December 2011, will make special consideration of the issue of productive integration and will call for a profound exercise of analysis in this regard. That is why we are sure that this forum will be of interest to our Member States.

I wish to finish by thanking the speakers again for sharing this space for reflection and to all of you for your presence in our headquarters.

Thank you very much.

**Speech by the Deputy to the Director-General
of the United Nations Industrial Development Organization (UNIDO),
Honourable Yoshiteru Uramoto**

Ambassador José Rivera Banuet, Permanent Secretary of SELA;

Mr. Enrique Garcia, President of the Development Bank of Latin America;

Ms. Mayi Antillon Guerrero, Minister of Industry and Commerce from Costa Rica;

Distinguished Delegates and Representatives from the Permanent Missions and the UN System;

Ladies and Gentlemen:

I am very happy and feel greatly honoured to speak at this very important Forum of SELA on the productive integration in Latin America and the Caribbean.

To talk about integration in Latin American and the Caribbean to this distinguished audience is a challenge and, at the same time, a valuable learning opportunity. Nevertheless, I would dare to share with you some thoughts and ideas from our perception of the challenges that the region would face on the road for a successful integration.

The efforts for regional integration in Latin America and the Caribbean – the subject of today's debate – should be looked at in the context of the global trend, as the world in recent years has witnessed an increasingly accelerated drive towards regional integration and strategic partnerships among nations. The EU is leading it, but I wish to take note of some ongoing efforts in Africa, Asia and the Middle East, which are gaining a renewed momentum.

However, ladies and gentlemen, it is heartening and very encouraging to know that both Andean Community of Nations, which was founded in 1969, and MERCOSUR in 1991 aimed at creating a common free-trade area. In 2008, 12 Heads of State agreed to establish UNASUR, the Union of South American Nations, absorbing two custom unions of Andean Community of Nations and MERCOSUR with three additional members; Suriname, Guyana and Venezuela. I understand that this fledgling union is planning to have a common defence, parliament, passport, currency and integrating 388 million people with a total combined GDP of US\$ 4 trillion into a single market by 2014. What has been achieved so far is already remarkable. The realization of it would be extraordinary in the history of Latin America and Caribbean and also of the world.

On the other side of the Pacific, progress is already well under way in Asia. Ten Southeast Asian nations formed the Association of Southeast Asian Nations or ASEAN in 1967 to facilitate economic growth, social progress and cultural development in the region. Since its formation in 1967, ASEAN has walked a long way. Their founding principles guided the association, namely: mutual respect for independence and sovereignty, territorial integrity, national identity, non-interference in domestic affairs, and settlement of dispute through peaceful means. In the year of its 40th anniversary, in 2007, they agreed in Cebu, the Republic of the Philippines, to accelerate the integration of ASEAN and establish an integrated ASEAN community by 2015 based on three pillars: political security, economy and social cultural interaction.

Mr. Surin Pitsuwan, former Foreign Minister of Thailand, was appointed Secretary General of the ASEAN under the new Charter of 2008 to operationalize the common legal system and facilitate the integration process by 2015 into a common market and political union of ASEAN member nations with 600 million people and a GDP of US\$ 1.8 trillion. Mr. Surin Pitsuwan is very actively leading its Secretariat located in Jakarta, Indonesia. His Excellency President Yudhoyono, of Indonesia, is currently the Chair of ASEAN.

While not attempting to compare the two fledgling integration models, I would like to bring to your notice a very interesting difference in trend between Asia and Latin America in the share and trend of the medium to high technology value addition in the manufacturing sector. Due to unavailability of data I am trying to compare Asia and Latin America as proxy to ASEAN and UNASUR. This, I believe, is permissible as ASEAN is increasingly integrating into the East Asian economy in general and it is growing by bringing friends and partners. The so-called ASEAN plus 6 now includes Japan, China and Republic of Korea as well as Australia, New Zealand and India.

Going back to the subject of the widening difference I mentioned earlier, in the share of medium and high technology manufacturing (which includes chemicals, machinery and equipment, electrical machinery, radio, TV and communication equipment, medical and precision and optical instruments, motor vehicles and other transport vehicles) the difference is widening between the two regions: in mid-1960s the share of medium to high technology manufacturing in both regions was the same; currently Asia is leading and the share in Asia is 50%, while in LAC the figure is 20%. In resource-based manufacturing (food and beverage, tobacco, wood, paper, refined petroleum and coke, rubber and plastics, glass and basic metals) one observes a declining trend in Asia while in LAC it has remained more or less the same over three decades at around 65%. In Asia, the figure has dropped from 45% to 30% during the same period. The share of the low technology manufacturing (textile, apparel, leather, publishing and printing, fabricated metal and furniture) has been steadily declining in both regions.

There are differences and similarities between the regions and they will continue to be there. But it is important to learn the lessons from others as in the backdrop of any successful industrialization there are lots of learning; learning by governments, private sector and people. I believe that Latin American and Caribbean countries with their common cultural background, availability of natural and energy resources, including water, educated human resources with relatively higher income, and fertile agricultural land, should and can achieve a better integration of their economies and in particular of their productive sector.

However, ladies and gentlemen, we also need to recognize and learn from the best practices that are available in a number of critical areas such as poverty reduction. China managed to reduce poverty by 300 million since 1990 in a relatively short period of time. Poverty reduction has legitimized the integration and gained the popular support in the ASEAN region. Let us recognize that the level of inequality in the Latin American region is still rising (according to World Bank data: 16 countries of LAC are among the 30 countries in the world with the highest inequality ratio.) How was it done there? How about the investment front? A huge investment has been and is being made in infrastructure in the regions. Is the level of investment adequate? The physical means of communication counts a lot in regional integration.

Distinguished audience, please allow me to share with you a couple of more challenges from our perspective before I conclude.

Firstly, the recent events that the international media calls "Arab Spring" are in fact prompting countries in other regions to look closely to their vicinity to reflect on issues that are associated with the Arab Spring. Is the Arab Spring an expression of the desire for good governance and justice in the countries concerned? If so, we need better governance and we may opt for democratizing politics in those countries.

However, when one takes and believes in the views and opinions expressed in the international media, you could still miss an important fact: When the Arab region has to face with the world's highest youth unemployment figures, particularly amongst the educated, could any best performing government in the region have prevented the uprising without giving jobs to the youth? Would political debates ease the youth

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unemployment? As you know the youth population is bulging throughout the developing world.

Last month I was participating in the first Arab Youth Employment conference in Beirut, Lebanon, which was organized by UNIDO. Young entrepreneurs from 35 Arab and North African countries participated in the meeting and talked business. Interestingly, no one talked politics or the Arab Spring. Some participants were from Tunisia, Libya and Egypt. Despite political differences that prevail in those countries young entrepreneurs focused on business and established private business relationships and networks with others from the region.

They are creating jobs by themselves and the government of Lebanon in cooperation with other nations in Arab region is facilitating that.

In order to create more jobs, what are the roles of governments? We obviously need to pay attention to efficiencies of the industry in question, competitiveness, value chains and common markets in various forms of economic partnership and free trade agreements or trade blocs. What was interesting was that the youth gathered at the 1st Arab youth employment conference has embarked on what ASEAN calls the third track of integration, where private sector plays an important role in developing regional value chains and contributing to the regional integration in parallel to the efforts of the governments. In Latin America, the Government of Mexico did something similar and is now organizing an annual SME week, inviting SMEs throughout the countries and promoting SMEs.

In the backdrop of economic partnership and integration, there is a development of value chains. Production lines are increasing, fragmented but integrated into value chains, and focus on tasks rather than the final product. Integration of markets seems to facilitate the value chain development. You already have the vision of UNASUR. Assuming that there will be a strong political will, I am certain that the efforts for operationalizing UNASUR will be surely a reality in the near future.

The second and last addition is energy. Both in ASEAN and UNASUR, energy integration became a high priority focus, which promotes energy access, efficiency and security with decentralised renewables and promoting green industry, a growth driver in the future. I won't elaborate this now as I understand tomorrow in cooperation with our colleagues of the Green Economy department of the OECD and SELA will be holding a seminar to initiate a consultation. I am happy to see that this shall enrich the debates at the UNIDO General Conference in Vienna on 30 November of this year.

Ladies and gentlemen, UNIDO is ready to become a partner of the region to support your endeavours. We can support you and facilitate in transfer of best practices to find some technical solutions, which were successfully applied in other countries. We are ready to strengthen our cooperation with regional institutions like SELA to work in developing policy choices, organizing global forums to develop consensus in the region in strengthening the productive sectors and developing value chains with our Technical Services Packages.

We are organizing during our General Conference, Regional Round Tables that serve as an important strategic platform for UNIDO's possible actions and programmes. This year we will be addressing the issue of Green Economy and Inequality in LAC.

Ladies and gentlemen:

I thank you for your attention and look forward to continuing the dialogue with you.

**Speech by the President of CAF-Development Bank of Latin America,
Honourable Enrique García**

Chairman of the Latin American Council,

Permanent Secretary of SELA,

Minister of Economy of Costa Rica,

Vice-Minister of Foreign Affairs of Venezuela,

Deputy to the Director-General of ONUDI,

Distinguished Ambassadors and representatives of SELA Member States,

Ladies and gentlemen:

First of all, I would like to congratulate SELA for convening this meeting and laying on the table a very important issue, which refers to the productive transformation as a key element of the integration processes in Latin America and the Caribbean.

I would like to place this issue in a somewhat broader context, which could serve as a basis for further discussion. The first question I would make is: How is Latin America at present, not only as a region, but also compared to other emerging regions of the world? Here we find both good and bad news.

I will start with the good news. Although the most severe financial and economic crisis broke out in the developed world in 2008 and unfortunately we are going through a very difficult time with potentially serious implications at the global level, it has been said that Latin America has had the ability to defend itself in a very reasonable way. In fact, even though 2009 was a bad year for the region, if we look at numbers in general, we see that 2010 was an exceptionally good year with an average growth of 6%, with seven countries in the region reporting growth rates above 7%, which are equivalent to those of Asia. A global contraction is expected this year, and although newspapers show very alarming figures and Latin America will have a lower average growth, I think this growth would be reasonably appropriate and favourable.

So this is the good news, and it is largely due to some lessons from the past that show how the region has managed to deal with adequately macroeconomy, its financial statements and its external debt.

However, development is more than macroeconomic figures. Development involves important factors that explain whether economic growth is good quality growth; not only high-rate growth, but also efficient growth in economic terms so as to create productive jobs in a socially inclusive way. That is to say, most citizens should be able to benefit from that growth, while respecting cultural diversity and protecting the environment.

In this connection and using the words expressed by the Deputy to the Director-General of UNIDO, it is appropriate to compare this evolution with that of Asia. We can say that there are very important differences between them. Latin America has done well, but it has done it in relative terms, since it has lost – let us be frank – its relative importance at the global level.

While 25 years ago the per capita income of Latin America in terms of the purchasing power accounted for 35% of the per capita income of industrialized countries, now it totals 25%. Let us take another variable: trade. Exports from the region accounted for 16% of world exports and now they represent approximately 6%. This is also the case of foreign investment and a number of other factors.

This makes us reflect and wonder what we would need to achieve two goals that I think are key. First, a convergence in economic terms with the most developed economies within a reasonable time. We conducted an interesting study, *Latin America 2040*, which clearly explains that if we want a convergence with the most advanced economies by 2040, Latin America cannot be satisfied with an average economic growth of 4%. It has to grow, in a consistently sustained manner, to at least 6%.

The second condition is very important: Growth should improve the levels of equality. As mentioned above as regards the bad news, while our region has made substantial progress in reducing poverty in most countries over the past ten years, it is also true that the region continues to be the one with the most uneven distribution of wealth in the world, according to the GINI Index.

Thus, this is a critical dilemma. If we look more closely at the details, we can see a large number of qualified young people that are unemployed. Informal jobs tend to rise, insecurity multiplies and drug trafficking pervades many of our countries, and these are critical issues. Here comes the question on the topic we are discussing today: What should this region do in order to achieve this quality sustainable development model?

There are definitely many things to do. A comparison with Asia is also appropriate as regards some indicators that I think are crucial. In the region, savings of governments, companies – whether public or private – and households represent about 20% of GDP. Compared to industrialized countries, it is favourable; but compared to the emerging countries of Asia, it is under half. That is, the newly emerging countries save more than 40% of its GDP.

As regards investment, we are very happy. But what has been the average investment of the region in the last years? Is it about 21%? To think of a sustained growth of 5%, 6% or 7% with an investment of 20% is not easy. In the case of the emerging countries of Asia, we are talking about an investment that exceeds 30% or 35%.

The third element is productivity, which has much to do with the topic to be dealt with in this event. While there have been significant advances in some sectors, they have been lower than those reported in the emerging countries. So here is the big challenge. We at CAF have the clear conviction that the countries in the region need two essential things. First, we have to be aware that, if the region wants to achieve an effective integration, not only in economic but geopolitical terms within the current reality of the world, it should have long-term development agendas that cover not five, but ten or fifteen years. To be more effective in this globalization and better meet the social needs of the region, the issues we must resolve require efforts that go beyond a government that lasts just a few years. And what are those issues? One is infrastructure, which in Latin America and the Caribbean has reached non-comparable levels. The investment is only 3%, although we have invested twice as much.

However, the second element is the most critical one: Education. A very important progress has also been made in education. In what sense and to what extent? Well, today we can say that most countries can show that they do not have illiterate people; that there is some coverage; most of them, 90% of them. But let us talk about quality, on which we are lagging behind. There must be a renewal in education based on the new realities of the XXI century, and that requires a very important change in parameters by public and private enterprises, business sectors and other actors of society. So that is a pillar.

The other pillar on which we fully agree with SELA is that regional integration is not a luxury but a need, both economically and politically. We believe that the integration

process we have been through, with all its changes, successes and failures, has appropriate institutions, but there is a large dispersion. I think the time has come for institutions such as SELA, or the one I preside over, to promote a reflection on how to achieve greater precision within the context of integration schemes in the region, which are often engaged in competition. In this process, there is no doubt that promoting integration means going beyond trade and focusing on topics that are key to integration. We consider infrastructure an important basis.

Another issue is productive integration, because contrary to what used to be said decades ago, the outward-oriented growth has its limits. Today, we must create conditions for efficient production – technically and economically speaking – to meet the growing demand of the region and create sources of employment, which are so important to preserve the society in terms of security, democratic behaviour and social interactions. In this context, good and bad things that have happened in recent years can worry us again.

Part of the success of the region, particularly the countries of South America – and here we have to differentiate between Central America, Mexico and Panama, and the Caribbean and South America – is due to a wealth of natural resources. The blessing of having these resources, which has resulted in the dynamism of emerging countries like China, has meant an incredible boom in the terms of exchange. That is the blessing, which is part of the solution. The curse – well, I would not say the curse, because the term is a bit strong – or the bad news is that if you look at the numbers, the region – and I refer to South America – is, as ECLAC appropriately says, in a process of reprimarization. The focus on low value-added exports, with some exceptions that sometimes lead to confusion, puts the region at a level that we would not want it to be.

Then there is the boost of productive transformation. How to take advantage of what Blessed God has given us, the natural resources, in order to do something similar to what other countries with a wealth of natural resources have done? Interesting examples include Norway, Australia and Finland, which have used natural resources to make technological research, transformation and, I would say, are working in high value-added areas, because knowledge is what ultimately gives that growing dimension.

In short, I would say that this is an important time for Latin America and the Caribbean, because there is a favourable platform. Countries that have been hardest hit by the crisis and went through more difficult times – such as Central America and Mexico – have reacted well. I think that the situation in the coming years will be even better to carry out this transformation. In this connection, I think institutions like the one I preside over, which have a strong commitment to the region for belonging to it, believe that the support to technological change, institutions, infrastructure and production chains in the path of integration could be a decisive factor to achieve efficiency and competitiveness. The objective is not only to have companies based on success due to a certain level of protection, but also companies that are productive, efficient and have the ability to export both within and outside the region.

There are examples of success in the region that show that things can be done well, such as two examples that I will mention: one is Brazil and the other is Argentina. The example of Brazil refers to a globally competitive company with advanced technology and research, while the other is the Argentinean company INSA, a manufacturer of high-tech turbines and generators that are exported to the whole world. It is like a tailor who, instead of cutting clothes for ladies or men, makes turbines and generators for the most demanding markets. What does that mean? The region has the capacity, but needs a consensus by all agents of the society, and therefore SELA should stimulate a debate on these issues.

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Thank you.

**Speech by the Minister of Economy, Industry and Trade of Costa Rica,
Honourable Mayi Antillon G.**

Chairman of the Latin American Council,
Representatives of SELA Member States,
Permanent Secretary of SELA,
Vice-Minister of Foreign Affairs of Venezuela,
Deputy to the Director-General of UNIDO,
Ladies and gentlemen:

Dear delegates attending this important space for dialogue, which lays on the table a subject of reflection that all countries, without exception, are rethinking: the future and the productive development of our countries. I want to thank particularly the Permanent Secretary for joining us in the launch of the entrepreneurship policy to support SMEs. In this relaunch of the issue of productive policies, we can share with such a great Latin American and Caribbean endeavour as SELA, in order to focus our resources in a more effective way and avoid dispersion.

It used to be said that when everything is a priority nothing is a priority. That is true. But the most important thing is that we are attending a forum in which some countries can give us great lessons about the path to follow and the way to share these integration processes for the development to be increasingly closer.

I want to thank the government of Venezuela for hosting us so warmly during these days.

Now, I will make an audiovisual presentation I have prepared. The fellow members at the head table will certainly figure out its content, but I want to make this presentation in an orderly manner. I need to write down what I do to avoid improvisation. I want my work to become a long-term project for my country and not to be the result of policies that last four-year terms. Public policy cannot belong to a government. State policies are written for the development of our countries.

First of all, I would like to say that our country has managed to take visionary decisions that have led the path of Costa Rica. In this connection, I would like to tell you how these visionary decisions, which we have taken full advantage of, have become strengths. We cannot rest on our laurels, because what has been written one hundred years ago does not necessarily have the same significance one hundred years later. We should ask ourselves how to enable greater inclusion, so that the model we propose is not designed for a few, but the vast majority. Let me recall to you the words by the President of the Republic, Mrs. Laura Chinchilla, when she presented her national development plan: "Some were walking the historic path of a secure, sustainable and fair social and economic development. Our achievements are the result of a struggle of many generations who had the vision, but also had the courage and determination, to take and put it into practice."

Let me make a brief review of those great visionary decisions that took root in a small country in Central America, namely Costa Rica. First, its commitment to free and compulsory education. Second, one hundred years of uninterrupted democracy. Third, bet on social guarantees. Fourth, the elimination of the Army. Fifth, the development of productive development models, aimed at transforming the gifts of Mother Nature and very close to our agricultural sector. Then a process of industrialization and now a process of opening, which some will not consider a model,

but this is not in dispute. The idea is how to use the opportunities offered by the global market.

In addition, thanks to these beautiful gifts, we have a country rich in natural resources that decided to preserve more than 25% of its land a worldwide recognition as a country brand under the name of Costa Rica which is identified to peace. Some would say that they are truly country brands, while we say this is the most valuable thing of peoples. I am not saying that peoples should adopt our model, but each country knows what those values are and that they make a difference in the growth of each of our societies. How do we turn these visionary decisions into our strengths? Well, we should continue to invest in education. According to the index of competitiveness, Costa Rica is a country with a quality education system. I agree with you, Don Enrique, that this is not just about coverage, but quality. This is not only about having a country of illiterates, but turning that education into a tool for development.

We are a poor country, but we decided to increase our investment in education from 6% to 8% of our GDP, because education makes a difference. This represents 30% of social spending, with a literacy rate of 95.8. See how interesting the figures are: Coverage of primary education is 103%. I used to say: "The numbers are wrong." But they are not. Immigrants also receive education, and therefore we exceeded the 100% rate; the migrant population also enjoys education in Costa Rica. And for dropouts in secondary education to not divert us away from our goals, we also decided to invest in projects aimed at offering students and the poorest families a bonus so as to avoid they leave the school. There is a project in Costa Rica we call "Let's go."

Now, what makes the difference in a country? The former president José María Figueres said a few days ago: What is the point in having education if children go to school hungry? Well, we must also invest in health. Social security in Costa Rica represents 30%, mortality rate is 4.3 per 1,000, life expectancy is 75.1 for men and 80.5 for women. We, women, will grow older, alone and sad, but live longer. Health insurance covers 4.6% of the population. In addition, major diseases have already been eradicated from our country, such as polio, smallpox, yellow fever, measles, to name a few.

As I said before, being a country rich in natural resources, which is a feature of our countries in Latin America, made us take the decision to protect 25% of our territory. There are 34 national parks, 58 wildlife refuges, 32 protected areas, 11 forest reserves, 8 biological reserves and 12 conservation areas. Now, if we look at the map, we see that those protected areas are also the poorest ones, because development has not reached there yet. We have to think about it. Protecting these regions does not mean that development cannot reach them.

Ninety-three percent of the generated energy comes from renewable resources. It is the first tropical country to reverse deforestation. We also decided to promote tourism, because if we had invested so much in our natural beauties, people would come see them. As a matter of fact, they do not come and say that our country does not promote the conservation of our natural resources. Instead, we have received tourists who value our natural resources, and that is very important, because we are making progress in ecological tourism policies. In addition, we would like to promote medical tourism, because the care taken by our country to preserve its natural resources can result in a much larger stay and use of our medical services.

We also have a significant number of hotels across our country, but also many small tourist facilities aimed at giving knowledge of the local productive development, such as a dairy, coffee plantations or nature's own wealth, which also provide benefits to small owners of tourist facilities in the different areas of our country. The best news is that in 2010 we have received over 1.5 million tourists. Imagine, we have 4.5 million

inhabitants. That means a lot of people in this little country. It feels great when all are preserving the environment.

We also decided to open up to the world, and as I said, this was not an option to discuss but to take advantage of. We started to organize trade and open up gradually, reaching 12 free-trade agreements that cover a combined market of 2,500 million people where all our products will arrive. The last one will be with China, with which we have also negotiated a free-trade agreement

But see how our exports have evolved since 1963, when 72% of exports were based on coffee and 13% on non-traditional products, considering that 89% of investments were in non-traditional products and 11% in traditional ones. Are we exporting less agriculture? No, but we have diversified and multiplied. That is the secret. There you can see a significant growth rate of our imports to an average of 9,000 million colones, with all ups and downs of the market.

When a country has a highly diversified market, blows are not so strong as for countries that are mono-exporting or mono-producer. Here we see diversification: North America 42%, Central America 19%. Then we find our Panamanian brothers. The FTA with Panama boosted all our strengths by sharing a common border. Central America is our second major market. Then we have the European Union, the Caribbean, Asia. There has been also a significant diversification of goods and services. In 2010, Costa Rica exported more than 4,000 products. These are story lines that were written little by little.

Our commercial openness also brought foreign investment to our country. There you can see the figures, which indicate that in 2008 we reached our highest peak at US\$ 2,200 million in foreign direct investment, turning us into the country that receives the largest amount of foreign direct investment per capita. FDI dropped a little in 2010 as a result of the ups and downs of the global economy. However, in 2011 it is estimated to rebound. Interestingly, some people argue: "Well, that is because you have two Intel plants in Costa Rica". Intel is a reference, of course, but you can see in the presentation that there are logos of other companies operating in the country. It is not only Intel, we also have Baxter, Firestone, IBM and Pfizer, which form part of a broad range of companies that found favourable conditions in a small country which got prepared to receive foreign direct investment.

Well, I am telling you all this so you can have a clear picture of the industry in our country. The manufacturing industry has an important share with a steady 17%, services takes a prominent place with 50%, hotels and trading 16%, agriculture 6%, construction 5%, and electricity and other sectors 3%.

But are we satisfied with our progress? No, we are not. Because just as we're doing our homework, other countries are doing their homework too, and are doing very well. That is why we must continue to share best practices to attain development, no longer unilaterally but as regions, so we can complement each other in terms of production and join strengths. But we have to be self-critical. In the index of competitiveness we have reached privileged rankings in some areas but have very poor positions in others. Then, we cannot be satisfied when there are areas where we are lagging behind. Costa Rica is a backward country in terms of infrastructure, and overcoming such backwardness is a pending task. As Mr. Enrique García said, if we want to achieve productive articulation, but do not count on high-quality infrastructure, there is little we can do to export our products. There's a major challenge for our country in this connection.

We confront some macroeconomic challenges. I would like to talk about a fiscal reform now under discussion in our country. I think reflection is required from all countries in this connection. How can we finance high quality public services and

cope with a platform we have successfully developed but amid rather limited levels of fiscal contributions? We also face some challenges as regards the development of the financial market.

Please allow me to share some thoughts with you about our weaknesses. We should not be ashamed about them, but deal with them with all honesty and transparency. As regards macroeconomic stability we got bad grades. Out 142 countries in the world, we are ranking 109; that's nothing to be proud of. So how can we present to the country a reform for fiscal sustainability that we have called "Fiscal Solidarity" – which is a pressing issue currently under debate in our country – so that the State can collect new taxes if it is already collecting enough money? We like to live like rich but pay like poor. And that's not fair.

We must invest in priority public services. We have done well, but not enough. We say that we do not want to favour only those people who can read and write Spanish. How about those who speak other languages? What about access to technology? The tax burden decreased by almost 2% of GDP in 2009. In my capacity as Minister of Economy, I face the difficult task of governing an institutional and legal framework that is strangling us, which seems to be guided by that motto that says "it is better to say 'I'm sorry' than to ask for permission". However, we are reducing informality among our countries, since it is a negative factor for any economy.

We are following the steps of Colombia and Panama, which have established benchmarks in regulatory improvements and simplification of procedures in accordance with the World Bank's *Doing Business* project, in order to adopt the best practices in this area. But we must be wary of talking about strengthening institutions if they are not going to favour the people and become an end in themselves instead of platforms for development. This is a great challenge for Costa Rica. I would also like to emphasize that Central American countries and Colombia are facing great vulnerability to natural disasters, which are recurrent and have to do with climate change. We have had a bad behaviour towards nature and now nature is getting even. The damage caused by these natural disasters accounts for a loss of 8% of annual GDP in our already small budget. It's a very high cost. But such disasters are recurring. So how can we unite the countries of the region to prevent something that we know will occur every year and affects the most vulnerable sectors of the population?

We face a great challenge in the area of energy. About 93% of our electricity is produced by using renewable energy sources, but in 2011 we set ourselves the goal of reaching 100%. We must increase our current power generation capacity. We are undertaking three major projects to pursue these new goals in the field of energy. We also have major challenges as regards our ports, airports and roads, which unfortunately have been badly affected by these 12 days of continuous rain. For this reason the latest Council of Government has not been able to set dates for these latter projects.

In the area of telecommunications there has been a market opening-up which is a major achievement for Costa Rica and will revive our economy, since it offers the possibility of major investments. But such progress in telecommunications must go hand in hand with a positive approach towards social inclusion. We have created a national telecommunications fund in order to bridge the digital divide in Costa Rica and expand the access of the majority of the population to telecommunications.

I would like to finish with some thoughts about a fascinating issue we are dealing with at the Ministry of Economy. How can we make this model we have established in Costa Rica to generate greater social inclusion? How can we get all this foreign direct investment, this export boom, to reach every corner of our country? How can we apply a productive development policy to create a social fabric that includes

everybody? In this connection, we have a wealth of great experiences of which I would like to talk so that SELA can take note and replicates them.

We have managed to learn important lessons from SELA. The OAS, the IDB, CENPROMYPE, the ILO, the European Union and the government of Andalusia have also done their part. We have also shared with Mexico what it is doing with its development platform for SMEs, and have learned from Mexicans.

Two months ago, I signed an agreement to learn best practices in that area with the Secretariat of Economy and Industry of Mexico, and with the Brazilian Service to Support Micro and Small-sized Enterprises (SEBRAE). It was amazing. They have developed a platform for socially inclusive development in Brazil which is worth expanding to all Latin American countries. It covers from cultural and social entrepreneurship to dynamic entrepreneurship.

We in Costa Rica copied such best practices – and we recognize it – because we want to foster an entrepreneurial culture that generates enterprises and consolidates a number of micro, small and medium-sized companies so that they are able to get inserted into the whole global model while making it more socially inclusive. Then we launched a national entrepreneurship policy and a national policy for small and medium-sized enterprises. Their purpose is to reach out to all the regions of our country, increase their competitiveness and create a favourable environment for micro, small and medium-sized enterprises so that they can link to large exporting firms, while taking advantage of investment inflows and the opportunities of the local market. In my visits to the various regions of the country I have been asked: “Ms. Mayi, how could we establish a duty-free zone in our country?” Beware: not all countries need to have a duty free zone. What we can do is pursue regional development with a seal of our own identity in our different regions.

That is what we call cultural entrepreneurship with a seal of our rich identity, which does not deal with cultural issues just as a hobby, but as an approach to respect traditions in each one of the regions of our country.

Thanks to the *Tecnológico de Monterrey* System, we have learned regional development models, which prove that it is possible to attain socially inclusive regional development. Please allow me to tell you what we're doing. In Costa Rica, we have chosen various projects for each one of our provinces. But they were not chosen by the Minister of Economy from her office. No. We have successfully established regional competitiveness councils for that purpose. At this moment, six cantons of the southern region, one of the poorest areas of our country, are in the spotlight. Local governments have taken the lead with such an important responsibility for the development of our country. We have found projects in the areas of renewable energy, agro-industrial projects, projects in the area of cultural entrepreneurship in the region of El Limón, as well as tourism cluster projects, which makes us think that local communities can achieve development if they organize themselves. And what are we looking for? The creation of a favourable ecosystem for each one of those communities, where the most important variables are measured by clear indicators of the wealth in those regions, their production, and how we can generate more jobs.

I would rather like to refer to conversations with other fellow Ministers who have told me: “How sad it is when one is invited to a community to know what they call ‘a very important project’ and then what you see is just an exhibition of local handicrafts.” We have to avoid promoting half measures instead of real poverty reduction actions, instead of projects that actually foster economic growth. Those are two very different things. Handicraft centres are all right if they are embedded within a larger tourism cluster, so that we can ensure marketing. Otherwise, our artisans will only feel great frustration when they find there is no market for them.

Competitiveness models involve a concept of regional competitiveness with a highly participatory construction, founded on criteria favouring equity, sustainability and balance, but above all, it is based on real indicators whereby we can know how we are promoting development.

I am making this reflection because – as President Laura Chinchilla said, ahead of the celebration of our bicentennial as a free and independent nation – we continue to open up new paths towards development, with the same vision of a country nourished by the best of our traditions, with courage to pursue ambitious national goals and determination to defend our decisions vis-à-vis hectic changes.

Thank you very much for this opportunity. I reiterate that Costa Rica will remain a showcase for all of us to share what we are doing, and above all to learn about best practices, so that we can implement them and not only talk about the development of our individual countries but about the quantum leap towards the development of our whole region.

Thank you.

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Work Documents:

- DT 1 Provisional Agenda
- DT 2 Annotated provisional agenda and organization of works
- DT 3 Thirty-Fifth Annual Report of the Permanent Secretariat
- DT 4 Draft Work Programme for the year 2012
- DT 5 Draft Administrative Budget of the Permanent Secretariat for the year 2012
- DT 6 Audit Report on the Financial Statements of the Permanent Secretariat at 31 December 2010
- DT 7 Audit Proposal for the year 2011
- DT 8 Election of a Member of the Administrative Tribunal of SELA

Informative Documents:

- Di 1 Final Report on the Regional Seminar on Public Investment and Financial Mechanisms, Insurance and Reinsurance against Disasters in Latin America and the Caribbean: Recent Experiences
- Di 2 Final Report of the Meeting on the Institutional Framework for Disaster Risk Reduction in Latin America and the Caribbean, Asia and Africa
- Di 3 Final Report of the First Workshop: International Trade Single Windows. Considerations and proposals for regional action under the Latin American Pacific Rim Forum
- Di 4 Final Report on the II Latin American and Caribbean Regional Meeting on International Trade Single Windows: Advances and pending challenges
- Di 5 Final Report on the Regional Seminar: "Economic Relations between the United States and the countries of Latin America and the Caribbean in the first two years of the Obama Administration. Assessment and Prospects"
- Di 6 Final Report on the Regional Meeting: "The VI Bi-regional Summit of Madrid, the recessive dynamics in some European countries and prospects for the economic relations between LAC and the EU"
- Di 7 Asymmetries in Latin American and Caribbean integration processes
- Di 8 Relations of Latin America and the Caribbean with Africa: Current status and areas of opportunity
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- Di 11 Physical Infrastructure for Integration in Latin America and the Caribbean
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- Di 13 Report on the Regional Integration Process, 2010-2011
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- Di 15 Report on the IBERPYME Programme 2011
- Di 16 Final Report of the Regional Workshop on funds and instruments for financing South-South Cooperation projects in Latin America and the Caribbean
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- Di 22 Final Report on the XXII Meeting of International Cooperation Directors for Latin America and the Caribbean
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- Di 27 Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean. Institutional and cooperation mechanisms for strengthening relations

- Di 28 Final Report on the II Regional Seminar on e-Health and Telemedicine in Latin America and the Caribbean: Innovation practices and standards
- Di 29 General Report of the IBERPYME Programme, 1999-2011
- Di 30 Final Report on the Forum "Emerging Trends: Telecommunications, Internet and social networks"
- Di 31 Reform of the international financial and monetary architecture and the progresses towards a regional financial and monetary architecture for Latin America and the Caribbean
- Di 32 Report on the compliance with Decision N° 513 of the XXXVI Regular Meeting of the Latin American Council
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- SELA Antenna in the United States
 - Bulletin on Integration in Latin America and the Caribbean
 - "Avances" Electronic Bulletin
 - SELA-IBERPME Bulletin