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2008 ANNUAL MEETINGS

- - -

SMALL STATES FORUM

REGIONAL COOPERATION AND APPROACHES:

POLICIES, PRACTICE, PROSPECTS

- - -

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1 occurring is one obviously of great uncertainty.
2 Over the past year, we've had the food and fuel
3 crises, and now we have the financial crisis which
4 have particular implications for small states, and
5 while it is not a specific topic for the Forum's
6 agenda, I do believe that in much of the
7 discussion, the context in which we're operating
8 will be very important and very much on our minds.

9 In addition, I should say as Vice
10 President for Operations Policy and responsibility
11 for small states, I want to reiterate why we have a
12 Small States Forum and why we are focused on that.
13 We do believe, as many of you in the room have
14 reminded us over the years, that there are specific
15 challenges to small states, whether it's in the
16 Caribbean or in Africa or in the Pacific or
17 throughout the world, and I think at this
18 particular time, it is extremely important that we
19 come together as a group of small states to
20 interact, share experiences and understand the
21 dynamics and specific challenges, and also to
22 understand well for the World Bank how we can best

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1 adapt our approaches to the needs and particular
2 challenges of the small states.

3 For this year's topic, the focus is on
4 regional cooperation and subregional cooperation.
5 It is a topic of particular importance in terms of
6 how small states operate, and for the Bank, it's of
7 particular importance also because we are trying to
8 understand and learn from these discussions how
9 best we can support regional cooperation as it
10 relates to small states.

11 I know we're a little late so I'm going to
12 be very brief. You have a very full agenda, but I
13 do have a few housekeeping matters. First of all,
14 we have translation in both French and Portuguese
15 for participants so please feel free to use
16 translation services.

17 Also, to announce that later this morning,
18 Mr. Zoellick, President of the World Bank Group, is
19 planning to drop in and have a discussion with the
20 representatives today, and that will be late in the
21 morning. Obviously, we're adjusting schedules as
22 things are moving around, but that is our

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1 projection right now, and we will adapt the program
2 as we understand his availability, but he will be
3 coming.

4 And just as there are fluctuations in the
5 market, we have fluctuations in participation here.
6 Unfortunately, Prime Minister King of St. Lucia
7 called with apologies. Because of some urgent
8 matters, he wasn't able to attend today. He's not
9 arriving until tomorrow and so won't be able to
10 make his scheduled presentation to the Forum.

11 So, Mr. Chairman, with these words, I'd
12 like to invite you to open the Forum.
13 Participants, it's actually my honor and a pleasure
14 to introduce Minister Katjavivi, Director General,
15 National Planning Commission, Republic of Namibia.

16 I want to thank the Minister. First, I
17 want to thank the Government of Namibia for
18 accepting the chairmanship for these two years and
19 particularly to the Minister for accepting this
20 role. Minister.

21 THE CHAIRMAN: Thank you. Thank you very
22 much, Mr. Jeff Gutman.

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1 Ladies and gentlemen, I don't need to tell
2 you that I'm perhaps the newest person representing
3 a country in this particular Forum.

4 Let me begin by saying it is a great
5 pleasure and honor to be here at my first Small
6 States Forum. I have long experience--this is by
7 way of introducing myself--I have a long experience
8 in public service of my country. This goes back to
9 many years during the liberation struggle, serving
10 in our first parliament, setting up and running our
11 national university, and working as an ambassador
12 in several countries.

13 However, I have not previously served in
14 any World Bank structures. However, I am therefore
15 delighted to join you at this year's Small States
16 Forum. I feel fortunate to have some of you as
17 colleagues at this Small States Forum, given your
18 vast experience in these matters and your
19 contribution towards the building of these
20 important forums over the years.

21 Ladies and gentlemen, when I look at the
22 composition of this Forum, I'm reminded of my work

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1 as an Ambassador in Brussels as part of the Africa,
2 Caribbean and Pacific Group, a common negotiating
3 group working in partnership with the European
4 Union.

5 It is encouraging to see countries from
6 Latin America, the Caribbean, Europe, and the
7 Middle East and South Asia, East Asia, and the
8 Pacific and, indeed, Africa, working together in
9 this Forum. I'm very conscious of the benefits of
10 cooperation between states in international fora,
11 and I look forward to being part of this grouping
12 here.

13 Such cooperation is vital at this time of
14 global economic crisis. The lessons to be drawn
15 from what is happening in the global economy is
16 that no single country can survive on its own. We
17 have to reexamine the world economy in order to
18 ensure that the necessary measures are taken to
19 build more secure and viable global financial
20 structures.

21 Ladies and gentlemen, in conclusion, let
22 me say that there is no doubt that there is much

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1 that we share as states with small populations.
2 Yes, indeed, talking about small population, I hail
3 from a country which is not small, a small state,
4 but a vast country with a small population.

5 However, the way we define ourselves is
6 important. We should look to other characteristics
7 of our common experience as well as the size of our
8 population, and I think it is important that we
9 have wider perspectives.

10 Ladies and gentlemen, Small States, I say
11 that we have a great deal in common, and I think we
12 should use our commonality to strengthen the bonds
13 between our various countries.

14 I will not conclude these remarks without
15 referring to the work done on our behalf by the
16 team within the World Bank, and in this respect, I
17 would especially refer to the contribution and the
18 preparation done by Mr. Chase for giving us the
19 necessary ground work and the preparation that has
20 been made for our work here, and let me simply
21 express our thanks and appreciation for that.

22 Finally, let me simply now conclude to

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1 move on to the next stage. I would like to
2 introduce at this point Professor Lino Briguglio.
3 Colleagues, as you of course know, much of the
4 discussion today will be framed by presentations on
5 small state experiences with regional cooperation
6 or common regional approaches to particular
7 challenges.

8 I will have a little more to say on this
9 as the Forum proceeds with its deliberations, but I
10 want to set the stage for our first session by
11 noting just one observation that derives from the
12 2006 Assessment on Small States undertaken by the
13 World Bank's Independent Evaluation Group.

14 One of the IEG's findings intrigues me,
15 and I call the attention to it: the evaluation
16 concluded that the Bank's experience with
17 addressing small states' development issues on a
18 regional basis demonstrates that it has the
19 capacity and the credibility to assist the small
20 states in the negotiations where there are
21 asymmetrics in resources, skills and bargaining
22 power.

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1 It is less clear that the Bank can broker
2 agreement between groups of small states without
3 having to invest in coordination effort that is
4 disproportionate with benefits to the region.

5 To the extent that this conclusion is
6 valid, it strikes me that it points to ownership
7 issues among small states themselves, and if so, to
8 the need for greater and franker discussion among
9 ourselves.

10 If this is the case, one possible venue
11 for extended and informal discussions is the
12 activation, one year ago on the eve of the 2007
13 Small States Forum, of a new South-South mechanism
14 that we ourselves through the Forum created, albeit
15 with vigorous and sustained support from the World
16 Bank and the Commonwealth Secretariat.

17 I am speaking about the Small States
18 Network for Economic Development. In the interests
19 of transparency, let me quickly state that Namibia
20 is a member of the Network. I note that not all
21 Forum members have yet affiliated with the Network
22 even though the affiliation process is simple and

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1 affiliation entails no financial commitment by
2 members.

3 Our first two presenters are going to
4 briefly report on the Network activities and
5 activities related to the Network, and when they
6 have finished, I think many of you who have yet to
7 take advantage of our handiwork will perhaps be
8 more inclined not to further delay taking part in
9 it.

10 As you can see, Namibia is not only a
11 member of the congregation, we actively participate
12 on its behalf.

13 Let me now call upon the Network Chair,
14 our colleague from Malta, in the person of
15 Professor Lino Briguglio. While the professor is a
16 recognized expert on small state matters and has
17 given his name to one of the key indices of small
18 states' resilience, I think we know him better as
19 the author of the original proposal that was
20 presented to the Small States Forum, out of which
21 grew the Network.

22 Professor, would you kindly take the floor

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1 and briefly speak to us on those activities since
2 its activation a year ago?

3 MR. LINO: Thank you, Chairman,
4 Excellencies, members of the Forum.

5 Last year at this time, I delivered to you
6 the first report on the Small States Network for
7 Economic Development. The report was not much more
8 than a birth announcement. The day before, the
9 Network was activated, and it only had seven
10 members, but it had importantly the support of the
11 World Bank and the Commonwealth Secretariat.

12 Among the things it lacked was a legal
13 status, it didn't have an office, no work program,
14 no staff, there were no projects in the pipeline.

15 Since then I am very pleased to inform you
16 that these things have changed. We have now
17 Secretariat in Malta. We have a work program which
18 is in your pack. We have initiated a few projects
19 which involve technical assistance and twinning.

20 As many of you in this room may know, our
21 colleague Indrajit over there of the Commonwealth
22 Secretariat is retiring after 16 years of service

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1 on behalf of development, poverty reduction, and
2 the expansion of human opportunity.

3 Much of the work has focused on small
4 states. Indeed, Indrajit has been instrumental in
5 the setting up of the Network itself. In
6 recognition of his contribution to small states,
7 the Network Board of Trustees, which met yesterday,
8 has asked him to deliver to you our first
9 Activities Report. So I will now call upon
10 Indrajit to continue this presentation.

11 MR. COOMARASWAMY: Mr. Chairman, Honorable
12 Ministers, distinguished delegates, Professor
13 Briguglio has been very kind in the words he's
14 expressed in terms of my involvement in small
15 states work.

16 It is actually my involvement as part of a
17 very significant commitment that the Commonwealth
18 as a whole attaches to work on small states. Small
19 states are a crucial constituency within the
20 Commonwealth family, and the Commonwealth has had
21 an enduring interest in supporting small states.

22 As Lino has indicated to you, a year ago

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1 he delivered the first report when we were at the
2 very beginning of the journey. Today, we can
3 report that progress has been made on several
4 fronts.

5 The Network now has 21 members including
6 its first associate member, the Isle of Man. The
7 Network has been legally registered in Malta and
8 has offices within the Central Bank of Malta.

9 It has received the second tranche of seed
10 money from the World Bank's Development Grant
11 Facility. It has undertaken outreach efforts at
12 the African Middle-Income Country Conference held
13 in Cairo under the auspices of the African
14 Development Bank and the World Bank, at the COMESA
15 workshop that inaugurated Mauritius' Regional
16 Multidisciplinary Centre of Excellence, and at
17 workshops in St. Lucia and the Seychelles,
18 organized and supported by the Commonwealth
19 Secretariat.

20 As the Network and Professor Briguglio
21 indicated, the Network also selected a panel of
22 Eminent Persons to draft a work program. That

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1 panel comprised Messrs. Owen Arthur, the former
2 Prime Minister, who chaired the group, and, as the
3 chair indicated, who was responsible for, in fact,
4 for initiating this Forum as well.

5 The other members were Michael Frendo, the
6 former Foreign Minister of Malta; Dumisani
7 Masilela, Principal Secretary, Minister of Finance,
8 Swaziland; Kolone Vaai, former Financial Secretary,
9 Samoa; and Sir K. Dwight Venner, a Governor of the
10 Eastern Caribbean Central Bank.

11 We were extremely fortunate that such an
12 eminent group was willing to give of its time to
13 assist us. Each member has a considerable
14 experience of policymaking at the shop and at the
15 very highest levels.

16 Yesterday, at the third meeting of the
17 Network's Board of Trustees, it adopted a framework
18 which constitutes a distillation of the Eminent
19 Persons draft to focus and guide the Network's
20 development interventions.

21 In doing so, the Board took account of the
22 fact that the Network is but one of many players,

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1 and that it is relatively small and new, so we need
2 to be realistic and selective in what we attempt to
3 do.

4 That document has been circulated to you
5 today, and the program is selectively focused on
6 five core activities:

7 One, building the capacity of public
8 sector institutions to modernize the domestic
9 economy and facilitate its more effective
10 integration in the global economy;

11 Two, developing private sector capacity
12 needed to promote international competitiveness;

13 Three, encouraging private-public
14 partnerships to support the efficient provision of
15 public services;

16 Four, addressing environmental and natural
17 disaster concerns; and

18 Five, strengthening outreach and knowledge
19 building and sharing among small states.

20 The Network has adopted a sound
21 procurement policy and fiduciary approach overseen
22 by the Central Bank of Malta.

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1 At its meeting yesterday, the Board of
2 Trustees also received a set of working procedures
3 which are at an advanced stage of preparation.
4 They will now be passed through the Legal Division
5 of the World Bank and the Commonwealth Secretariat
6 as well as the Ethics and Procurement Divisions of
7 the World Bank.

8 In the meantime, the Board has agreed upon
9 an interim process for project approvals so that
10 work can proceed expeditiously.

11 The Board at its meeting yesterday
12 accepted in principle, green-lighted its first, the
13 Network's first interventions. There are three
14 such activities:

15 One involves Mauritius assisting
16 Seychelles on IT education; two, Malta is assisting
17 St. Lucia on e-government; and three, Singapore is
18 assisting Malta on transport management.

19 In addition, there is a request from the
20 Government of St. Kitts and Nevis for assistance on
21 competition law and policies.

22 So there is now a pipeline of activities

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1 to be undertaken and the Network will respond on a
2 demand-driven basis, and I hope more countries will
3 take advantage of the services it offers.

4 As the chair indicated, membership does
5 not involve financial obligations. What we want
6 from you is your knowledge and your energy.

7 Finally, the Network has reached out to
8 forge new friendships. I will not say much about
9 this because it's the domain of the next speaker,
10 the Minister from the Isle of Man, but let me
11 mention that shortly after the 2007 Small States
12 Forum, the World Bank's Hank Chase, who also
13 functions as the Network secretary on a gratis
14 basis, entered into a discussion about the Network
15 with an official from the Isle of Man, Mr. Tim
16 Cullen, whom some of you may know from his past
17 days at the World Bank.

18 That conversation with centered on the
19 need for developing small state capacity among
20 financial sector staff and among public sector
21 financial management staff led Tim to the
22 Commonwealth Secretariat.

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1 We are very pleased that following our
2 discussions, Tim also added a training module on
3 international negotiating skills and strategy.
4 From there, and largely through Tim's efforts
5 alone, the Isle of Man has stepped forward.

6 I won't preempt Mr. Bell's story, but I'll
7 say only that yesterday the Board of Trustees
8 meeting formally thanked the Isle of Man. We in
9 the Network want now to thank Tim Cullen for his
10 efforts, and perhaps Tim could stand up for a
11 moment so that people can identify him in case they
12 want later to speak with him during the break.

13 Now, that we have a work program, I should
14 inform you that the World Bank will lead a
15 concerted resource mobilization effort to mobilize
16 further resources for the Network.

17 Let me conclude by thanking Professor Lino
18 Briguglio for his untiring efforts. The Network
19 was his brainchild and we are deeply indebted to
20 him. This Network would not have come into
21 existence without his considerable efforts.

22 A special word of thanks to Hank Chase as

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1 well. Hank has put in long hours to put the
2 Network on a stable footing. I must also thank the
3 World Bank for their continuing support. Here we
4 need to express our gratitude to Messrs. Gutman and
5 Peters for their continuing commitment.

6 With that, let me now hand over to
7 Professor Briguglio, who will tell you a little bit
8 about the membership of the Board of Trustees.

9 Thank you.

10 [Applause.]

11 MR. BRIGUGLIO: Okay. Thank you,
12 Indrajit, for your kind words. I associate the
13 expression of gratitude to the World Bank,
14 Commonwealth Secretariat, and all those who are
15 helping in this effort.

16 Now, just a few words about membership.
17 You've been exhorted to join, and we have now 21
18 members, but there are a few others who haven't
19 joined yet. There is an application form in your
20 pack. All you need to do is fill it out, and you
21 don't have to pay anything, but you will enjoy, you
22 will have the possibility of using our services,

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1 you know, and we have this twinning project idea
2 that one country with expertise can share its
3 expertise with a country that needs it.

4 So please do join the Network so that we
5 make use of your support and your energy. Also,
6 tomorrow or even today, you can take the
7 opportunity of appointing a regional
8 representative. That is something that each region
9 should do, and we hope that by the next meeting of
10 the Board of Trustees, we have the regional
11 representative, according to the statute.

12 Thank you very much.

13 [Applause.]

14 THE CHAIRMAN: Thank you very much, Mr.
15 Coomaraswamy, and thank you, too, to Professor
16 Briguglio, particularly for your work as the
17 Network chair and for your continuing interest in
18 and efforts on behalf of small states.

19 With a population of little more than
20 400,000, Malta is certainly one of us, and with its
21 record of successfully adapting to the challenges
22 of the global economy, including recently

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1 converting to the Euro, it has many lessons to
2 share with its fellow small states.

3 Let me now turn to the next item. I'm
4 pleased now to introduce to you Allan Bell, the
5 Treasury Minister from Isle of Man.

6 As you know, before in my previous life,
7 before I came to take over the responsibility of
8 Director General of Planning in Namibia, I twice
9 served as an ambassador in Europe, including being
10 based in Brussels as Namibia's Ambassador to
11 Benelux countries and the European Union. So I am
12 actually somewhat familiar with your part of the
13 world.

14 I can tell that it is a home to the
15 world's longest continually sitting parliament,
16 known as the Tynwald, which dates back to 979, and
17 that is the first Associate Member of the Small
18 States Network, having joined this year.

19 I believe it is in this connection that
20 you, sir, will be talking to us. I have the
21 greatest pleasure to call upon you to speak to us.

22 MR. BELL: Thank you, Mr. Chairman, and

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1 thank you for those kind words.

2 Mr. Chairman, Ministers and colleagues, we
3 in the Isle of Man are very pleased and flattered
4 that the Small States Network has accepted the Isle
5 of Man as its first associate member. I want to
6 congratulate the people here who have made the
7 Network possible.

8 To have a vehicle like this to facilitate
9 South-South cooperation among small states and
10 allow them collectively to punch above their
11 individual weight is a tremendous initiative.

12 I appreciate the significant role played
13 by the World Bank and the Commonwealth Secretariat
14 in recognizing the special challenges faced by
15 small states.

16 It is admirable that the Government of
17 Malta proposed the creation of the Network and
18 continues to play such a significant role.

19 In the Isle of Man, we know only too well
20 how hard it is to have one's voice heard in
21 international arenas. But we are fortunate not to
22 have to face many of the severe economic challenges

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1 faced by our counterparts in the South, some of
2 whom we have gotten to know over the years through
3 our participation with the Commonwealth
4 Parliamentary Association.

5 Ladies and gentlemen, I hope you will
6 indulge me if I say a few words about our small
7 island with a population of just 81,000.

8 Over the past three decades, the Isle of
9 Man has evolved from being primarily a popular
10 tourist destination into being one of the world's
11 leading small international finance centers. Five
12 years ago, we received high marks from the IMF for
13 the way we managed the financial services sector
14 and the IMF has just completed its second
15 evaluation of the Isle of Man, the results of which
16 we await with inevitable trepidation tempered with
17 hope and confidence. I'm sure many of you know
18 that feeling.

19 We see international cooperation as being
20 essential for our prosperity and have developed
21 excellent links with many jurisdictions over the
22 years. Joining the Small States Network opens up

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1 new opportunities for partnership with nations in
2 the developing world whose challenges we seek to
3 understand better and to whose prosperity we hope
4 we may contribute.

5 For close to a year, we have been
6 exploring an initiative with the Secretariat of the
7 Network, the Commonwealth Secretariat, the World
8 Bank and others that would leverage the experience
9 we have in the Isle of Man along with that of many
10 others to help strengthen financial management of
11 small states in the South.

12 This initiative derives from discussions
13 that followed the 2007 Small States Forum between
14 the World Bank's Henry Chase and my colleague Tim
15 Cullen, a Board member of our own Financial
16 Supervision Commission, who is also on the faculty
17 of the Business School at Oxford University, but
18 who spent most of his career at the World Bank
19 where he was the Chief Spokesman for much of the
20 1990s.

21 Oxford University's Said Business School
22 has agreed to work with the Small States Network,

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1 my own government in the Isle of Man, and other
2 partners to provide a world-class executive
3 education program for government officials working
4 in the finance ministries, treasury departments,
5 central banks and regulatory bodies of small
6 states.

7 This will bring together leading
8 professors from Oxford, Harvard, and other
9 universities, along with practitioners from small
10 states and elsewhere, to engage with 25 officials
11 each year for a two-week highly participatory
12 program.

13 To support this program, the Isle of Man
14 government has committed one million pounds or
15 close to \$2 million in new development assistance
16 money over the next five years, representing
17 approximately 50 percent of the cost of this
18 initiative.

19 We have had discussions on parallel
20 funding from bilateral and multilateral sources to
21 enable the 25 participants per year to be able to
22 travel to the Isle of Man and complete this program

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1 at no cost to them or to their governments.

2 So during the first five years, well over
3 100 people will be able to benefit from this
4 initiative.

5 The program will include core modules that
6 everyone will complete and others which will have a
7 focus either on financial services or on financial
8 sector reform according to the requirements of the
9 small state in question.

10 Events in the financial markets over the
11 past few months and days have brought into stark
12 relief the need for all countries to have well-run
13 banking and financial sectors and to embrace sound
14 regulation. So we believe that this program will
15 be very timely.

16 As small states, we are also familiar with
17 how difficult it is for us to negotiate with the
18 big boys. To respond to this need, which was
19 flagged up in discussions with the Commonwealth
20 Secretariat, the program will include a three-day
21 customized version of the Oxford Program on
22 Negotiation.

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1 Each day there will be at least one
2 session which will take the form of a practical
3 forum led by experts from small states where best
4 practice is to be found, and from bodies like the
5 World Bank, the IMF, the BIS, as well as from our
6 own Financial Supervision Commission. We will thus
7 leverage not only our own funding, but our
8 expertise as well.

9 The program will include topics such as
10 sound regulatory practices, risk-based banking
11 supervision, financial legislation, the scope for
12 central bank collaboration among small states,
13 improving the performance of government agencies in
14 the financial sector, and so on.

15 We will also include anti-money laundering
16 and the Stolen Assets Recovery, or StAR Initiative
17 of the World Bank and the U.N. Office on Drugs and
18 Crime.

19 Ladies and gentlemen, I hope that as a new
20 member of the Network, we can explore with all of
21 you the governance of this initiative so that it
22 has the maximum transparency and minimum

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1 bureaucracy. We hope some of you may be willing to
2 join an international steering committee which
3 will, inter alia, make the ultimate selection of
4 participants for what we hope will be a useful and
5 popular program.

6 Mr. Chairman, I hope this introduction to
7 this initiative will serve as the basis for a
8 dialogue with many of you in many of the months
9 ahead, and I thank you, sir, for giving us the
10 opportunity today to come along and make what we
11 believe is this very important announcement as the
12 Isle of Man's first active cooperation with the
13 dialogue that you, sir, have initiated through this
14 Forum.

15 Thank you very much.

16 [Applause.]

17 THE CHAIRMAN: Thank you very much, Mr.
18 Bell.

19 I'm sure that my colleagues in this room
20 share my satisfaction in learning that a small
21 entity widely recognized for the quality of its
22 governance and regulation of its financial sector

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1 has seen fit to support the new Small States
2 Network, and I'm confident that small states,
3 particularly in the South, will benefit not only
4 from the immediate support of which you spoke
5 about, but also from the broader lessons of
6 experience you have gained successfully in
7 negotiating challenging terrain.

8 This is extremely useful information, and
9 I know we will be talking to you as to how we can
10 continue the dialogue.

11 Ladies and gentlemen, let me now turn to
12 Session II on the Caribbean. Perhaps leaving aside
13 the petro-small states of the world, I do not think
14 that there is one of us who has not experienced the
15 challenges of adapting to the swiftly changing
16 global economy, the erosion of trade preferences,
17 the need to revise tax regimes to comply with WTO
18 regulations, and so forth.

19 Often the process of adaptation involves
20 negotiations with more powerful blocs of states and
21 with international organizations that set or
22 influence the road map of international trade--

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1 negotiations in which the disparity of power is
2 manifest.

3 Given this situation, I'm delighted to
4 learn that one of today's sessions will explore the
5 work of the Caribbean Regional Negotiating
6 Machinery. So I'm happy to turn now to an expert
7 in the subject, Mr. Carl Greenidge, the Deputy
8 Senior Director of the Caribbean Regional
9 Negotiating Machinery.

10 Let me call on Mr. Greenidge, please, to
11 educate us.

12 MR. GREENIDGE: If I might make the
13 presentation from here. Since I was asked to at
14 least provide some basic slides, I will just ask if
15 your colleague could assist me.

16 May I say how delighted I am to have the
17 opportunity to join you in this Forum to look at an
18 issue that is very, very important to a large
19 portion of the community with which I've been
20 associated over the last 15 to 20 years.

21 I have been asked to do some specific
22 things so I will try and stick to that mandate, as

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1 it were, and I'm going to start by telling you
2 something about the Caribbean Regional Negotiating
3 Mechanism.

4 The Caribbean Regional Negotiating
5 Mechanism is a mechanism specific to the Caribbean
6 and devised in the context of the negotiation
7 between the European Union and the CARIFORUM group
8 of states.

9 I'm going to say something very briefly on
10 those words, different terms, but allow me to say
11 first of all that the Caribbean heads of government
12 in the 1980s recognized that they had to take some
13 special measures in order to ensure that their
14 external trade arrangements were effectively
15 implemented.

16 Given the changes that were taking place
17 globally, they thought that careful negotiations
18 would be essential if the Caribbean is actually to
19 take advantage of these changes and fulfill its
20 potential as regards the competitive edge.

21 But given the distribution of human and
22 financial resources and skills in the Caribbean, it

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1 was fairly obvious that the 14 or 15 separate
2 states which had previously collaborated but
3 actually had been conducting negotiations
4 independently, it was clear that they would not be
5 able to continue to do that effectively given the
6 skill cost, if no other cost, that involved the
7 duplication and the depth of availability of
8 skills.

9 And therefore they agreed to approach the
10 negotiations in the future in a coordinated manner,
11 and to that end, a separate entity was established
12 eventually. It has a long history, but I'm not
13 going to tackle that now, but a separate entity was
14 established outside of the regional integration
15 body to actually pursue this particular task.

16 The membership of the states that are
17 party to the Caribbean Regional Negotiating
18 Mechanism, which I refer to as the CRNM, or the
19 RNM, are the CARICOM countries together with the
20 Dominican Republic and Cuba. I'm hoping that I
21 will not have to go through the list for you. It
22 will appear shortly, I hope.

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1 The Conference of Heads of Government
2 established in April of 1997 the--that was the one
3 which I spoke a minute ago, and we need the next
4 one, which is the list of countries that constitute
5 CARIFORUM.

6 So you have the Caribbean countries and
7 the Dominican Republic and Cuba which you can see
8 at the bottom right-hand side. That constitutes a
9 combination of CARICOM, the members of the
10 Caribbean Common Market, and the other two
11 countries, Dominican Republic and Cuba.

12 The mandate of the CRNM to which these
13 bodies/these countries related was to develop and
14 maintain a cohesive and effective framework for the
15 coordination and management of the Caribbean's
16 external trade negotiating resources and expertise.

17 In other words, its mission was to help
18 the member states to formulate positions in the
19 first instance, to coordinate those positions, to
20 get them together so that they could negotiate with
21 other parties, and in that regard, the CRNM was
22 established, and it from time to time is called to

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1 undertake work that involves Cuba and the Dominican
2 Republic, although they are not at the heart, as it
3 were, of CARICOM itself.

4 The negotiating theaters that the CRNM
5 works with are these four. First of all, of
6 course, you have an ongoing challenge in the
7 context of the WTO.

8 You have the second-most important trading
9 partner for the region. That is the European Union
10 with which they are looking at an Economic
11 Partnership Agreement.

12 Then you have negotiations at the
13 hemispheric level which involve different groups,
14 the Free Trade of the Americas, negotiations with
15 the Central American Free Trade Area, and so forth.

16 And then there are negotiations taking
17 place at the bilateral level from time to time.
18 The one that's currently in the process is really
19 the negotiations with Canada.

20 Now, the importance of the mechanism for
21 the Caribbean Region is that it enjoys a
22 distinction. I mean the Caribbean is often accused

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1 of fostering a cult of uniqueness, but it actually
2 in this case does enjoy a distinction, which
3 perhaps is dubious, of being exceedingly heavily
4 dependent upon preferential access to its markets
5 in its trading activities, and some countries'
6 foreign earnings and exports are dependent upon
7 preferential access to the extent of as much as 65
8 percent of foreign exchange earnings.

9 So it is very, very important. So within
10 the different markets, they have these preferential
11 arrangements which allow them preferential margin
12 over other exporters who would be exporting into
13 these markets, whether it is Canada, United States,
14 the United Kingdom--not the United Kingdom--the
15 European Union and so forth. And there are also,
16 of course, a number of bilateral agreements which
17 I've mentioned.

18 The problem that these trading
19 arrangements generate over time is that the world
20 is taking a different, based on a different set of
21 rules now as regards trading, trading arrangements.
22 You might say, in a sense, that there are two sets

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1 of changes that are taking place, which perhaps
2 bring into question the very basis on which the
3 region has been working over the years.

4 And what I'm saying is that the basic
5 principles that countries embraced in 1995 when
6 GATT and WTO were established forbid discrimination
7 against other developing countries except in
8 circumstances where those developing countries are
9 least developed countries, and if such preferential
10 access is to be enjoyed, it has to be enjoyed under
11 very specific circumstances, likely in the context
12 of a Free Trade Area where substantially all trade
13 is covered, and there is reciprocal arrangements
14 between the two sides, the developing countries and
15 the developed countries.

16 At the same time, the attitude towards the
17 small countries would seem to have changed to the
18 point where one can argue that perhaps Fukuyama was
19 wrong in saying that the end of history has
20 arrived. Perhaps it's the end of geography to the
21 extent that the special privileges that go with
22 trade that the smaller countries have enjoyed over

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1 the years are being questioned in the context of
2 the WTO, and as you know, there's been discussion
3 in relation to special and deferential treatment
4 for the longest while.

5 Recently, there was some allowance made
6 for small and vulnerable economies, but in the
7 context of the General Trade Rules, it is difficult
8 to ensure that special privileges are provided to
9 small states. And at the same time, of course,
10 because of the rule changes, the European Union has
11 strongly served challenge in the WTO for the way it
12 has implemented the protocols pertaining to bananas
13 in particular, but there is also the case of
14 fisheries with the threat that it may extend to
15 others.

16 So the European Union has found itself
17 having to accept the consequences of a series of
18 adverse decisions by the WTO panel, and that has
19 implications, of course, for their willingness to
20 continue to extend preferences to the Caribbean
21 countries.

22 Now, the Caribbean countries enjoy those

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1 preferences in the context of Lome and Cotonou
2 agreements. Lome is an agreement which preceded
3 Cotonou, and basically they're agreements that are
4 broad cooperation agreements between the two sides
5 covering everything from culture to financial
6 cooperation, but the agreements between the two
7 parties when Cotonou was signed in 2000 was that
8 they would try to make the trade arrangements WTO
9 compatible.

10 And WTO compatibility requires the removal
11 of the elements that I mentioned earlier in respect
12 to reciprocity and discrimination. So the
13 CARIFORUM countries face that problem in the
14 European Union market in relation to its trading
15 arrangements. It's facing increasing
16 liberalization within the hemisphere as you have
17 the North American Free Trade Area Initiatives on
18 the FTA front and a variety of other fronts, as
19 well as bilateral agreements in Latin America, all
20 of which threaten its preferential access in one
21 way or another.

22 In other words, even if weren't doing

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1 anything itself with the European Union or with say
2 CARICOM and the Canadians, the preferences are
3 being eroded because those countries are themselves
4 establishing free trade arrangements with other
5 partners.

6 So that is one of the reasons, if you
7 like, the main reason driving the need to ensure
8 that the arrangements for negotiations are properly
9 and carefully put together because they stand to
10 affect these countries very, very significantly.

11 Within the region, of course, you have a
12 number of widely varying countries to tie together
13 in order to arrive at agreements, and I just put
14 these pie charts up just to give you an idea that
15 within the CARIFORUM group itself, the contribution
16 to GDP and to exports varies quite widely.

17 You have the group of OECS states
18 accounting for 11 percent of GDP. We have Trinidad
19 and Tobago accounts for as much as 39 percent. You
20 have Guyana four; Belize, three; and so forth. So
21 there is a wide variation amongst them in terms of
22 economic capacity, economic size, and the same

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1 applies to the question of exports which is on the
2 chart below, similar sort of distribution.

3 The other aspect that is important is that
4 when you take these countries together, you will
5 find that whilst in the Caribbean, they may appear
6 to constitute a large entity in terms of area and
7 GDP, they are still globally minute. So the entire
8 CARICOM GDP, as you can see on the far left, is
9 equivalent to that of Ecuador or it's less than
10 that of Ecuador.

11 If you look at areas in square kilometers,
12 it's a little more than that of Paraguay, and in
13 terms of population, you can see how it compares to
14 Honduras.

15 Now, that is without the Dominican
16 Republic. It's without Dominican Republic and
17 Haiti.

18 So what I'm trying to indicate to you is
19 that you really have in the attempt to build a
20 critical mass with which to negotiate, you are
21 still left with an entity that is globally very
22 small, restricted resources of all kinds.

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1 Now, that is the background, if you like.
2 In terms of trying to negotiate for such a
3 grouping, the Heads of State have put together what
4 is a very complex arrangement. So you have a
5 bureaucracy of the Regional Negotiating Mechanism
6 and in relation to the bureaucracy, you have a
7 superstructure that involves the Heads of
8 Government, Prime Minister--Prime Ministerial
9 Subcommittee, Ministers of Trade Subcommittee, a
10 College of Negotiators managed by the CRNM,
11 technical working groups, as well as consultations
12 at the national level.

13 So you see a whole set of dialogue taking
14 place here even without looking at the national
15 level and the complications that that involves in
16 terms of non-state actors and others.

17 So what I'm really simply drawing your
18 attention to is that the exercise of trying, first
19 of all, to coordinate these bodies is expensive in
20 terms of time, moving them from country to country.
21 It is costly in terms of skills, in terms of trying
22 to reconcile different goals, objectives, against a

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1 group of countries with such varying capacities.

2 You have, for example, one set of
3 countries which depend by as much as 80 percent for
4 their GDP in terms of services and others
5 inordinately dependent upon agriculture such as
6 Guyana, for example. A few only, such as Trinidad
7 and Tobago, with light manufacturing and oil, and
8 so forth.

9 So it's a very varied group, and it makes
10 for complications in trying to arrive at some
11 manageable position. A couple of points in
12 relation to the negotiation of the EPA itself. The
13 Economic Partnership Agreement is meant to be a
14 free trade arrangement in which the two sides open
15 their markets to each other, and which at the same
16 time ensures that they meet the WTO requirements.

17 Now, the minimum WTO requirements, I'm not
18 going to go through again, but the countries also
19 have included services in their negotiation,
20 although that's not part of the requirement for
21 satisfying the WTO compatibility, and I'm
22 mentioning that because it is to draw your

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1 attention to the point I was making earlier, that
2 the economies are very varied. So some have an
3 interest in goods and they would be happy to stick
4 with a goods-only agreement.

5 Some such as Antigua and Barbuda for
6 example, have an interest almost exclusively in
7 services with no interest in goods. Some have an
8 interest across the board, and the question is how
9 do you manage in such circumstances to get common
10 ground? And that makes for a challenge, and if you
11 followed the debates and the last minute concerns,
12 you will have realized that these turned out to be
13 major issues in relation to the EPA agreement that
14 was initialed by the CARIFORUM, only half of the
15 CARIFORUM states.

16 Now, I just want to say to that in keeping
17 with that variation, that variety of interests,
18 there is also a set of a long list of objectives
19 which the CRNM has been required to resolve. It
20 is, of course, not peculiar to that group. When
21 the ACP itself negotiated Cotonou, there was such a
22 variety of objectives that they were required to

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1 try and meet.

2 A number of difficulties were encountered
3 in the process. You have within the Caribbean
4 Group, as I mentioned, intra-Caribbean
5 difficulties. Between, of course, CARIFORUM and
6 the European Union there are differences which
7 would arise over the European Union's own
8 perception of what the CARIFORUM countries could do
9 in terms of what is feasible. What could you do
10 with taxation? What could you reasonably do with
11 tariff levels without causing unemployment, without
12 causing difficulties? And these were some of the
13 sources of problems between them.

14 The capacity to do the research that would
15 enable reasonable reasoned decisions to be arrived
16 at was also a major challenge although many donors
17 assisted in funding these. A big problem is that
18 at a national level, countries need to know what is
19 involved and therefore what it is they need to look
20 for before they can make sense even of studies that
21 are undertaken.

22 So, one of the challenges arises at the

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1 national level even in terms of the capacity and
2 the number of technicians available to help them in
3 arriving at decisions.

4 You have also an attempt within the
5 CARIFORUM group to deal asymmetrically, making
6 allowances for the fact that Haiti is in that group
7 as well as OECS countries, which are, although they
8 are not LCDs, Haiti is an LCD, they are
9 disadvantaged in the context of CARIFORUM, and
10 therefore what they've tried to negotiate is
11 asymmetrical treatment. In other words, you give
12 the most developed countries within the group some
13 targets and then you allow leeway for the others
14 that are not so well off, as it were, and there
15 were difficulties arising over a variety of issues
16 ranging from sanitary regulations to issues
17 pertaining to tariffs.

18 There have been a large number of debates
19 and so forth arising out of these arrangements. I
20 just want to touch on one before I finish, Mr.
21 Chairman, if I may, and this is the question of
22 asymmetry between the CARICOM, CARIFORUM countries,

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1 on the one hand, and the European Union.

2 Of course, one recognizes that there are a
3 number of factors that strengthen the hand of the
4 European Union vis-à-vis the small countries. It
5 is the European Union that is actually in a sense
6 doing the giving, in a sense that the access which
7 the countries regard as critical to their
8 livelihoods, that is the access pertaining to the
9 protocols, bananas, rice, sugar, beef and veal and
10 so forth, is access to the European Union markets.

11 And therefore to the extent that an
12 agreement isn't arrived at or an agreement carries
13 you to the borders in terms of time, this would
14 pose problems for them.

15 There are also resources being made by the
16 European Union to assist the negotiating side and
17 to ensure that they can get studies done, some of
18 the travel and so forth can be undertaken.

19 The issues that perhaps follow from this--
20 I'm sorry I'm being a bit breathless because I
21 realize that time is very tight--that is the issues
22 that follow from this in terms, for example, of the

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1 Bank's own role are to me a lot pertaining to the
2 question of information, information management.
3 Can you see it as perhaps giving attention to
4 trying to build the capacity of these small
5 countries, small states, to network amongst
6 themselves so that they can maximize the limited
7 skills available to them, exchanging information,
8 ensuring that the right person can access the
9 information, make an input where appropriate?

10 Where skills are not available to all the
11 countries, that skill can be shared with others.
12 Also ensuring that all the state actors are
13 involved. There's a tendency in these negotiations
14 to find that at the national level, one works only
15 with the Ministry of Trade or only with the
16 Ministry of Foreign Affairs.

17 In fact, you need a whole set of other
18 ministries to be early in on the discussions and
19 the same thing applies to the non-state actors.
20 Non-state actors by and large can be very strong.
21 They can be very supportive, but most of their
22 capacity in the developed countries and in the

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1 small states in particular is in resisting or
2 fighting things rather than formulating proactive
3 proposals.

4 So you can find yourself at the end of the
5 exercise in which they have been involved either
6 denying that they weren't there--as you know the
7 turnover is high--or claiming that they can't
8 embrace what has been agreed. So that aspect also
9 needs to be supported together with the funding of
10 early studies that might anticipate some of the
11 changes and difficulties that may arise.

12 One of the things that the Caribbean has
13 lost in recent times, that it may also be found
14 similar problems in Africa, is the problem of the
15 universities, which in the old days had contributed
16 to ideas and the analysis of these issues, and
17 which seems to be, by and large--it's not an
18 absolute--but, by and large, not able to contribute
19 in the way that they did in the 1960s and so forth
20 to this process of analysis and dialogue.

21 Mr. Chairman, I'd like to leave it there
22 and please forgive me if I took somewhat longer

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1 than you had bargained. Thanks very much.

2 [Applause.]

3 THE CHAIRMAN: Thank you for outlining the
4 work of the CRNM. I must say that I am truly
5 impressed by the range and numbers of negotiations
6 undertaken by your group, and the span of time,
7 more than a decade now, of the organization's
8 activities overall.

9 For me, your presentation underscores the
10 value of this Forum. Without it, while the peoples
11 of the Caribbean would doubtless know about your
12 work, most of us in other parts of the world
13 obviously are not well informed. So it has been a
14 great source of information for many of us here.

15 Let me quickly because of time move to the
16 next speaker. While I'm not deeply familiar with
17 the Caribbean matters, I'm well aware that any
18 discussion on the region and regional cooperation
19 begins with the Caribbean Community, or CARICOM.

20 It is my understanding that CARICOM's main
21 purposes are to promote economic integration and
22 cooperation among its members, to ensure that the

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1 benefits of integration are equitably shared, and
2 to coordinate foreign policy. Among its major
3 activities are coordinating activities and economic
4 policies and developing planning.

5 Given the institution's central role, this
6 Forum is particularly fortunate to have with us
7 today its long-serving Secretary General, Mr. Edwin
8 Carrington, whose tenure in office now is about 18
9 years. No one can be better placed to consider the
10 subject of regional integration, nor is anyone
11 likely to have such a comprehensive overview of the
12 region's experience in this area.

13 Let me now quickly call upon Ambassador
14 Edwin Carrington to speak to us.

15 MR. CARRINGTON: Thank you, Mr. Chairman.
16 I must say your introduction is almost as long as
17 the time I have to speak.

18 Who am I? Given the amount of travels
19 I've been doing in the last few days, I may just as
20 well ask where am I? I am, as you said, the
21 Secretary-General of CARICOM and CARIFORUM. I have
22 spent some 13 years of my life in the ACP as its

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1 Deputy Secretary-General and Secretary-General, and
2 some 22 in CARICOM, 16 of which as a Secretary-
3 General. That sums up my life.

4 I want to thank Mr. Chase for inviting me
5 to this discussion. It's very interesting. This
6 is the first time I've had the opportunity to be
7 here, and it sounds to me as though it's a very
8 valuable arrangement and a very important one
9 indeed.

10 Let me just make a few observations, not
11 limited to the negotiations which my friend and
12 colleague has described, but perhaps a little
13 broader, though I will have a few words to say
14 about the negotiation and Regional Negotiation
15 Machinery being in some ways responsible for the
16 first design of that machinery myself.

17 When you speak of CARICOM, you essentially
18 are speaking small states. They're almost
19 unanimous. The largest one in terms of population,
20 you're talking Jamaica, 2.6 million. And Trinidad,
21 1.3, 1.4 million. The rest are under a million.
22 Guyana, 750. With the grand exception of Haiti,

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1 which is the newest member of CARICOM and it's
2 about eight, nine million.

3 The basic pillars on which CARICOM is
4 built on, you can see there are four. Economic
5 integration. That's one. Foreign policy
6 coordination. That's two. Security cooperation,
7 that's the newest and recent. And finally, what we
8 call functional cooperation, which allows us to
9 cooperate in a number of areas: health, education,
10 human resource development, youth, sport and so
11 forth. Those are the four pillars.

12 Now within under those pillars, within the
13 framework, CARICOM has essentially its roots in the
14 1973 Treaty, the Treaty of Chaguaramas, Chaguaramas
15 being a seaside town in Trinidad where the
16 agreement was signed, and that instrument sets the
17 base.

18 We have had significant number of years of
19 cooperation among our countries, but also
20 cooperation with other developing countries in the
21 ACP group. In fact, the ACP group was originated
22 by the dynamism in part or in good part to one of

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1 our leading Caribbean persons, Roundfellow [ph.] of
2 Guyana. Of course, we did have cooperation from
3 Nigeria with Wenike Briggs, and Ghana, Senegal, and
4 so forth.

5 I say this to say that when we speak of
6 the cooperation among CARICOM countries, we transit
7 to the cooperation within the context of the ACP.
8 In many ways, you see many familiarities, many
9 similarities, and indeed in many ways, the CARICOM
10 of the Caribbean is responsible for a large part of
11 what took place in the ACP, and myself as the
12 Secretary-General cannot disclaim some
13 responsibilities.

14 Negotiation, therefore, is a critical part
15 of the mechanism and functioning. Negotiations
16 among us as CARICOM countries to formulate the
17 relationship, the treaties that would guide us, and
18 within that context there are two large blocs, as
19 it were, within CARICOM, what was called the less
20 developed countries, the OECS countries and Belize,
21 and the others.

22 The negotiations of CARICOM to which the

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1 RNM now has prime responsibility long preceded the
2 establishment and creation of the RNM. The
3 negotiations that have taken place in Colombia,
4 with Colombia, with Venezuela, with Costa Rica, and
5 the first three Lome conventions in which the
6 Caribbean played a critical role in the negotiation
7 were done before the existence of the RNM.

8 The RNM is essentially a recent,
9 relatively recent creation. Now, when the RNM was
10 created, 13 theaters of negotiations were possible
11 at the time, and one of them had to do with the
12 global scene, the World Trade Organization, and in
13 that regard the RNM has played an important role as
14 indeed it has played with the recent European Union
15 negotiations.

16 I wanted to just refer to a few principles
17 that seem to be relevant for successful regional
18 cooperation that I have learned over the years from
19 both my years in the CARICOM and my years in the
20 ACP.

21 It is important in any integration
22 arrangement that the process must be sensitive to

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1 and reflective of the various interests of all the
2 participants. I recall in particular two examples.
3 When I went to the ACP, there was a sense that the
4 Pacific countries felt that they were small fry
5 within this and it was essentially an African
6 dominated thing with the Caribbean trying to hold a
7 place in it, and the Pacific was there to make up
8 the tripod, even though Fiji was a founding member.

9 I hope and I believe it occurred, by the
10 time I left, and of course it took a long time, the
11 Pacific felt that the ACP was as much theirs as any
12 other regional grouping, but they were fully part
13 of, they demanded their place, they took their
14 place, and they gave their contribution in full.

15 In other words, all three, A, C and P,
16 felt that this was their group, and an integration
17 arrangement has to have that feature, and within
18 our CARICOM, our OECS or LDC countries, as they are
19 called, will tell you they hold a firm and strong
20 position in there and don't ever you try to
21 underestimate their weight within that grouping.

22 There is still more to be done. When we

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1 named four regional ministerial negotiators to
2 represent us in four world theaters of the EPA, the
3 WTO, the FTA and the bilaterals, they were all from
4 what we call the so-called MDCs. We need to go
5 further.

6 Another feature that I have learned and
7 that are key principles for successful cooperation
8 that I have learned in my years running, directing
9 and working within integration arrangements is the
10 effort to continue to strive for equitable
11 distribution of the costs and benefits. You must
12 at all times be seeking to ensure that there is an
13 equitable--I didn't say equal--equitable
14 distribution of the costs and benefits of the
15 arrangements. This is critical.

16 Or else, those who feel they are not
17 benefiting will soon fall away. They will not
18 announce necessarily that they're departing.
19 They're just not coming. They're just not
20 participating effectively.

21 There is also importance that you fight
22 for the peculiar interests of each regional group.

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1 I recall in the ACP, the fight to include drought
2 and desertification in the Lome III agreement,
3 which affected the Sahel countries. It didn't
4 affect the Pacific countries. It wasn't an issue
5 for the Caribbean countries, but it was for the
6 Sahel countries, and we fought as a bloc and we got
7 it with the French for the drought and
8 desertification. That's to show you how much we
9 had to all join in that fight.

10 And interestingly enough, it turned out
11 that when that provision was made in the agreement,
12 years after, a drought I think occurred in a
13 Caribbean country, which we never had had drought
14 in a region specific agreement for the Caribbean,
15 and that country was able to exploit the
16 provisions.

17 Of course, there are special provisions
18 for sugar. There are special conditions for
19 bananas, for tuna, and at the WTO negotiations in
20 Cancun in 2005, we all stood and fought for cotton
21 so that Burkina Faso and the other African
22 countries that have cotton as a key commodity would

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1 get the support at the world level so that they
2 could compete with the American cotton growers in
3 Virginia and elsewhere and hold their own.

4 In an integration arrangement, you've got
5 to be seen to be fighting for the interests of
6 every special group.

7 Negotiations. They must involve all so
8 that all can feel the pressure and help make the
9 decisions. It is not good enough for some to be
10 left to negotiate and others to benefit from the
11 negotiations. All have to take part therein, feel
12 the pressure, make the concessions and get the
13 benefits.

14 Representation. I spoke to that already.
15 Not just as regards the spokespersons as I referred
16 to, but I want to see all must have their turn.
17 There must be a balance between rotation and
18 efficiency. There must be adequate balance and
19 staff representation. There must be continuous
20 effort and adjustment to ensure that this achieved.

21 Then, we must take each country's
22 viewpoint seriously and that impacts on the other

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1 points I've just raised. And finally, there must
2 be significant public education and interaction.
3 At the end of the day, these arrangements are to
4 improve the quality of life of the people. Unless
5 they're informed and unless you interact and know
6 their concerns, you're not likely to adequately
7 deliver what integration grouping is supposed to be
8 doing.

9 Now, I'm quite aware that developing
10 countries are not homogeneous and that this must be
11 taken into account when you are forging any
12 integration arrangement, and that is why in an
13 arrangement such as the ACP, you have provisions
14 for the least developed. In arrangements such as
15 CARICOM, you have provisions for the so-called less
16 developed countries.

17 Given those points are important, but they
18 do not complete what I have to say, and as I gather
19 that the Prime Minister of St. Lucia won't be here
20 to speak, maybe I have a minute or two of his time.

21 THE CHAIRMAN: Yes.

22 MR. CARRINGTON: Thank you.

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1 There are some issues which at the present
2 time face CARICOM. Now I've given you some lessons
3 learned from both CARICOM and the ACP, but I am
4 focusing now on a few issues that are confronting
5 CARICOM at the present time.

6 One has to do with the harmonization of
7 structures, and indeed my predecessor spoke of the
8 RNM, and that is one of the arrangements which we
9 need to harmonize expression. I listened
10 carefully, and I must say the language indicates
11 some of the cause for concern. The RNM was not
12 created outside of the other structure; it was a
13 part of, a part of it. It was within that
14 structure, and it is the necessity to ensure that
15 it operates within that structure that has been
16 somewhat the difficulties.

17 Ministers of trade, counselors of trade,
18 have responsibility for trade. RNM has
19 responsibility for negotiating trade in certain
20 areas, but you have to design it in such a way that
21 the ministers of trade are continuously within the
22 process being reported to having opportunity to

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1 guide and so forth. So that harmonization of
2 structures as well as the coordination of processes
3 are critical part in a negotiating in an
4 integration arrangement of a number of countries.

5 There are also other kinds of
6 difficulties. There are difficulties sometimes
7 emanating without any intent, and you could have
8 well-meaning initiatives which can have strains on
9 your arrangements. It could be useful if one were
10 free to identify them all, but it might also be
11 counterproductive.

12 But it is important that the issues and
13 the structures and the processes are continuously
14 harmonized in such a way as to ensure that the
15 delivery, the end delivery meets the objectives
16 that were intended.

17 There is a particular kind of sensitivity
18 that also has to be borne in mind. CARICOM, as was
19 pointed out, has the following: you have CARICOM,
20 but some of the CARICOM countries have other
21 relations with other groupings, whether it be
22 Central America, whether it be South America, you

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1 need to ensure that those linkages harmonize and
2 support the CARICOM arrangements, and in that
3 regard, you have to look at the realities on the
4 ground.

5 Belize is in Central America so it can't
6 turn its back to Central America. Guyana and
7 Suriname in South America, they're part of the
8 South American continent. The OECS countries form
9 a sub-region within CARICOM, a critical sub-region.
10 You have to try to harmonize the linkages with all
11 these relationships.

12 Finally, Mr. Chairman, as regards the
13 existing EPA, which should be signed by CARICOM
14 head, CARIFORUM heads because it includes Dominican
15 Republic, next Wednesday, the 15th of October.
16 There are some interesting difficulties, some of
17 which the previous speaker spoke to. It is
18 interesting that the ACP at the summit in Ghana
19 last week essentially rejected the EPA as being
20 ready for signing in its present form.

21 The ACP last week under the chairmanship
22 of the President of Ghana and comprising

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1 representatives from its countries had that
2 difficulty, and that is because there are certain
3 general difficulties within the EPA, and it is
4 those difficulties translate themselves into
5 strains within the CARICOM and between the CARICOM
6 and certain other member states of the ACP, certain
7 African countries.

8 And so we do have some difficulties to
9 sort out, and there's a very interesting conundrum.
10 CARICOM would be signing on the 15th of October,
11 but the ACP has decided that the ACP as a group
12 would meet with European Union before, by the end
13 of October to discuss the EPA.

14 Now right in the middle of that, the
15 CARICOM will be signing what CARICOM has just taken
16 part as part of the ACP, to meet with European
17 Union at the end of the month, by the end of the
18 month. It therefore reflects some of the reality,
19 the real politik, the difficulties that you
20 confront when you enter into these arrangements and
21 when the structures are not adequately harmonized
22 and the processes are not sufficiently

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1 synchronized.

2 We will also be faced with additional
3 difficulties. That is difficulties emanating from
4 the financial crisis which is facing the global
5 community. Our tourism is at risk. Our foreign
6 direct investment is likely to be affected. And
7 our remittances which are no pittance in our case
8 are likely to be affected.

9 We expect and we hope that CARICOM would
10 approach the response to these issues as an
11 effectively united bloc. As regards the RNM, it is
12 expected that the RNM will play a critical role in
13 any negotiations with might emerge from this that
14 are of a shared nature, though unfortunately, they
15 will not be able to negotiate with Dominican
16 Republic because Dominican Republic is part of the
17 RNM itself.

18 Thank you, Mr. Chair.

19 [Applause.]

20 THE CHAIRMAN: Thank you, Mr. Secretary-
21 General. Thank you very much for sharing those
22 experiences with us.

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1 I particularly noted your comment with
2 reference to ACP vis-à-vis European Union and
3 that's an important partnership. Personally I was
4 in Ghana myself, and I witnessed that particular,
5 the outcome of the ACP summit, and I just noted
6 with interest coming from southern Africa where
7 EPAs has been a major issue, major challenge for
8 us, where we have been insisting on our European
9 partners that this is not very what is desirable,
10 and we should discuss the issue further.

11 And I think from what you are saying, when
12 group of countries come together collectively and
13 say we disagree, we stand a good chance to improve
14 whatever package, whatever is put on the table, but
15 when we are being taken on individually, we are
16 much weaker and we do not have a chance to have our
17 voice to be heard, and I think basically the old--
18 what is it--the whole idea of solidarity and
19 support becomes extremely necessary.

20 Ladies and gentlemen, I think we are now
21 at a point where we are moving towards--we have
22 been told that the Prime Minister of St. Lucia is

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1 not available, but perhaps we need to move on. I
2 know that there are those of you in the audience
3 who have some questions for the presentations you
4 heard.

5 Let me now explain how this year's Forum
6 will proceed. We have in place the heads of
7 delegation at round tables and grouped them
8 regionally. What we are now going to do at this
9 end of each session, the idea is that before
10 comments and questions is take--we need to take a
11 short break or two minutes so that each regional
12 grouping can speak with their regional colleagues
13 regarding the possible observations and questions.

14 So if you will quickly confer among
15 yourselves, we will then shortly embark upon the
16 most important part of these proceedings and that
17 is dialogue among ourselves.

18 Can we do that for two minutes' break, and
19 then we come together?

20 [Whereupon, a brief recess was taken.]

21 THE CHAIRMAN: Can we get going, please?
22 Please take your seats. Take your seats. Let us

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1 get started. The floor is open now for questions
2 and answers. Can I have--and we are going to move
3 rapidly because we are running behind time.

4 I'm sorry to have to rush, but we need to
5 keep up with time. Thank you. Any questions,
6 comments, observations? The floor is open.

7 Please. Minister from Lesotho, please.

8 LESOTHO: Thank you very much, Chairman.

9 I just wanted to underscore one or two
10 things that Mr. Carrington mentioned. See, for
11 small states participation, let me go back to the
12 formation of the ACP. At the time, it was
13 recognized that the small states in the Caribbean
14 and the small states in the Pacific would not be
15 able to stand up to the EEC at the time unless they
16 were part and parcel of a larger unit, but even
17 within Africa, at that time, you had Commonwealth
18 Africa and you have other group, and it was in
19 recognition of the fact that only as a group could
20 we exact certain concessions from the EEC.
21 Specifically, Lesotho, Botswana, Swaziland were
22 excluded because they were in a customs union with

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1 South Africa.

2 And it was there in the Commonwealth, the
3 UK Treaty of Accession, that these three would have
4 to be done, but as part of the ACP, ACP agreed that
5 they would not sign with the EU unless the three
6 countries were included, and that was done at the
7 end of the whole Lome I negotiations, and EU had to
8 concede.

9 So, as small states, we need to recognize
10 that in certain, particularly in international
11 negotiations, we have to be part of a larger group,
12 and here the interests of that group, as Mr.
13 Carrington says, it is important that the group be
14 sensitive to the interests of everybody, and hence
15 the principle that if bananas are very strong or
16 important to one of the, to St. Lucia, whatever,
17 then the ACP must collectively bring its weight to
18 bear on that particular issue because if you don't,
19 as small states being dependent on one crop or one
20 culture thing, if that crop goes, the whole economy
21 goes.

22 So I just want to underscore that

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1 principle, that as small states we need to be open
2 to cooperation with larger units but also within
3 ourselves be sensitive to the interests of
4 everybody.

5 Thank you.

6 THE CHAIRMAN: Thank you very much for
7 that contribution.

8 Yes, please, lady here.

9 MS. Da VEIGA: Yes. My name is Fatima Da
10 Veiga. I am the Ambassador of Cape Verde to the
11 U.S. First of all, on behalf of my group here, I
12 would like to thank all the speakers for the very
13 good presentations that gave us here an idea and
14 also show clearly the importance of small states
15 coming together and joining in force for their
16 voice to be listened and for their interests to be
17 really taken in consideration at the level of the
18 international negotiations.

19 We here think that, and we underscore the
20 same point that the positions of different states
21 must be taken in due consideration, although we
22 know that it is very difficult sometimes to try to

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1 harmonize positions and come with a common agenda,
2 but we think it's very important that the different
3 positions and the different needs of the different
4 members must be taken into consideration.

5 Mr. Carrington spoke about the EPA for the
6 Caribbean countries and the difficulties that were
7 encountered and the fact that it was not accepted
8 to be signed as it is, and he spoke about, if we
9 understood well, that this has created some
10 difficulties inside the CARICOM and between CARICOM
11 countries and certain African countries.

12 I don't know if we got it clearly, but we
13 would like for him to explain more this issue and
14 tell us what is our the course of negotiation?
15 What is the way forward? What do they see the way
16 forward?

17 Another issue is a question of the fact
18 that the RNM was created inside the regional
19 structure and not outside, and he said that this
20 can create a source of concern. Is it possible for
21 him also to elaborate a little more on this issue?

22 Thank you.

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1 THE CHAIRMAN: Thank you very much.

2 Yes, Guyana, please.

3 GUYANA: Thank you very much, Mr.

4 Chairman.

5 Let me join with those who have spoken
6 before in welcoming the presentations and in
7 thanking the presenters for sharing with us their
8 thoughts on this very important issue, the issue of
9 model for approaching negotiations by small states
10 and how we can coordinate and utilize the regional
11 mechanisms to be more effective as we approach such
12 negotiations.

13 It's not my intention, Mr. Speaker, to
14 deal at any length with the specific concerns had
15 by Guyana on the matter of the EPA. I believe
16 those have already been registered publicly.
17 They've already been well ventilated. And I
18 believe indeed that some would say that much of
19 what came out of Accra a few days ago vindicates
20 the concerns that have been registered by Guyana in
21 relation to the EPA.

22 So it's not my intention to repeat those

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1 concerns here. Instead, because, Mr. Chairman, I
2 believe that the purpose of this session is mainly
3 perhaps to provide us with an opportunity for the
4 Caribbean to share our experience in approaching
5 regional negotiation and perhaps for us to reflect
6 on the model that we have used in sharing this
7 experience of providing insights for other regional
8 or subregional groupings that might face the same
9 challenge, I will perhaps offer a few general
10 observations on the model that might in an indirect
11 way allude to or refer to potentially present the
12 context for some of the concerns that have
13 eventually emerged.

14 Let me say at the onset that I believe
15 that few would argue with the principle and with
16 the suggestion that it makes perfect sense for
17 small states such as ours to coordinate, to seek to
18 establish structures that would generate synergies
19 that would arise from a cooperative approach such
20 as the establishment of a regional institution for
21 representing us in regional negotiations.

22 And I think Mr. Greenidge spoke of

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1 capacity constraints within our individual
2 countries and how these contribute to a very
3 explicit necessity for a regional approach or even
4 a super-regional, a super-regional approach to
5 these negotiations.

6 And I noted in particular my colleague
7 from Lesotho referring to the issue of ACP
8 solidarity, and in this regard, I wish to say that
9 while much perhaps has been made about Guyana's
10 position and how it reflects on regional solidarity
11 within the Caribbean Region, I think it is very
12 important for us to reflect also on how the
13 Caribbean position reflects on ACP solidarity more
14 widely.

15 And I do agree with the suggestion made by
16 my colleague Minister from Lesotho that there are
17 significant strengths that would have been had if
18 we were able as a broader ACP group to maintain
19 solidarity and to approach these negotiations
20 together.

21 I believe, in fact, like I say, that the
22 pooling of skills is a model, certainly across the

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1 Caribbean, that is useful, that is necessary, and
2 is useful, and I believe that in assembling the
3 RNM, we certainly assembled some of the more
4 experienced and highly respected minds across the
5 region. It's important to note, in fact, that
6 among some of these, including some who serve on
7 the College associated with the RNM, views have
8 been expressed among some of the most prominent
9 regionalists that have expressed concerns in
10 relation to the EPA and that are indeed are
11 consistent with Guyana's concerns.

12 I think, however, coming back to the
13 model, with the benefit of our experience, I think
14 those groups that might be considering replication
15 of a model such as the Caribbean's model and
16 certainly even within the Caribbean as we go
17 forward to future negotiations, the negotiations
18 with Canada have already been initiated, and there
19 are others that will be coming down the road, I
20 think it is important that we do reflect on the
21 model that we have used, and we do derive from our
22 recent experiences some important lessons about how

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1 the most recent set of negotiations, the EPA
2 negotiations have gone, and some of the sort of
3 dynamics that we've observed during those
4 negotiations.

5 Among the critical questions, I think,
6 that need to be answered would be certainly one in
7 relation to something that Secretary-General
8 Carrington mentioned, and that is the issue of
9 where we situate the negotiating mechanism within
10 regional institutions. This is not only for
11 practical, as he highlighted this, and he
12 highlighted there have been obviously some
13 reflections and some concerns on this matter.

14 It is important that we emphasize that
15 regional negotiating mechanism, whatever we call
16 it, should be, as indeed I believe the Caribbean's
17 intention has always been, should be situated
18 within the regional integration movement and the
19 mechanisms associated with that movement.

20 This is important not only from a
21 practical standpoint, but it's also important from
22 a government standpoint. It's also because the

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1 CARICOM and the CARICOM Secretariat and the very
2 institutions of CARICOM, the prime ministerial
3 groups, and subgroups, the ministerial councils
4 such a COTED, et cetera, have been established by
5 treaty, have explicit mandates, have explicit
6 authority, and so it's important that as we
7 approach negotiations, the negotiating authority is
8 situated within the context of those explicitly
9 established governance arrangements so that there
10 are no doubts about mandates, authorities, scope of
11 authority, et cetera.

12 It's also important that we reflect on the
13 superstructure. Mr. Greenidge had a very useful
14 slide on the superstructure and spoke about the
15 Prime Ministerial Subcommittee on External
16 Negotiations, COTED, et cetera.

17 We do need to reflect going forward on the
18 superstructure that we put in place. Where we
19 situate our negotiators within that superstructure?
20 What accountability arrangements we establish? So
21 that mandates are established very clearly,
22 accountability is established very clearly,

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1 feedback mechanisms are established very clearly,
2 and indeed, Mr. Chairman, the mechanisms are
3 established for us to ensure that we have precisely
4 the kind of harmonization that the Secretary-
5 General alluded to, and also that we ensure that
6 we're able to build consensus across the region
7 and, very, very importantly, very, very
8 importantly, that the positions taken by the
9 negotiators are perfectly aligned with those of the
10 region that they're representing, and that are
11 reflective of the diversity of the views that they
12 are seeking to reflect.

13 Both presenters, both Mr. Greenidge and
14 Secretary-General, alluded to the fact that there
15 will be inevitably be a wide range of perspectives,
16 interest, et cetera, some no doubt influenced by
17 the peculiar nature and circumstances of our
18 respective national economies.

19 It is critically important, I think the
20 point was made, and it needs to be reiterated, that
21 our negotiators and the negotiating mechanism,
22 whatever negotiating mechanism we set up or however

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1 the RNM evolves in the future, that they are set up
2 in a way that would be faithful to and
3 representative of the diversity of interests that
4 will reflect.

5 And it's important also, Mr. Chairman,
6 that national perspectives not be dismissed. Where
7 there are national concerns, they should be taken
8 into account. Where there are regional concerns,
9 they should be taken into account. Because
10 ultimately this is a mechanism that is intended to
11 serve the region, and the negotiators, I think, Mr.
12 Chairman, it's important to reiterate we do need to
13 have a mechanism in place that will serve the
14 interests of the region, serve these diverse
15 interests, and not, you know, not feel perhaps that
16 it needs necessarily to defend wholeheartedly the
17 agreement that has been concluded.

18 THE CHAIRMAN: Thank you.

19 I want to--there is one more hand in the
20 back. Can we move, yes, two more hands, and then
21 I'm going to revert back to the presenters to
22 respond. And please could I request you to keep it

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1 short in view of the time. Please.

2 ST. KITTS AND NEVIS: Thank you, Chair.

3 I too would want to associate myself and
4 the delegation of St. Kitts and Nevis with some of
5 the comments and reflections in this particular
6 Forum, and to say today that it seemed like a very
7 useful thing to have, and the insights which are
8 coming forward are certainly instructive.

9 But specifically in relation to the
10 presentation from the Secretary-General of CARICOM,
11 I think it's important to point out that the model
12 which we are pursuing in terms of our own
13 integration, however adapted, it's somewhat akin to
14 what is being pursued by the European Union. I
15 think that point needs to be made.

16 And that part of the challenge
17 specifically in relation to the Caribbean Region,
18 and it's a challenge that others have confronted,
19 is how do you ensure at the end of the day there
20 are net incremental benefits which make the case at
21 the national jurisdiction it is good to be part of
22 this wider entity separate and apart from going it

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1 alone?

2 And in that context, to pose the question
3 then to the history, whether he could say something
4 about the purpose of the regional development fund
5 and the regional development agencies as critical
6 structures in this particular process because I
7 think those are, those two are important mechanisms
8 to advance the way forward?

9 Thank you.

10 THE CHAIRMAN: Thank you very much.

11 Colleague at the back.

12 MR. MABUZA: My name is Mabuza Khangeziwe
13 from the Kingdom of Swaziland. Mr. Chairman, I
14 have just three short questions, and like my
15 colleagues before me, I find the Caribbean model
16 very interesting, and for us to take it forward, we
17 need some clarity on certain aspects of it.

18 The first question, Chairman, is what
19 happens when there is no agreement among the
20 members during the process? In other words, how is
21 consensus defined as the process moves forward?

22 And secondly, what sanctions are imposed

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1 on members who go against the consensus or what has
2 been agreed by the group?

3 And finally, in terms of the composition
4 of the regional negotiating team, what is the size
5 and membership of that so we can learn from that?

6 Thank you, Chair.

7 THE CHAIRMAN: Thank you very much.

8 I'm now going to call upon the presenters,
9 one by one. Can I start with the--

10 MR. CARRINGTON: Thank you, Chair.

11 I think the first question came from the
12 lady as to what are the difficulties? It would
13 take some time to get into all of them. Let me
14 just say that the subject really needs a little
15 more time, dedicated time, to discuss.

16 For example, I did not stress the fact
17 that in this agreement the demands on the CARICOM
18 countries, the CARIFORUM because Dominican Republic
19 as well, are also significant. In other words,
20 it's not just a matter of their benefiting from the
21 European market. Europe for the first time in the
22 history of our countries would be having free entry

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1 for all its goods to our markets, for the first
2 time in our history.

3 Now, psychologically this is an important
4 fact that our people, our producers, our
5 businessmen must know. I'm not saying that it
6 should not happen, but you must know it and
7 therefore you must know what it implies, what it
8 means in terms of enhancing your productivity and
9 your competitiveness as to your own domestic
10 market, not only to mention about exports.

11 So I'm saying there are a number of things
12 in there that need to be looked at. The MFN clause
13 which now commits us to give preference to Europe
14 that we give to any other developed country that
15 Europe does not yet enjoy in our relationship with
16 them, but more importantly and more troublesome, to
17 any developing countries have more than one percent
18 of world trade, so we're talking Brazil, China,
19 India and so forth.

20 These are issues that are going to arise.
21 Brazil has already drawn a line in WTO and dropped
22 the flag on the players. The Americans say, look,

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1 this is an issue here for us.

2 There are other kinds of issues. There
3 are regional. One of them is called regional
4 preference. Regional preference implies that
5 whatever you give to Europe, you must give to--
6 whatever you give to Europe, they give to all other
7 developed members, all other members of the
8 arrangement.

9 Now if you take a country like the
10 Bahamas, the Bahamas have never been part of the
11 CARICOM economic arrangement, but through this back
12 doorway, they will now be in because by having to
13 give Europe free entry into their market, they then
14 have to give it now to all of CARICOM including and
15 Dominican Republic, which they had no trade
16 relations before and had no chance to negotiate a
17 trade relation before.

18 There are issues we have been trying to
19 get out of Dominican Republic in bilateral
20 agreement that we have not been able to get.
21 Suddenly we'll get them by regional preference, but
22 they will get into our markets by regional

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1 preference for areas in which we were holding blocs
2 like Jamaica was saying for this product, cigars,
3 we are not going to give free entry to them, but
4 it's going to happen.

5 So I'm saying there are many elements of
6 the EPA; to give you a complete answer will need
7 some time to go into the specifics. And as the
8 directors here at the table said, we are not here
9 to go into the specifics of the EPA agreement so I
10 did not venture down that road.

11 That's one. You had a second question, I
12 think, had to do with--I forget it. I better go
13 to--I'm not trying to cheat you. I just forgot it.
14 If you want to remind me, please.

15 MS. Da VEIGA: If I understood you well,
16 you said that the fact that the RNM was created
17 inside a regional structure--

18 MR. CARRINGTON: Yes. Yes. I got your
19 point.

20 MS. Da VEIGA: Okay.

21 MR. CARRINGTON: My friend here has spoken
22 of the RNM being outside of, and I was saying that

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1 it was never intended to be outside of. In fact,
2 the very first draft of the RNM, I did it for my
3 sins. I did it. And it was to be within, but
4 again this one is another long story. There was a
5 certain--what we call--principle of ad hominem with
6 the RNM, how it was designed in the first case and
7 operated, and that created its own culture.

8 And that culture has sometimes not brought
9 us totally in harmony with what we were hoping for.
10 I may speak in sort of parable language, but I
11 think it's the best I could do in a public forum
12 like this.

13 Chair, I think there was one question
14 which was raised by the distinguished Finance
15 Minister--he was so long Foreign Minister, I keep
16 calling him--the Finance Minister of St. Kitts and
17 Nevis, and he raised whether I could say something
18 about the regional development fund and regional
19 development agency, and the role in the integration
20 arrangement.

21 And these are two, well, it's really two
22 aspects of a mechanism for assisting those

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1 countries that have been disadvantaged countries
2 within the CARICOM integration arrangement and in
3 relation to the damage that, the dislocation they
4 may suffer as the integration process takes place.

5 The regional development fund is provided
6 for in Article 158 of the Revised Treaty of
7 Chaguaramas. It provides for the member states of
8 CARICOM assisted by the international development
9 partners presenting a pool of resources to assist
10 those countries with their development efforts by
11 way of loans, grants, interest rate subsidies and
12 other mechanisms.

13 The volume of the resources the fund has
14 provided for it is 250 million, of which the
15 CARICOM states themselves are providing 120
16 million. We launched the fund in July with 60
17 million--U.S. dollars, I'm speaking in all cases.

18 And we are committed to the additional 60
19 million as CARICOM members, but we have a resource
20 mobilization team headed by the distinguished Prime
21 Minister of Barbados who would be seeking to raise
22 the additional 130 million from international donor

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1 partners and agencies, and this is probably a good
2 place in which to refer to this because this is
3 called World Bank, and we would expect that there
4 would be some interest in this institution in
5 making a contribution to that effort.

6 Am I wrong, sir? Good. The agency is
7 really within the fund as a special section to deal
8 with designing the projects and programs that would
9 be needed, infrastructure development, social
10 infrastructure, physical infrastructure, and
11 assistance to business to make sure that the same
12 way the Europeans use what they call the social
13 cohesion funds to bring up Greece and Spain and
14 Ireland and Portugal, to deliver--Ireland, where we
15 used to associate Ireland with famine, you now
16 associate Ireland with high tech industry.

17 Now, this is the sort of model that we're
18 trying to copy with our limited resources and
19 hoping that it would yield the same results for us.

20 I would leave the other questions to my
21 colleague, especially as the Minister of Guyana's
22 comments on the model for RNM to be emulated by any

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1 more groupings.

2 MR. GREENIDGE: Thank you very much, Mr.
3 Chairman.

4 Mr. Chairman, if you don't mind, I will
5 not avail myself of the privilege extended to me by
6 my distinguished colleague, the Secretary-General,
7 to join this debate, which in a sense, there's an
8 element of it that I regard as something of an
9 ambush. But let me not elaborate on that too much.

10 I think it should be seen in the context
11 of the question that was asked about consensus.
12 Okay. There is a sense in which a consensus is
13 never really achieved. Let me put it that way. I
14 don't think I need to say more.

15 Now what I would like to address is the
16 issue of solidarity. Both Secretary-General
17 Carrington and I have had the privilege of being
18 associated with ACP group for a very long time, and
19 I myself have I think tried to serve the group
20 faithfully. I'm cognizant of the role that it has
21 played in enhancing the position of the smallest of
22 the countries as well as the others.

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1 So what I just want to react to is this:
2 the question of solidarity is a question that I
3 believe in many ways, the way it is raised can be
4 unfortunate. First of all, as Sonny Ramphal
5 himself acknowledged several times in the past, the
6 relationship that bound the ACP countries together
7 was not solely a sole bargaining relationship. It
8 had a material base.

9 And what do I mean by that? I mean that
10 when he was, at the time of the establishment of
11 ACP states, there were material benefits to be
12 gained by the parties for joining together, and
13 Timothy made reference in part to it a minute ago,
14 and it is very, very important because if you don't
15 understand where the glue is that binds the group
16 together, you will not be able to manage the group.

17 Okay. And when the glue goes, you will
18 still be struggling for something that is not, you
19 know, you will be like Humpty-Dumpty trying to put
20 the egg back together.

21 Okay. ACP solidarity--and I take the time
22 to tell you I did not negotiate this agreement, so

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1 the idea that I have to defend it is not relevant
2 here--the ACP solidarity broke even before I left
3 Brussels. And what is I'm speaking about? First
4 of all, the ACP members of the group allowed the
5 Europeans to remove that glue. The glue was this--
6 that the African countries as a whole, West Africa
7 in particular, was wedded, had a special interest
8 in the agreement because of Stabex and Sysmin.

9 Okay. These were unusual instruments
10 which the Europeans pioneered. It was followed by
11 the Bank and the Fund at one stage and eventually
12 they stopped. Okay. This is a stabilization fund
13 associated with agricultural commodities. The ACP
14 countries sat and allowed the European Union to
15 withdraw it when cotton came on board. So many of
16 the countries that were wedded to that particular
17 instrument lost interest.

18 The countries had agreed an arrangement on
19 something like this, an informal understanding
20 amongst them, in return for you supporting--this is
21 what Timothy articulated just now--in return for
22 you supporting us with Stabex and Sysmin, we will

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1 support you on sugar and sugar was of interest to a
2 specific set of countries, primarily the Pacific
3 and the Caribbean.

4 Okay. Southern Africa had an interest in
5 beef and veal, especially because--and these were
6 what formed the protocols. In the Caribbean, the
7 area that was specific to them and not shared by
8 the others was rum. Okay. So you have a set of
9 glues, if you like. What has happened to those
10 glues, if I might use that plural?

11 First of all, we sat and watched, and I
12 said we sat and watched because, you know, it's not
13 a good idea to allow the thing to happen and then
14 afterwards not, and afterwards, you know, not be
15 aware. That is the point at which the problem
16 arose.

17 Bananas is gone. Okay. Sorry. The sugar
18 has gone. The European Union has decided to
19 abandon that. The Stabex went, and therefore when
20 the ACP countries tried between 2000 and 2004 to
21 negotiate jointly because the time when that was
22 the process they could not get the others to agree

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1 to do it. It was not, and I don't feel obliged to
2 defend the Caribbean because I wasn't there. I was
3 in Brussels.

4 It was not the Caribbean that decided that
5 it didn't want to negotiate jointly. Okay. The
6 country that lost Stabex and Sysmin were ones that
7 were partly concerned about this. The point I'm
8 wanting to make is not to argue specifics, I'm
9 sorry, Mr. Chairman, but just to explain to you
10 that the principle of solidarity, the same
11 principle that you bring in relation to the small
12 states, it is not only that it's an important one,
13 but it's based upon objective factors and
14 mechanisms, and you have to understand that.

15 Because if you don't, you will let the
16 very thing that has happened happen again, and then
17 wonder why it is we weren't able to do this. As
18 regards, as regards the countries of the ACP
19 grouping, that went, and right now, right now, that
20 is why you have a difficulty getting them to do
21 many things together.

22 The Europeans have also taken some other

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1 steps. So you are calling for ACP solidarity. Are
2 you aware, of course, that only 32 of the countries
3 that are least developed countries enjoy everything
4 but arms initiative. There's no reason for them to
5 sign an EPA. In the case of Haiti, they have an
6 interest because another commodity that they have
7 an interest in.

8 So, again, there's an objective factor
9 which explains why the countries will go their
10 separate ways. So the least developed countries
11 have anything but arms initiative. They are not
12 going to come and fight for an EPA.

13 The three African countries, oil
14 producers, have decided the time has come for them
15 to go their own way. So you've got Gabon, Niger,
16 Democratic Republic of the Congo, they have decided
17 they are not signing, and what are you going to do?
18 You can't drag them to let us say let us sign in
19 the interest of solidarity. They won't to go their
20 own way, and that has nothing to do with the
21 Caribbean. It has nothing to do with Southern
22 Africa. It is a decision taken by that group in

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1 objective circumstances.

2 There are a number of Pacific states even
3 that have decided they're not signing. Why aren't
4 they signing? They're not signing because their
5 main market is the Pacific Region, Japan and the
6 countries around.

7 And the European Union itself had decided
8 some time ago--this is even in a note I wrote some
9 time ago--indicating if you look at the green
10 paper, you'll see the European Union speaking about
11 the Caribbean falling in the bailiwick of the
12 United States, North America, and having a similar
13 parallel idea with regards the Pacific.

14 So, in other words, they see themselves
15 withdrawing to some extent from these areas. They,
16 therefore, could use these instruments and have
17 used these instruments, and that is how we've
18 arrived at where we are. There is an analysis
19 there. It's not a random thing, and these things
20 preceded the signing and even the commencement of
21 the negotiation of the regional EPAs.

22 So I just want to, I just want to make

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1 that point, Mr. Chairman. I mean there are a lot
2 of other things here that I think one can get
3 embroiled in, but I don't think that this is the
4 place, but thank you for the opportunity to at
5 least respond to that part.

6 THE CHAIRMAN: Thank you.

7 I'm conscious of our time. Let me at this
8 point in time call on Jeff Gutman to introduce a
9 colleague.

10 MR. GUTMAN: First of all, on behalf of
11 everybody here, thank the Secretary-General
12 Carrington, Ambassador Carrington, and Director
13 Greenidge, for their interaction of what is
14 actually a wide-ranging discussion.

15 We've gone longer because actually this
16 discussion covers a lot of ground for all of us and
17 has a lot of implications for all parties in the
18 small states.

19 Before we start, actually we are expecting
20 President Zoellick here in a moment, but I would
21 like to in the interim call on one of our Executive
22 Directors, one of the key proponents on our efforts

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1 on small states, Mr. Giovanni Majnoni, to make a
2 few points.

3 MR. MAJNONI: Thank you very much for
4 inviting me to participate in this event, which
5 it's very close to my heart.

6 I would like to make a couple of remarks.
7 One, on the relationship between small states and
8 as has been called before "big boys." As Executive
9 Director of several small states that include
10 Malta, San Marino, and Timor-Leste, but also big
11 boys, such as Italy, I wish to bring to this Forum
12 the support of our constituency and my personal one
13 to support the case of small states in the Board of
14 Executive Directors of the World Bank Group.

15 As the framework and the Network for Small
16 States grows and develops, I would like to assure
17 you that you will have a voice in the Board of the
18 Bank, and that is not only my voice, but also that
19 of other Executive Directors, and that let me
20 recall that among those that have been most vocal,
21 Mr. Hagan, who is here, and represents many small
22 states from the Pacific area, and Mr. Watson, which

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1 I think I saw earlier on, who represents many of
2 the Caribbean small states.

3 So I want to assure you that in the Board
4 of the World Bank, you do have a sort of very
5 receptive ear and most importantly a voice.

6 I would like to make two more
7 considerations, as I have been involved together
8 with the Maltese authorities in the setting up of
9 the basic infrastructure for this Small States
10 Network. So I would like to thank directly
11 Professor Briguglio for and the Maltese authorities
12 for the tireless effort to set in place the Small
13 States Network, and for providing a physical
14 location, which, by the way, is a very beautiful
15 one. I had the opportunity of visiting and I hope
16 that many of you will have the opportunity of
17 visiting in the future.

18 But I would like also to praise in
19 addition to Professor Briguglio, Mr. Bell, Mr. Hank
20 Chase, and I see a number of familiar faces from
21 the World Bank including Jim Adams, and others
22 that, and Jeff Gutman, of course, who has taken the

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1 baton from Jim, in having created what I think has
2 been discussed today, the framework upon which the
3 Small States Network would work.

4 So this is the intellectual
5 infrastructure. So we do have a base for the
6 Secretariat. We do have a structure for future
7 interaction, and I have been very pleased to know
8 that this morning that a pipeline of projects is
9 already underway.

10 So, let me conclude on the last point
11 which I wanted to raise. I, and I think my
12 colleagues in the Board, strongly believe that
13 small states present very specific policy
14 challenges that in the past have not always been
15 appropriately addressed by the Bank, and for this
16 reason, sort of presenting it as specific
17 challenge, they often have had to rely on the
18 experience of the "big boys," as they have been
19 called for policy advice.

20 This is not always adequate or I would say
21 most of the time it's not adequate for the very
22 specific challenges that face small economies. And

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1 therefore, we are very pleased to see that here a
2 new structure is born which facilitates the
3 transmission of what has been said also before by
4 Mr. Bell, of knowledge and energy among different
5 participants in this group.

6 We believe the sharing of experience of
7 success stories among small states is really an
8 engine that needs to be activated, and we do think
9 that today we are assisting to the jump-start of
10 this process, and so I'm very excited to see it
11 happening.

12 But in the case that knowledge and energy
13 would be of interest to you, I would like, and I
14 hope that you may still be interested in additional
15 financial support, and I would like to mention
16 today that definitely my country, and I will be
17 trying to make that operational, might provide
18 additional financial support to the group, hoping
19 that, you know, you may not dislike some money in
20 addition to knowledge and energy.

21 [Applause.]

22 THE CHAIRMAN: Thank you. Thank you very

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1 much.

2 We'll continue by looking at Southern
3 Africa. Southern Africa presents an unusual
4 configuration among the small states, and here we
5 are talking about Botswana, Lesotho, Namibia, and
6 Swaziland, which are four non-island small states,
7 three of which are land-locked and two of which are
8 quite large in size, and all four of us, as you
9 know, are very closely linked to the Republic of
10 South Africa, and obviously there are benefits and
11 there are equally challenges by bearing nearer to
12 South Africa.

13 In this connection, let me introduce to
14 speak to us the Permanent Secretary, the Ministry
15 of Finance of the Kingdom of Swaziland, Mr.
16 Dumisani Masilela.

17 You have the floor, sir.

18 MR. CARRINGTON: You've heard so much
19 about the Caribbean and CARICOM, I want to give you
20 this little book so you can read it later, what
21 CARICOM is all about.

22 THE CHAIRMAN: Thank you. Thank you very

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1 much.

2 MR. CARRINGTON: Thank you so much.

3 THE CHAIRMAN: Many of you would like to
4 take note of the book. It's obviously a major
5 source of information about the Caribbean.

6 Thank you very much for this.

7 [Applause.]

8 MR. MASILELA: Thank you, Mr. Chairman. I
9 am very happy to have been invited to come and
10 speak to this very eminent gathering. I would like
11 to extend again to the Network a hardy thank you on
12 behalf of the Kingdom of Swaziland.

13 We have already--we are not yet members of
14 the Network--we have to admit that--but we have
15 already been invited twice to participate in the
16 activities of the Network. The first time we were
17 invited to participate in coordinating the work
18 program in the African Region and now we have been
19 invited to make a presentation representing the
20 Southern African Cone.

21 Personally, I would like to extend some
22 words of thanks as well to the Network for having

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1 invited me to participate in the coordination of
2 the work program. I am not used to being called
3 Eminent, and I hope once you are taking the status
4 of Eminence, you don't go back, so from today on, I
5 am Eminent, and thanks to the Network.

6 It was a very exciting time for me to get
7 exposed to the work program of the Network and to
8 interact with members of the Network. So I thank
9 the Network for that opportunity.

10 What I'm going to do is just to quickly
11 run through the issues relating to the Southern
12 African small states which I will call the Southern
13 African Cone, which the chairman has outlined as
14 Namibia, Botswana, Lesotho and Swaziland.

15 Mauritius is also part of us in some way,
16 but I not going to touch much on issues relating to
17 Mauritius.

18 I'm going to keep hopefully to the time.
19 Henry warned me not to prepare a PowerPoint
20 presentation. So I haven't done that because of
21 that warning.

22 I'm going to quickly look at the key

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1 features of the small states in the Southern
2 African Cone and look at some key bottlenecks to
3 what I define as separate development in our
4 attempts to achieve or attain our development
5 objectives, and then I'll look at possible areas of
6 collaboration for these countries in that part of
7 the world and look at challenges that we have
8 experienced in previous attempts to do the same,
9 and then hopefully try and identify areas of
10 possible Bank assistance in this regard.

11 The Chairman has alluded to some of the
12 key features of the small states in the Southern
13 African Cone. We are a bunch of very diverse
14 countries, but we do have some commonalities. One
15 of the main things has already been mentioned, that
16 we are members of the Southern Africa Customs
17 Union. It has brought some benefits to us and it
18 has also brought some significant challenges.

19 We are different countries in the sense
20 that two of the countries in the region have got
21 very low population densities because of the fact
22 that they're very large countries, but with very

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1 small populations.

2 Just to illustrate the situation that some
3 of us face, you have Namibia which has a population
4 density of something like 2.5 people per square
5 kilometer. You have Botswana which talks about
6 density of three people per square kilometer. So
7 those are the dynamics.

8 Swaziland and Lesotho, of course, are much
9 smaller countries with a reasonable population
10 density.

11 Interesting enough, again, most of the
12 small states in Southern Africa are classified as
13 middle income countries. Some of them that
14 classification is very much warranted, but there
15 are doubts as to whether the classification is
16 warranted in the case of others.

17 I will cite my own country which is a
18 middle income country, but has social indicators
19 which are worse than those of a least developed
20 country. We have a very high poverty rate of
21 something like 69 percent. We also have a very
22 high HIV prevalence rate of close to 30 percent.

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1 Most of these countries again are land-
2 locked, three of them, Botswana, Lesotho and
3 Swaziland. Namibia is the only country I think
4 that has access to the sea. That also can cause
5 some significant challenges for a small country or
6 small state, and of course, one of the key issues
7 that we face in common to all three of us is the
8 fact that we border the Republic of South Africa,
9 which is an economic powerhouse, not just in the
10 subcontinent, but in the whole of Africa.

11 Let me hasten to add that bordering South
12 Africa is not just a disadvantage. In fact, it is
13 mostly I believe an advantage than a disadvantage.
14 It does have its downsides.

15 South Africa is a very good neighbor.
16 Maybe if they are here, they should hear me say
17 that. Okay. So when we go back to, you know,
18 Southern Africa, they go after me. They have
19 behaved very well for a big economy that is
20 surrounded by small states like ourselves.

21 They have yielded some benefits to the
22 small states as well in the form of the fact that

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1 they boast of world-class education facilities.
2 They also boast of world-class health facilities.
3 The neighboring states have gained or have had
4 access to those facilities.

5 However, that can also be turned into a
6 downside in the sense that the fact that you have
7 relatively easy access to those facilities has
8 meant that it has not been easy or possible to
9 develop our own facilities to provide these
10 services to our people.

11 In Swaziland, we have even gone further to
12 design what we call a medical referral scheme which
13 specializes on referring people for various
14 ailments to hospital facilities in South Africa.
15 That has tended to weaken, you know--sorry.

16 MR. GUTMAN: Your Eminence, I apologize
17 for the interruption. We'll come back. But
18 because President Zoellick has come by, we're
19 interrupting for a second. I hope you don't mind.

20 MR. MASILELA: No, that's fine.

21 MR. GUTMAN: I apologize for that. We've
22 just been trying to maneuver through the schedules

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1 here. Is he here? Anyway, on behalf of us all,
2 it's my pleasure to introduce the President of the
3 World Bank Group, Mr. Zoellick, to speak to us.

4 Thank you very much.

5 [Applause.]

6 MR. ZOELLICK: Well, I apologize for
7 interrupting you, but I just left the IMFC meeting,
8 and I did want to make sure that I had a chance to
9 meet with all of you today, first, to thank you
10 very much for being part of this and working with
11 us on this.

12 What we have been trying to do, and it's
13 something that I first had some experience with
14 some of you or your colleagues in the area of
15 trade, is to recognize that all your countries do
16 face some unique development problems, and as we
17 try to figure out how to customize our services
18 better, we want to be in frequent contact to try to
19 learn your perspectives on a number of these
20 issues.

21 I just wanted to report to you that we
22 feel that we made some progress in the negotiations

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1 under IDA15, where, as I hope you know, we were
2 able to make some three adjustments that we think
3 disproportionately will be of support to small
4 states.

5 Second, I want to report that our
6 commitments to small states have increased by more
7 than half between FY06 and FY08, and disbursements
8 have almost doubled.

9 Then, I also want to mention that we know
10 that some of your countries have been some of the
11 most vulnerable in the area of food and fuel. So
12 as we put together the \$1.2 billion Rapid Financing
13 Facility for countries under stress of food and
14 fuel, we particularly had in mind some of your
15 countries.

16 We've also had a sense that based on our
17 prior engagement with you that we can do a better
18 job in connecting our technical assistance based on
19 your assessment of what some of the particular
20 needs are, and we're trying to move in that
21 direction.

22 We also have tried to provide some seed

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1 funds under our DGF fund for the Small States
2 Network, and I think this is important because one
3 of the items that I've tried to stress in my year
4 so far is the need to encourage more South-South
5 learning and experience sharing, and this is a way
6 that we can do so in this Network but also connect
7 this Network with others.

8 And through that, already we helped
9 identify some issues where I think there are
10 particular needs that we could help support. One
11 is in the area of trade facilitation and finance
12 where many of your countries are very much
13 connected to the international economy but very
14 dependent on some of the particular issues that
15 range beyond your own reaches and economy, and we
16 can try to support that.

17 And then also the critical question of
18 climate change, and particularly for small island
19 states, obviously this is an issue of survival, and
20 so this is an area that I hope we can be of
21 particular support.

22 We also know that there are issues on the

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1 agenda coming forward that we'd like to try to be
2 of more supportive as the trade system goes through
3 its own adjustments and questions of preference
4 policies and others, what adjustments we might be
5 able to try to help you with.

6 More generally, we talked about
7 environmental issues, not only climate change, but
8 ones related to the seas and other conditions.
9 Also, frankly the particular challenges of debt
10 that some of the countries--I know the Caribbean
11 have had slightly higher income levels, but they
12 have particular debt issues. We've been trying to
13 work out some of the adjustment processes. I had
14 some recent meetings, for example, with the
15 Jamaicans where we're trying to get through their
16 debt profile and help them adjust.

17 Particular issues of high oil prices.
18 Prices have come down, but my own sense is we're
19 likely to be a period where we're going to have
20 continued volatility in these prices just as we
21 were in the food area. So this poses a particular
22 challenge.

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1 So we think there is no shortage of items
2 to discuss, and that's one reason why I'm very
3 appreciative of my colleagues helping to put this
4 together and working with all of you so we get a
5 better sense of what's on your mind.

6 Just, if I could add one other thought,
7 you know, I was attending the G-7 meeting yesterday
8 and today some of the IMFC discussions, and I just
9 want to identify for you, I think we're at a
10 critical stage here. The G-7 countries have been
11 trying to recognize some of the challenges of what
12 started out as a financial crisis, has become an
13 economic crisis, but is also a crisis of
14 confidence, and what you saw, they put out
15 yesterday, was a statement that tried to be
16 shorter, more direct, on what actions they needed
17 to take.

18 Because these are sovereign countries,
19 even within the European context, countries will
20 take different steps, but they are trying to
21 emphasize they're focusing on a core set of issues
22 and do so with some coherence.

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1 But what I've been trying to emphasize in
2 those meetings, but also in the bilateral meetings
3 and meetings I had with the G-24 and others, is
4 that for developing countries I think we're moving
5 into a different phase.

6 The past year has been one where the food
7 and fuel issue has been a particularly trying one.
8 We've tried to support countries dealing with that
9 challenge. You've seen the effects of an estimated
10 100 million people pushed into poverty. We
11 reported this week some 44 million people suffering
12 from malnutrition, but I think that the events of
13 September and October in the developed world are
14 now going to have an effect on overall growth in
15 the developing world.

16 It's going to affect exports. It's going
17 to affect the investment in export industries.
18 Some countries have already been trying to deal
19 with the second order inflationary effects from the
20 food and fuel so they had tighter monetary
21 policies. You have tighter monetary policy. You
22 combine it with some business slowdown, perhaps

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1 business failures.

2 Question: What happens to banking systems
3 in the process? So I think that for your
4 economies, some of which are also heavily reliant
5 on tourism, I think we're going to be in a
6 different context here, and what I actually just
7 said at the IMFC meeting is that the developed
8 countries and all of us need to recognize that many
9 developing countries are going to have the same
10 cycle that you saw happen in developed countries,
11 where populations are going to go through some
12 spasm of, first, confusion, then frustration, then
13 anger, then fear about what's happening.

14 And part of what we've seen is, you know,
15 economics is sometimes a technical subject; it's
16 also a psychological subject. And what we as an
17 institution want to try to do is help countries
18 deal with this psychological as well as the
19 technical aspects of this. And that's why these
20 types of fora are very helpful for us so we can get
21 a more direct perspective of the items that are on
22 your minds and that you hear from your publics.

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1 I think that the good news is that the
2 World Bank is well capitalized. We're very liquid.
3 We are flight to quality so people come to us. We
4 have more tools than some people recognize already
5 because we have the IFC, our private sector side,
6 as well as the IBRD. Our constraint is often for
7 the poorest because we're dependent on IDA, but
8 even there we had, I think IFC did about 40 percent
9 of its business with the IDA countries.

10 We will continue to try to use the
11 discussions with you to catalyze some fresh
12 thinking. One of the ones that just last night I
13 got an e-mail about, trying to think about some of
14 the issues of banking systems, and maybe at some
15 point the challenges of restructuring or
16 recapitalizing some of those. We've already
17 developed some capabilities to help countries try
18 to diagnose their banking systems, be able to do
19 some simulation exercises to consider what might
20 happen, and we obviously want to try to be in a
21 position to support.

22 So my primary message is you can almost

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1 see it. If you look carefully, some of the
2 ministers that were supposed to come and have
3 canceled at the last moment, you're seeing the
4 stress effects already in developing countries, and
5 I think we're going to see it more broadly, and it
6 will certainly vary by each circumstance, but we
7 want to try to work with you as good partners to
8 try to help you work through it, and at the same
9 time look where we can always plant the seeds to
10 move ahead.

11 So, in the food and agriculture area, we
12 recognize there's some actually good opportunities
13 to expand production and productivity in the
14 developing world. This could help overcome
15 poverty. But we have to do it smart so in the
16 agriculture field, it's not just a question of
17 having more plantings, but looking at all through
18 the value chain, the property right system, the
19 seeds, the irrigation, the fertilizers, the storage
20 systems, the getting to market, and for small
21 farmers some innovation with insurance products
22 because many of the markets that move to--the

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1 farmers that move to the market system from
2 subsistence are particularly vulnerable in that
3 phase.

4 So what can we do thinking with you to try
5 to help manage some of those risks? So, we very
6 much appreciate the opportunity to be with you. I
7 want to thank you and apologize for moving in and
8 out, but you have some sense--we're trying to cover
9 a lot of different ground over the course of the
10 next couple of days, but I very much welcome this
11 opportunity to be with you.

12 So thank you.

13 [Applause.]

14 MR. ZOELLICK: If you would like, I'll try
15 to take a couple of questions.

16 THE CHAIRMAN: Mr. President, can we make
17 use of your brief time here to ask our colleagues
18 from various regions at least to have one question,
19 and I hope you'll be able to spare us the time.

20 Colleagues, can you please make use of the
21 time and perhaps a question from each region so
22 that we could have the benefit of the President?

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1 MR. ZOELLICK: I'm waiting for the
2 Caribbean countries to invite me down in the
3 winter.

4 [Laughter.]

5 MR. ZOELLICK: They always invite me in
6 the summer. I guess the hotel rates are cheaper
7 then.

8 [Laughter.]

9 THE CHAIRMAN: Oh, a question in the back.

10 DR. MHLANGA: Thank you very much, Mr.
11 President.

12 I am Vincent Mhlanga from Swaziland. Mine
13 is a very simple one. With the benefit of
14 hindsight now, what would you do differently in
15 order to avert this problem of financial crisis
16 that is happening now?

17 Thank you.

18 MR. ZOELLICK: Well, if you ask me what I
19 would do differently, I don't think there was
20 anything I would do differently other than perhaps
21 have moved some of my modest holdings of equities
22 into cash earlier.

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1 [Laughter.]

2 MR. ZOELLICK: But for the system as a
3 whole, in the session I just left, I emphasized
4 that there needs to be a larger exercise to step
5 back and think about lessons learned because it's
6 always the case in the rush of crisis, as I said,
7 people are looking for people to blame.

8 As this started, one of my friends said
9 you'll know when it gets to the end when they start
10 doing the prosecutions to put people in jail. You
11 know you go through the final phases of this.

12 But I do think it requires some particular
13 scrutiny because you know you had some institutions
14 that looked like they were thoroughly regulated and
15 others that looked like you had a lack of
16 regulation, so, you know, what conclusions to be
17 drawn?

18 A couple early ones for you. I think as
19 you develop new financial instruments, you need to
20 have clearing and settlement systems for those
21 instruments because you see what happened was
22 people got worried about the systemic effects of an

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1 individual institution failing because of the
2 counterparty risk and that it rippled through the
3 system.

4 And you're going to see this go on right
5 now because with some of the credit derivative
6 swaps, there's not a clearing system as there are
7 for currencies or checks or others, and so people
8 are going to have to develop a clearing and
9 settlement system.

10 Second, it's interesting. If you look at
11 a number of the institutions that went down, they
12 were quite well capitalized under Basel standards.
13 Their problem was liquidity. And I think you'll
14 see an increased focus on the regulation and
15 supervision of liquidity requirements as well as
16 capital requirements.

17 Third--and they're different ways of
18 approaching this--I mean I think there's no doubt
19 that what you saw for a number of reasons with a
20 lot of liquidity floating in the system, in part,
21 some of this was a function of the fact that prices
22 globally were dampened by a lot of developing

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1 countries, China and India coming on to the market,
2 sort of lowering prices, under conditions where
3 normally with that much money around, you'd have an
4 inflation effect, but you didn't, and in fact, if
5 anything, some of the funds that were created from
6 higher oil and commodity prices and then also some
7 of the reserve funds created, as people wanted to
8 protect their currencies created other pools of
9 capital.

10 So you had these pools of capital, but yet
11 with a price dampening effect, and so you had this
12 incredible process of people trying to chase yield,
13 going further and further and further for a little
14 bit of extra money and involving the risks, and
15 that one at some level does have to focus on the
16 supervisory responsibilities for these
17 institutions.

18 There's a very difficult question for
19 monetary authorities that I honestly don't know the
20 answer to. And that is, and this is the debate you
21 often see associated around Chairman Greenspan,
22 central banks are supposed to prevent inflation in

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1 goods. What is their responsibility in inflation
2 with assets? And it's a difficult question. So
3 now in the aftermath, people said, well, somebody
4 should have stopped the bubble earlier.

5 Now, of course, when you're there and
6 you're trying to have monetary policies that deal
7 with unemployment and inflation and others, it's
8 not so easy to say you're going to prick the
9 bubble, or if you do, you often don't know the
10 effects. There was some efforts to do that, and it
11 didn't make an effect.

12 But I think central bankers, anyway, there
13 will be a lot of research and thinking about that
14 issue, about asset prices inflation, and it, in a
15 sense, it fits into the themes that I was trying to
16 make in this speech I gave on Monday, and I've been
17 trying to make here, which is the global
18 interconnectedness is getting much deeper and
19 richer, and so it's one of the reasons that I
20 suggested the G-7 had to change to a larger
21 steering group involving developing countries, but
22 it's also why I think, you know, the institutions

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1 like the IMF and the World Bank continue to need to
2 be able to evolve to serve different groups of
3 clients.

4 And in a way, it's why this sort of group
5 is important because you need to, at the same time
6 you're part of one system, you need to be able to
7 disaggregate and deal with particular problems
8 along the way.

9 There is one last aspect, and Minister
10 Steinbrueck of Germany makes this point, and it's
11 exactly right, and you know, many of you are
12 political leaders as well as ministers, people are
13 going to be angry. They're going to want somebody
14 to be held responsible for this, and it doesn't
15 mean that, you know, we have to draw and quarter
16 people in the street, but there will be a
17 responsibility for public institutions to be able
18 to have some sense of accountability in that
19 process over time.

20 But the reason that I started the way I
21 did with a little bit of pause is that I think you
22 can draw some preliminary hypotheses, and the work,

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1 by the way, that Mario Draghi of the Bank of Italy
2 has done with this Financial Stability Forum has
3 some very good suggestions on this.

4 I think we won't know the final lessons
5 yet, and what is interesting in all of our work is
6 sometimes the aftershocks of one crisis lead to
7 another. So in a way, if you think about what--one
8 of the reasons you had those big pools of capital
9 out there, you know, the lesson that many countries
10 drew, particularly in East Asia, after the 1997
11 financial crisis, is never again.

12 We're not going to get caught in that
13 situation. So they handled their exchange rates in
14 a way that built these large funds. As I was
15 leaving, the Brazilian Minister was making a very
16 good point, saying if you have a reserve currency,
17 you guys can have swaps of your currencies. He
18 said for those of us who don't have it, we don't
19 have that protection if there's some exogenous
20 shock.

21 And so he was saying maybe that's
22 something that the IMF needs to do. Interestingly

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1 enough, the Japanese were talking about some
2 additional support of the IMF. So these are some
3 of the ideas that we're going to have to be working
4 on, and just to close, so you know what my thinking
5 is on this, is that I was trying to urge the
6 ministers to recognize that while they're dealing
7 with a crisis today, we also need to be thinking
8 about broader changes in the system.

9 And I said the people who built Bretton
10 Woods system in 1944 were still fighting a World
11 War, and they were facing major reconstruction.
12 You really do need to do both at the same time, and
13 these are some of the key questions people are
14 going to be asking.

15 And it will be important for us to have a
16 dialogue with all of you to get your observations
17 in your markets.

18 THE CHAIRMAN: Thank you, Mr. President.

19 Let me ask our colleague from the
20 Caribbean.

21 ST. KITTS AND NEVIS: Thank you, Chair.

22 I want to thank the President for dropping

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1 in at this crucial time. But for us in the region,
2 the Caribbean country typifies small island states,
3 middle income to high income, and that in itself is
4 an accomplishment, but I think one of the worrying
5 features that we have come to see now is that, by
6 and large, there's the high level of indebtedness
7 reflected among member states of the CARICOM
8 region, and that therefore tells me that
9 development is coming at a high price, a high price
10 in terms of the debt and the sustainability.

11 And I was wondering therefore what special
12 insights the World Bank would bring, having regard
13 to this almost unique feature, to see how one could
14 deepen, widen the growth to ensure that development
15 is taking place in a much more efficacious way.

16 MR. ZOELLICK: Well, first, any country
17 that's got Fort Brimstone.

18 ST. KITTS AND NEVIS: And to add lastly
19 whether in the context of this reality, which is
20 now empirically based, the issue of graduation will
21 come back full circle on the table of the World
22 Bank to see how that has had a deleterious effect

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1 upon the development which we are now attempting to
2 pursue?

3 MR. ZOELLICK: Yeah. First, I was going
4 to say for any country that's got Fort Brimstone,
5 you've got to have great future. It's fantastic.
6 For all of you who haven't seen it, it's known as
7 the Gibraltar of the Caribbean, fantastic.

8 Second, since he's got two islands in his
9 country, he's also got the home of Alexander
10 Hamilton, which is a good start for building
11 financial systems.

12 You know on the debt issue, I think
13 there's some things that we can do with countries
14 that got overextended, and I mentioned the Jamaica
15 case. Jamaica had very large commercial debt and
16 we're trying to work with them, to use some of our
17 borrowing and restructure, not only for interest
18 rates but for terms so they don't get hit.

19 For some of the so-called middle income
20 smaller states that have these issues, I've tried
21 to encourage our staff, and this is a question
22 ultimately of our shareholders, you know, to try to

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1 think about this more broadly. It's, the trouble,
2 of course, is that the donors who will forgive the
3 debt are wary of doing that if you're at a higher
4 income because then they start to have questions of
5 equity, and then you've got some states here that
6 are small states but not island states and others,
7 and they want to know what about their position.

8 Having said that, you know, I've always
9 been open to the fact that smaller states face
10 unique problems. Island states face unique
11 problems. Some of you that are land-locked face
12 unique problems, and I frankly welcome this sort of
13 dialogue so we could try to figure out what else
14 one could do.

15 I don't know if it will be the direct debt
16 forgiveness, and you asked about the graduation
17 issue, too. You know, again from my own point of
18 view, I'm more comfortable about trying to have
19 some more flexibility and room, just as we try to
20 do in IDA15 for IDA members. The challenge we run
21 into--and this is where you can help us think
22 through it--if we take higher income countries, and

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1 say okay, you want you to get IDA, well, then
2 you're taking away from poorer countries, and
3 that's a bit of a problem.

4 You know, so how do we strike that
5 balance? If it's within IBRD borrowing, at least
6 until this crisis, we had room, so I was quite
7 flexible to try to think about what else we could
8 try to do from an IBRD perspective.

9 The last aspect that I would urge you to
10 keep in mind is IFC, our private sector arm. This
11 year IFC's book of business including the
12 syndications was larger than the IBRD book of
13 business or the IDA book of business, not together,
14 but it was larger than each one independently.

15 And IFC has been very innovative about
16 trying to work with a variety of states that don't
17 fit the norm, maybe post-conflict or fragile
18 states. They do about 40 percent of their business
19 with IDA states, and we've talked about this with
20 some of your countries to see what particular
21 support they can provide as well because
22 ultimately, you know, it's got to be a question of

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1 how we can get the private capital flows with you
2 as well.

3 THE CHAIRMAN: Well, Mr. President, thank
4 you very much for sparing a moment with us. We
5 very much appreciate your coming to speak to us,
6 and we take note of some of the things you shared
7 with us. We look forward to having you next time
8 as well. In the meantime, we wish you well as you
9 go around dealing with these important issues.

10 Thank you very much for coming.

11 MR. ZOELLICK: Chairman, I just want to
12 ask, is St. Lucia here? St. Lucia. I read you
13 headed the Commonwealth meeting, and I read it was
14 held in Castries, and so I e-mailed Henri de
15 Castries, who is the head of AXA, the big French
16 insurance company, and I said, any relation? And
17 he said, yes, it was an ancestor who was Louis XVI
18 Minister of Marine.

19 No, no, it wasn't the best administration.
20 Louis XVI didn't end up so well.

21 [Laughter.]

22 MR. ZOELLICK: But I just wanted to flag

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1 for you big insurance company, well capitalized,
2 nice names.

3 [Laughter and applause.]

4 THE CHAIRMAN: We will continue to hear
5 from our colleague from the Kingdom of Swaziland.

6 MR. MASILELA: Thank you, Chairman. Thank
7 you for that interesting interlude.

8 Chairman, I was talking about the key
9 features of the Southern Africa small states, and
10 was touching on the fact that we are bordering an
11 economic powerhouse in the Republic of South Africa
12 and alluding to the fact that there are benefits to
13 this. It's not always a disadvantage to be in a
14 situation like this.

15 These are actually manifest in the fact
16 that we are members of what we call the Southern
17 African Customs Union with South Africa. The
18 benefits come mainly in the form of the formula
19 that we designed to share revenues because we have
20 a common external tariff.

21 In fact, I'm told it is the only customs
22 union that behaves in the way that we do. We have

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1 a common external tariff and we collect revenues
2 into a common customs pool and then we design the
3 formula to share those revenues which takes of
4 course into consideration the differences between
5 the member countries.

6 Of course, the disadvantages are the usual
7 way, if you're in a customs union with a country as
8 big as South Africa, you will definitely face
9 issues of polarization, mainly because the
10 development, the level of development of South
11 Africa is much, much higher than the rest of the
12 countries.

13 And again this brings in very challenging
14 issues when it comes to negotiations with third
15 parties. We struggle to find common ground. A
16 typical example is the ongoing negotiation
17 currently with the EU of the Economic Partnership
18 Agreement--I heard the CARICOM alluding to that as
19 well--where we are struggling to find common
20 ground, mainly because the EU believes it has
21 completed negotiations with the Republic of South
22 Africa, and they signed a Trade and Development

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1 Cooperation Agreement, which excluded somewhat the
2 members of SACU.

3 Now members of SACU have been grouped
4 together with some countries under the SADC
5 arrangement and are pursuing a negotiation with the
6 EU. Unfortunately, South Africa wants to influence
7 again that negotiation, which we don't have a
8 problem with, but unfortunately the EU is standing
9 on the other side, and doesn't want South Africa to
10 influence that negotiation in the direction that
11 they want to.

12 And now it then leaves the small states
13 sort of in the middle to try and find a balance.
14 So those are some of the challenges that come with
15 bordering an economic powerhouse like the Republic
16 of South Africa.

17 Looking at now the key bottlenecks to try
18 and develop separately in the region, I alluded to
19 the facts that some of the countries have a very
20 low population density, and the difficulty there
21 comes in the fact that when you have to provide
22 services, it comes at a very high price because you

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1 need to develop schools and they're usually the
2 same size as schools elsewhere.

3 You need to develop hospital facilities.
4 You need to put roads to service your population.
5 They usually come at a very high price for those
6 countries, and of course when you also look at the
7 fact that these are countries with very small
8 populations, it becomes very difficult to derive
9 economies of scale from any investments that you
10 undertake.

11 Again, there are some issues that come
12 with the demographics. We are very small
13 population sizes and it becomes very difficult to
14 develop specialized skills. You end up having
15 people that are supposed to, you know, generalize
16 or perform in various disciplines at the same time
17 because all these issues crop up as much as they
18 would in any other state.

19 Then you find that the very same people
20 have to attend to those issues so it becomes very
21 difficult to develop skills in specific areas.

22 Another dynamic that we face with the

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1 advent of the HIV/AIDS, of course, is the
2 demographics relating to the structure of our
3 populations. We are experiencing a situation now
4 especially in Swaziland where the age group 29 to
5 49 has been decimated. Now, that leaves you with a
6 population that is either too young. Of course,
7 you've got a lot of young people, and then you've
8 got very old people.

9 Now, of course, that then presents
10 challenges to say that the middle level which is
11 fast disappearing is the level that would be
12 trained and have those skills to support
13 development initiatives.

14 Another key constraint or bottleneck is
15 the middle income classification or status of these
16 developing countries, of these small states in the
17 region. This obviously makes resources for
18 development very expensive and trying to handle
19 those on our own becomes a big problem.

20 Another problem that is associated--sorry--
21 -okay. Another problem associated with the
22 proximity to South Africa obviously is the brain

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1 drain--I notice the President has taken up a lot of
2 my time--is the brain drain associated with of
3 course the ability of South Africa to offer better
4 and more attractive incentives to skilled
5 personnel.

6 Possible areas of collaboration that come
7 to mind as one thinks about the activities of a
8 Small States Network. One could be sharing of
9 capacity building institutions. We have some
10 little experience in this regard. We are members,
11 all of us actually are members of an entity called
12 the Macroeconomic and Financial Management
13 Institute of Eastern and Southern Africa, which is
14 based in Zimbabwe because they are also members.

15 It comprises 14 member countries. This
16 institution has trained or specializes in training
17 economists in central banks and ministries of
18 finance. We've seen a lot of benefit of an
19 institution like this, and we would like to see a
20 lot more of such institutions being developed.

21 They have an interesting program called a
22 Fellows Development Program which trains people up

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1 to a level of experts in various issues relating to
2 central banking and public finance management
3 issues.

4 It is for this reason that we are excited
5 to hear about the establishment of the regional
6 Multidisciplinary Center of Excellence in Mauritius
7 because we believe that is consistent with the
8 issue of trying to pool resources in developing
9 capacity.

10 Of course, development of institutions of
11 higher learning, there we believe we have an
12 opportunity to share costs. We unfortunately have
13 some little bit of experience in that regard. The
14 University of Swaziland started way back as the
15 University of Botswana, Lesotho and Swaziland, but
16 obviously coming to challenges of arrangements like
17 that, you find that for some reason going ahead.
18 And unfortunately one wasn't there to speak very
19 competently on what led to the disintegration of
20 this arrangement, but it did disintegrate, and we
21 saw Lesotho, Botswana establishing their own
22 facilities which are essentially duplicating what

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1 was happening at the University of Botswana,
2 Lesotho and Swaziland.

3 So going back to address those issues I
4 think would be beneficial, and maybe this is a
5 possible area of assistance that we could get from
6 people who have experience in this regard. We also
7 have a working arrangement in the Institute of
8 Development Management where Botswana, Lesotho and
9 Swaziland are collaborating in training management
10 experts in that regard.

11 One of the challenges that one can
12 highlight or allude to in the issues of
13 collaboration which we have to be very cognizant of
14 is the fact that it is usually very difficult to
15 attain equity in the distribution of benefits which
16 one of my colleagues was alluding to. So that
17 would be an area that we would want to focus
18 specifically on because I suspect that was actually
19 what caused the disintegration of these
20 arrangements.

21 And then coming to my last point, which is
22 possible areas of Bank support, and I'm sure a lot

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1 of us can think of a variety of areas where the
2 Bank can come in and assist small states in trying
3 to pursue their development objectives. Capacity
4 building, I think, is the key area of intervention
5 that the Bank could look into.

6 Another area would be the development of
7 public-private partnership frameworks and we've
8 been urged to go in that direction and we see the
9 benefits in there, but there's a small voice that
10 says don't jump into it head long because there are
11 problems if it is not structured, if those PPPs are
12 not well structured.

13 So we would like to, you know, probably
14 benefit from Bank assistance in designing effective
15 and efficient public-private partnership
16 arrangements.

17 And of course, the issue of cost of
18 funding. We, as I said, are middle income
19 countries and we borrow from the IBRD window of the
20 World Bank. I think the scope there to, you know,
21 interact with and assist the countries develop
22 better in reducing the cost of funding.

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1 I think one thing we want to recognize,
2 though, is that we certainly do have to take the
3 lead. There are certain compromises that we want
4 to make as developing countries, and unfortunately
5 in most instances, they touch on issues of
6 sovereignty which are very sensitive issues with
7 our ministers and other senior politicians.

8 Mr. Chairman, let me stop there for now.

9 THE CHAIRMAN: Thank you very much, Mr.
10 Permanent Secretary.

11 In view of the time constraints, there is
12 reference to me making a presentation. I just want
13 to say I will submit my notes to the Secretariat,
14 and our colleague who spoke before me did a good
15 job because he spoke on behalf of the Southern
16 Africa Region, and can I suggest in terms of the
17 time we have maybe one or two questions quickly
18 before we move on to the next session?

19 If there are no questions, then I would
20 simply suggest that we move to the next session.
21 We are going to hear from the Pacific Region.
22 Please, you have the floor.

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1 MS. PETANA: Mr. Chairman, distinguished
2 guests, ladies and gentlemen, I will try and be
3 very brief because I know you are dying to get to
4 lunch, but my presentation is basically what has
5 happened in the last five years or six years since
6 we decided to liberalize the telecommunications
7 sector in Samoa with the assistance of the World
8 Bank.

9 And just very quickly, where we are? You
10 won't believe it, but people still ask if we're
11 part of Fiji. No, we're not close to Fiji, and in
12 between Fiji, Tonga and Samoa sits there.

13 I'm going to basically leave a lot of this
14 out, but essentially to point out to you that over
15 the last five years, with the reforms that were
16 introduced back over ten years, GDP has increased
17 substantially for a small island country like ours
18 with a population of 180,000, as you can see from
19 these statistics there.

20 What is interesting is of course is the
21 remittances of about 20 percent of GDP. That
22 continues to remain, and of course there is a very

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1 direct link between what has happened with respect
2 to liberalization of telecommunications and the
3 fact that there is greater access of people living
4 abroad with respect to remittances because of
5 communications improvement.

6 In terms of our telecommunications sector,
7 this was what it was like before, July 2006. It
8 was actually just one service provider, and that
9 was the government, which provided cellular as well
10 as landlines, and of course, a lot of the costing
11 was based on investments in both capital and
12 administration and maintenance costs, and they were
13 basically left to work out their own profit
14 margins.

15 Since then, the government decided to take
16 note of the main issues facing us. Long--
17 particularly politicians were facing a lot of
18 complaints from the long waiting lists of telephone
19 connections, inadequate coverage of our rural
20 communities, and the high cost of international
21 connections. Certainly the technology was
22 outmoded.

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1 And in terms of this project that we
2 brought to the World Bank, we needed to improve
3 access by increasing teledensity, improving
4 technology, improve, of course, the geographical
5 coverage, and looking at reducing the cost of
6 communication services in particular.

7 What we did was, before we did all that,
8 we decided to issue at first three licenses, but
9 then we thought the market was too small. Of a
10 population of 180,000, we decided to go only for
11 two licenses, and until, and that was what
12 happened. At the same time, work towards
13 developing a regulatory environment that would help
14 to phase the government out of its role of service
15 provider to that of regulator.

16 And so until 2009, at the present time,
17 the supply of landlines continues to be the
18 government's corporation. We're also looking at
19 privatization of the government corporation by
20 2009, June 2009. In the meantime, the Office of
21 the Regulator was established in July 2006 before
22 we issued the second license.

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1 Now, the second license was issued in
2 October 2006. So just after we had established
3 that, we then issued a second license. And this is
4 important because you find a lot of experiences now
5 across the Pacific where there are already existing
6 suppliers without regulation, or without a
7 regulator, or are just working towards building up
8 that regulatory environment.

9 So it was actually a matter of luck, more
10 than anything, because we weren't consciously going
11 out sequencing it, but because we had decided to do
12 this, it certainly has worked out to our benefit.

13 Well, the population size--about 180,000
14 people. There was certainly very strong commitment
15 on the part of government in terms of
16 liberalization of this and the introduction of
17 competition, and as I said before, transforming the
18 role of government from service provider to
19 regulator.

20 In terms of the strategies, we decided to
21 first of all review the acts, and that led to the
22 discontinuation of the exclusive suppliers'

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1 license, and this one here for the landline until
2 2009, and concentrating on only two license
3 suppliers for cellular, and then establishing and
4 resourcing the office of the Telecommunications
5 Regulator.

6 Now, this has been the dramatic impact of,
7 particularly on domestic calls, of what we did.
8 Although we may not show too much in terms of the
9 right-hand side, particularly between calls between
10 suppliers, but if you look across on the top, you
11 can see that variation quite strongly.

12 But what is even more dramatic is, of
13 course, the international calls. Almost overnight
14 when this was introduced, the calls came down to
15 where we are on the right-hand side now, and making
16 it cheaper to call across the world, and of course
17 driving up more remittances.

18 And then that has been part of the impact
19 overall. We've seen subscribers, the numbers
20 increase substantially to almost close to our own
21 population; the increased teledensity; and of
22 course the coverage now which has come to about

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1 almost 95 percent.

2 This of course has contributed a lot to
3 GDP growth, and we continue to see the improvements
4 of this sector all around.

5 So what have we learned? That we need to
6 have an effective regulatory framework and that we
7 need to ensure that we give the confidence to those
8 companies that have actually been granted to
9 operate future licensing.

10 It certainly has called for the need for
11 high technology, certainly very sophisticated
12 technology, and almost a step up overnight on
13 capacity building.

14 One of the things that we need to consider
15 is point four, and that is looking at how we can
16 continue to refine competition policy. Competition
17 is really new in a lot of our small island
18 countries including the Pacific, and especially in
19 the area of telecommunications, once you liberalize
20 it and regulate it, you need to make sure that
21 competition policy as well as the strategy, and
22 particularly the technical side of monitoring

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1 competition is adequately resourced.

2 One of the other things we're now looking
3 at is to broaden the role of the regulator from
4 telecom to multi-tasking in other sectors,
5 especially the utilities.

6 One of the things I'm very happy to
7 announce, although it has been recently approved, I
8 have yet to inform the gentleman who has been
9 appointed regulator for the next two years. One
10 thing I can confirm, he's from the Caribbean. And
11 so at least that's part of the sharing process and
12 the networking that's going on.

13 But we know that there are still these
14 challenges, and that is, of course, what will
15 happen in terms of the discontinuation of the
16 exclusive landline license if the second license
17 operator will pick it up?

18 And secondly, the liberalization of
19 Internet connections because it has implications
20 for a number of small players, particularly small
21 companies operating in the Internet independent of
22 either of the two licensed providers.

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1 And then the broadening of this Office of
2 the Regulator to cover all other sectors. This is
3 probably going to be carefully looked at in
4 sequence so that we do not either overstress or
5 undermine the Office of the Regulator once it's
6 been extended somewhat to the utility sectors in
7 particular.

8 And lastly, these two other very important
9 issues that we're looking at, and that is the need
10 for an effective tribunal. We just had a case
11 where the court system certainly added to the costs
12 in terms of taking that through.

13 And then the last one is, of course, to be
14 able to connect to the rest of the world. We would
15 like to certainly--you've probably seen ads of this
16 Comcast Blast. I think we all want to do that,
17 too, be able to secure such faster connections to
18 the rest of the world.

19 So what are some the lessons we've learned
20 especially with respect to small islands like ours?
21 There is an initiative that the World Bank is
22 looking at, and that is to set up a regional

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1 regulator. It's not regional regulator--regulatory
2 service, which regulators around the Pacific could
3 touch base on or through in terms of exchanging
4 information or obtaining technical assistance.

5 I think one of the things that we have
6 already discovered or experienced is the fact that
7 regulators themselves are very highly, well,
8 technical people. Both legal and engineering
9 technicality is required in the post. And you also
10 need to have minimum skills of technical people
11 within your own organization, spectrum managements,
12 and also be able to have the equipment to take with
13 it.

14 So there's a lot of capacity to be built
15 up when you're going into this. And while we did
16 not have the time to push through with everything,
17 we're still going through that refinement
18 development process in terms of the scaling process
19 as well as the refinement of both the legal
20 framework as well as the policy, supporting policy
21 framework as well.

22 So with those comments, thank you for

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1 listening to my very brief intervention on my
2 presentation.

3 [Applause.]

4 THE CHAIRMAN: Thank you very much, Ms.
5 Petana.

6 That was extremely interesting for those
7 of us who are far away from you, and there are
8 interesting lessons to be drawn from your
9 presentation.

10 Colleagues, quick questions? Any
11 observations, quick, before we move on?

12 [Pause.]

13 THE CHAIRMAN: I don't see any.

14 MS. PETANA: Sorry, can I just make one
15 comment?

16 THE CHAIRMAN: Yes, please.

17 MS. PETANA: Perhaps our Caribbean
18 colleagues might be interested to know, the second
19 licensed operator is Digicel, and they've certainly
20 expanded very, very quickly in the Pacific. Samoa
21 was the first country to have Digicel come in, and
22 now it's in Fiji, Tonga. I think Vanuatu is the

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1 other one, and they are probably looking at some
2 rise as well in a few others, and Papua New Guinea.
3 Those are the countries in the Pacific that now
4 involve Digicel.

5 So we certainly would welcome any comments
6 on Digicel's performance elsewhere, but suffice it
7 to say it just goes to show just how small the
8 world is as to both the networking that continues
9 in this respect.

10 Thank you.

11 THE CHAIRMAN: Thank you very much.

12 Yes, colleague from Lesotho.

13 LESOTHO: I was saying from the national
14 development standpoint and within the multi-
15 regulator for the water, whatever and so on, it's a
16 much more efficient system, but the training and
17 the models, not many out there. And this is an
18 area where the Bank and others could be very
19 helpful to the small states.

20 THE CHAIRMAN: Thank you for that comment.

21 I don't see any further--oh, yes.

22 JAMAICA: Thank you, Madam, Mr. Chairman.

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1 In response to the issue of the telecoms,
2 Digicel's first foray out of Ireland was in
3 Jamaica, and it's been extraordinarily successful.
4 They've brought competition with cable and wireless
5 who were with us from the 19th century, and we now
6 have over three million handsets in use in Jamaica
7 to a population of 2.7 million, which is one of the
8 highest teledensity rates I think anywhere.

9 What concerns a number of us is that we
10 don't see the same development in broadband, and it
11 is broadband which drives the commercial and
12 industrial benefits that one expects to get from
13 improved teledensity or improved use of
14 communications technology.

15 I don't know if anyone here has done any
16 study on how you get into more efficient deepening
17 the use of information technology. While one does
18 not want to belie the benefits of having people
19 shout and shout and shout more and more, in the
20 business of economic development, one has to look
21 at earning revenue and being able to improve the
22 level of technology.

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1 While I'm on the floor, Mr. Chairman, I
2 looked at the issues that are before us, and I
3 certainly agree with all of them, and I just
4 wondered whether the business of best practices in
5 terms of technology, which could be shared, ought
6 not to be one of the critical areas that we can do,
7 for instance.

8 In Jamaica, I know I myself am very
9 intrigued by the success of Mauritius in sugar and
10 in a number of other areas, just reading about it,
11 never been there. But I think that's the sort of
12 thing that would be of far more interest to me and
13 to my economy than a number of the other things
14 which might be more apparent, you know, and I think
15 maybe we should look at that because really what
16 one is attempting to do is to fight poverty in most
17 cases.

18 Obviously, some are not, but it's really
19 about the refining the proper channels and whether
20 by bonding together, learning from each other, we
21 can find those areas which have been successful in
22 one area being transferred to us, and the fact that

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1 we are small means we wouldn't be destroying our
2 market because small countries don't really have
3 the capacity to overwhelm another so the stretch
4 isn't there. But so I think it's a few things that
5 we might look at.

6 Thank you, sir.

7 THE CHAIRMAN: Thank you very much for
8 those comments. Extremely important. Do you want
9 to--

10 MS. PETANA: Just very quickly, to the
11 Honorable Minister Thanane's comments on the
12 regulator for the multitasking regulator. This is
13 a new venture for us. We will certainly follow
14 with interest what he has to say about the
15 efficiencies, especially the type of environment
16 that's needed, taking into account we're dealing
17 with two different sectors, but most probably they
18 are both synergies that we can work on, but also
19 need to--well, not so much highlight but look at
20 what the differences are so that when we're looking
21 for the right skill set, that it's the right person
22 who can fit into the bill.

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1 In terms of the Honorable Minister from
2 Jamaica, with respect to Digicel, one of the things
3 they had promoted when they came in was that they
4 would be looking at broadband, but the real issue
5 with us is, of course, securing a cable to be able
6 to access the outside world.

7 We do have wireless. It's a start, and as
8 I said, we are now covered 95 percent all over the
9 country. In terms of wireless, it's still fairly
10 restrictive. We're working on expanding that. But
11 until we have a marine cable to link into the rest
12 of the world, we're sort of fairly limited in that
13 respect.

14 Thank you.

15 THE CHAIRMAN: That was extremely
16 interesting. There's a lot of lessons for many of
17 us.

18 Ladies and gentlemen, we have done a mile,
19 and as a former runner, I believe we are getting
20 close to the finishing line. And at this point in
21 time, let me introduce Dr. Coomaraswamy from whom
22 we previously heard briefly, who is going to offer

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1 a perspective of the Commonwealth Secretariat.

2 You have the floor, colleague.

3 MR. COOMARASWAMY: Thank you, Mr.
4 Chairman.

5 A couple of years ago in Singapore, the
6 Bank indicated that it intended to reinvigorate the
7 agenda and the proceedings of these meetings, and
8 I'm sure that you would want me on all our behalf
9 to express our appreciation to our Bank colleagues
10 for the very positive measures they have taken in
11 pursuit of this objective.

12 It has been evident from today's
13 proceedings that the theme they chose for this
14 year's Forum has certainly been timely and
15 important. Globalization places a very high
16 premium on competitiveness and this increases
17 significantly the compulsions for regional
18 cooperation.

19 However, over the years, progress has been
20 halting at best. This has partly been due to
21 internal dynamics within the various regions, but
22 it is also true that the development community was

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1 rather ambivalent, particularly towards regional
2 trading arrangements.

3 The fact that the team of this particular
4 Forum, organized by the Bank, is regional
5 cooperation reflects a welcome change in thinking.
6 Within the regions, too, regional cooperation
7 processes have gathered pace. The Caribbean Single
8 Market and Economy Process, the Pacific Plan, and
9 the various subregional processes in Africa all
10 exemplify this. The EPA negotiations have, of
11 course, added momentum to these processes.

12 In recent years, the Commonwealth
13 Secretariat has attached very high priority to
14 supporting the EPA negotiations. The overall
15 thrust of our support has been to ensure that a
16 strong development dimension is built into these
17 agreements.

18 I shall give you a very brief flavor of
19 some of our interventions given the shortage of
20 time. Technical support has been provided to the
21 Caribbean and Pacific regions to develop their
22 goods and services of offers and demands.

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1 And using the interregional reach of the
2 Commonwealth, we have been able to bring together
3 the negotiators from the different regions from
4 time to time to share experience and take stock of
5 the situation.

6 And a particular activity that proved
7 useful to the negotiators was a study that we
8 commissioned from Professor Milner on adjustment
9 costs, and this, I think, was in fact the basis on
10 which much of the work in relation to the
11 development cooperation support that is to be built
12 into these agreements was conducted.

13 Going forward, we've been very conscious
14 that the global landscape is changing very rapidly.
15 This was happening even before the current
16 financial turmoil.

17 In this context, the Commonwealth has
18 commissioned two studies which I think will be of
19 interest to you. One is on the implications of the
20 rise of China, India and Brazil for ACP countries,
21 and the other is the implication of an EU-India FTA
22 for ACP countries.

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1 These studies are intended to look at the
2 trade, the investment, the aid implications, both
3 in terms of opportunities and threats for ACP
4 countries.

5 Finally, I think it's important that I now
6 convey again our thanks to our colleagues in the
7 World Bank for arranging this Forum and for the
8 steps they have taken to add value to it. I think
9 the Bank's continuing commitment to small states is
10 probably going to assume even greater importance as
11 the world economy now moves into a much more
12 difficult and hostile phase.

13 Small states, if you look at their
14 performance in recent years, their growth
15 performance has been less impressive than for
16 developing countries as a whole. And as the
17 Minister from St. Kitts and Nevis pointed out,
18 they, many of them now have relatively high debt
19 levels.

20 So they are not in a position. They're
21 not in the strongest possible position in terms of
22 taking on the adverse circumstances that are likely

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1 to confront them in the immediate period ahead, and
2 I'm sure it was quite reassuring in this respect to
3 listen to the President of the World Bank, and I'm
4 sure the Bank will be very aware of the added needs
5 that small states are likely to experience in the
6 period ahead.

7 Thank you very much.

8 [Applause.]

9 THE CHAIRMAN: Thank you, sir, and please
10 accept the Forum's thanks both for your long
11 service on behalf of small states and convey our
12 thanks and our appreciation to the Commonwealth
13 Secretariat for its continued effort in support of
14 small states.

15 Thank you very much.

16 [Applause.]

17 THE CHAIRMAN: And now it is my particular
18 pleasure to turn to Jeff who has been a source of
19 support for me as an incoming chairperson, and I
20 would like to ask him to offer a few comments on
21 the way how things have developed.

22 MR. GUTMAN: Thank you, Minister, Mr.

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1 Chairman, and my thank you and congratulations to
2 you, Mr. Katjavivi, for being such an effective
3 chair and being so involved.

4 This is a tough thing to organize
5 actually. We've been through various permutations
6 over the years of what's the best way to organize
7 this meeting throughout when you have just these
8 four hours squeezed into the Annual Meetings and a
9 broad range of topics and a broad range of
10 participants.

11 And there's a lot here. There's a lot of
12 richness and robustness. How we get this out is
13 going to be quite a challenge, but I want to thank
14 you in particular for chairing and being such an
15 effective chair in trying to get through the day.
16 Thank you very much, Minister.

17 I also want to thank and also to speak to
18 Secretary Masilela from Swaziland and to Minister
19 Petana on her presentation also. These were
20 actually very poignant presentations, and I think
21 we need to disseminate the--I know it wasn't
22 presented as a PowerPoint. It does seem that you

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1 have one so it would be nice to be able to
2 distribute them because there was a lot of gems in
3 this which I think we had not had the time because
4 there was so much time spent on the morning session
5 on the regional trade issues, the regional
6 organization issues built around the CARICOM.

7 And I think there's a lot to be gained for
8 everyone by disseminating this, and I know in
9 particular, Ms. Petana, I appreciate very much,
10 because I know you've just been struggling coming
11 out of pneumonia, and you've come here to be able
12 to make this presentation, and we really greatly
13 appreciate the effort as well as the impact of the
14 telecommunications. I think this is quite
15 something, quite a lesson for all of us.

16 And I think we would welcome the feedback
17 from those in the room in terms of how we organize
18 these in the future. We did take your comments
19 from the last time, that there were too many
20 talking heads from the Bank and international
21 organizations. We wanted to make it much more a
22 facilitation of speakers from the community itself

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1 in small states, and we really appreciate that very
2 much.

3 But it is hard to squeeze this all into a
4 matter of four hours once a year in the Annual
5 Meetings, and I think in that regard, we very much
6 welcome the launch of the Network and do remind
7 everyone in terms of membership, it's very easy to
8 be a member and it's not very costly, not costly at
9 all.

10 But I think there are a lot of benefits,
11 and I think getting the Network effective and
12 moving will start to answer and move some of the
13 issues which have been raised at the table today.

14 I think for the Bank itself, we take a lot
15 of lessons from this, first of all, in supporting
16 the Network itself, but I think there's going to be
17 a launch later this afternoon on South-South
18 learning and an initiative by the Bank on that.

19 This actually fits into that and how we
20 can do more to facilitate and make it easier to
21 have this type of South-South knowledge exchange.

22 Also, in terms of our own internal

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1 processes, knowledge and learning, one of the
2 strategic, six strategic themes, of the Bank set by
3 the President is on knowledge and learning and
4 trying to make our systems more accessible to
5 facilitate this type of exchange across the Bank
6 and across the regions to get this kind of
7 expertise across, and so this is something that we
8 can commit to.

9 But I think looking ahead, and as the
10 President said and many speakers including Indrajit
11 just now, we are at a critical time between the
12 food and the fuel crises and now the financial
13 crisis; the implications for small states need to
14 be looked at and understood. Many of you have
15 raised the specific implications.

16 I think it's something we will take a look
17 at as part of our Small States Initiative, but we
18 want to do that together with you.

19 And so on that basis, I thank you all for
20 your patience. I thank you all for not taking a
21 break. We've kind of just gone straight through,
22 and I appreciate your patience in that and all the

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1 participants, and Minister, thank you.

2 THE CHAIRMAN: Thank you. Thank you very
3 much.

4 [Applause.]

5 THE CHAIRMAN: What can I say other than
6 simply it has a been a great pleasure and honor for
7 me to sit here and to learn a great deal from all
8 that has been stated here. I look upon this Forum
9 as having been concentrated in terms of discussions
10 and offering us the opportunity of learning from
11 each other.

12 I cannot simply say much, and I will not
13 even attempt to summarize what we've gone through,
14 except simply to say there is an expression which
15 is very common to many of you, that "small is
16 beautiful," and I think small states are just, and
17 they do have, they offer us opportunities and
18 avenues of interaction, networking, and I think
19 that is exactly what we have been able to do.

20 I must say the information we got offers
21 us many opportunities of learning from each other
22 and discovering each other in terms of what we do

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1 have to offer.

2 Thank you very much, and to all of you
3 individually and collectively for having been
4 wonderful participants, thank you very much, and
5 have a good day.

6 [Applause.]

7 [Whereupon, at 1:20 p.m., the Small States
8 Forum was adjourned.]

9

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