



EU-LAC FOUNDATION

NEW GROUNDS FOR THE RELATIONS BETWEEN THE EUROPEAN UNION, LATIN AMERICA AND THE CARIBBEAN

Proceedings of the EU-LAC/GIGA Seminar, 17 and 18 September 2012, Hamburg



Co-organizer:



With the support of:



General Coordination: Nadine Haas
Text revision and editing: Nadine Haas, Lena Held
Translation: Luz María Fort
Graphic Design: made in Wilhelmsburg / Pablo Vacaflor del Carpio

Index

Introduction

L. Enrique García: Prologue	6
Jorge Valdez: Introduction	7

Speeches from the inauguration of the EU-LAC/GIGA Seminar

Olaf Scholz	13
Guillermo Fernández de Soto	15
Detlef Nolte	17
Benita Ferrero-Waldner	19
Leonel Fernández	22

Panel 1: The EU-LAC bi-regional relations: From Rio de Janeiro to Santiago

Detlef Nolte	25
José Ignacio Salafranca (Moderation)	27
Wolf Grabendorff: Looking back on the Starting Process of the “Strategic Partnership”	29
Stephan Sberro: The Three Stages of the Bi-regional Relations between Latin America, the Caribbean and the European Union	32
Tomás Duplá Del Moral: The European Union, Latin America and the Caribbean: a Promising Option	38
Ricardo Luna: Antecedents of Latin American Coordination	43
Laurence Whitehead: A Summit in Hard Times – Some Practical Suggestions for Santiago 2013	47
José Ignacio Salafranca (Moderation)	52

Panel 2: Challenges of the context for the bi-regional relationship

Leonel Fernández (Moderation)	54
Germán Ríos: The challenges of the Global Context and their Impact on the Relationship between Latin America and the EU	56
Jiang Shixue: Ten Suggestions for China and Europe to Develop their Relations with Latin America	60
Mario Pezzini: Optimising the Bi-regional Relation for Development	63
Peter Hakim: European and the US Policies Converge in Latin America	67
Leonel Fernández (Moderation)	71

Panel 3: The new basis of bi-regional relations

José Antonio García Belaúnde (Moderation)	74
Rut Diamint: Crisis and Regional Diversification	76
Alberto Pfeifer: From an Entrepreneurial View: Recommendations on Initiatives for the EU-LAC Relationship	81

Pablo Gómez de Olea: The Future of the Bi-regional Relationship. From Cadiz to Santiago.	84
Alejandro Salas: Civil Society in Europe and Latin America – a Horizontal Relation in Favour of Good Governance	88
Carlos Quenan: Promoting Investment and the Euro-Latin American/ Caribbean Area of Higher Education	91
José Antonio Sanahuja: The Future of the Relations between the European Union and Latin America and the Caribbean: Three Premises and Four Proposals for the Debate	94
Debate and conclusions	
Debate	104
Bert Hoffmann: Beyond “EU-LAC relations”	114

INTRODUCTION

Prologue

L. Enrique García*

Relations between the European Union and Latin America and the Caribbean (EU-LAC) are a high priority for CAF. As a development bank of the region CAF seeks to build bridges between Latin America and the rest of the world, aiming at improving mutual understanding, promoting commercial opportunities and investments as well as strengthening cooperation.

From this perspective, the old continent is without doubt a valuable ally. Two of its states, Spain and Portugal, figure among CAF's eighteen shareholder countries. Furthermore, it is the only extra-regional area that counts on a representative office which is located in Madrid and which also deals with our links at a European level.

Consequently, for CAF this sponsorship as well as its active participation in the EU-LAC/GIGA Seminar "New Grounds for the Relations between the EU, Latin America and the Caribbean – Towards a Relevant Partnership", which took place on 17 and 18 September 2012 in Hamburg, is of utmost importance. The event offered an ideal backdrop for serious reflection on the bi-regional challenges in a dynamic international context.

Although this strategic partnership has been strengthened, in particular by the consolidation of the process of EU-LAC summits, and though Europe continues to be an economically important partner as well as a key source of foreign investment for the region, it is undeniable that the current decade presents serious challenges to both regions.

In fact they face the need to forge a new vision of their relation in a context in which Europe is going through a crisis and Latin America is diversifying its international projection and seeking to position itself as a relevant actor on the global stage.

A fundamental partner has joined at this crucial point, the EU-LAC Foundation, which through this successful event – carried out during its first year of activity – demonstrated its potential to stimulate debate and critical thought and to support the creation of networks between civil society actors.

Thus, this publication compiles the results of the seminar for everyone interested and represents a relevant contribution with regard to the following EU-LAC summit and beyond, so as to accomplish concrete commitments that deepen the bi-regional strategic partnership from a long-term perspective. CAF will continue to support this kind of initiatives with enthusiasm and dedication.

* Executive President of CAF Development Bank of Latin America.

Introduction

Jorge Valdez*

Only ten months after initiating its activities, the EU-LAC Foundation carried out the first of hopefully many future activities; activities of which the Foundation shall be the main promoter. The Seminar that gives its title to this volume – “New Grounds for the Relations between the European Union, Latin America and the Caribbean – Towards a Relevant Partnership” seemed to be the accurate instrument to fulfil our mission. After the seminar, I am glad to be able to say that we took the adequate decision, recognising that this format allowed gathering different approaches and perspectives, simultaneously confirming the relevance of the commitment we have made.

The title of the seminar was not the product of a hurried or superficial decision. On the contrary, it is the result of a constant reflection on how the international context affects – positively or negatively – the rationality and targets of the bi-regional relationship, as well as a reflection on the elements that differentiate this relationship from relations between other regions in the world. These elements give the bi-regional partnership a singular character but are, despite their essential relevance, in danger of being relativized and thus of moving out of sight in the current context of crisis and uncertainty. We are talking about our common principles and values that are often invoked and that form the very basis of the relation, but that also need constant updating in order to guarantee their functional validity. Considering the high velocity of changes and challenges, this updating becomes necessary to preserve the value and importance of the relationship between the European Union, Latin America and the Caribbean for each of its parts.

The reasons for considering the relationship’s renovation a necessity are therefore obvious. But at the same time, with this consideration comes a statement of our goals within the current context: achieving global competitiveness through significant improvements in productivity, as well as providing the people of both regions with more and better employment conditions as well as greater well-being – all of this based upon the pillars of our common values.

This may be the most relevant meaning – even if it may appear minimalistic due to its utilitarian character – of the Strategic Partnership that was announced in Rio de Janeiro in 1999 and that became apparent in the democratic consolidation, which has advanced considerably, even if not without setbacks; in Association Agreements oriented towards the liberalisation of trade and which proved to be rather complex in reality; in multilateral coordination that the Doha Round soon revealed to be secondary due to the low European interest in Latin America and the Caribbean, together with the demanding and defensive multilateralism on the Latin American side.¹

* Jorge Valdez is the Executive Director of the EU-LAC Foundation. Until October 2011 he was Ambassador of Peru to the Kingdom of Belgium and to the Grand Duchy of Luxembourg, as well as Head of the Mission of Peru to the European Union.

¹ Van Klaveren, Alberto (2004): Las relaciones políticas europeo-latinoamericanas. En: Nueva Sociedad, no. 189, p. 61.

In the context of a changing international system, of its challenges and the rebalancing of the relationship, the need for a transformation becomes ever more apparent, considering that it was not possible to overcome the dynamics characteristic of a provider-client relation; a transformation into a relation between partners with the common goal of facilitating integration into the global market and the sharing of knowledge with mutual benefits to both regions. However, by basing itself on principles considered globally relevant, the bi-regional relationship does not remain limited to the dimensions of the economy and knowledge. It rather has to open up to those dimensions of which global governance systems are constructed, an area in which both regions share a mutual vision and understanding of reality, although this often goes unnoticed.

The decision to carry out this event in Hamburg was not taken accidentally either. The EU-LAC Foundation's Host City has given us an enthusiastic and generous welcome, offering proof of old bonds and a new attachment. Hamburg is also a privileged location when it comes to approaching the European regions that were not EU members at the moment of the First Summit in 1999; regions where it is necessary to develop and strengthen the presence of Latin America and the Caribbean, so as to provide it with the same intensity and character as is the case in the countries of Western Europe.

The EU-LAC Foundation had previously co-organised and participated in other events, such as the Colloquium on "New Dynamics of Regional Integration" with the Institut des Amériques in Paris last June, as well as giving presentations at numerous events organised by other institutions. At the same time we have been promoting and facilitating other activities that will converge with the CELAC-EU Summit of Heads of State and Government to be held in Santiago in January, thus turning the bi-regional process into one that includes the societies of both sides, not just their governments.

All this, together with the surprisingly high level of participation in this Seminar, demonstrates the large interest in the relations between the states that form the EU and CELAC. Yet we are aware that this interest comes with huge expectations, which, at least in part, we ourselves must find the capacity to interpret and attend to.

The present volume compiles the opening speeches and presentations given during the seminar's three panel sessions, which dealt with the past of the EU-LAC process until today, with its antecedents, achievements, products and, why not, its deficiencies. We therefore had to look back even beyond the First Summit (1999) at the first half of the 1980s and the Central American crisis. Ricardo Luna recalled in his presentation that this crisis provided the stage on which the convergence between the EU and Latin America, at that time channelled through the Contadora² and Support³ Groups, highlighted the key roles that peace, democracy, the rule of law and human rights play both for Europe and for Latin America in all their actions.

² Columbia, Mexico, Panama, and Venezuela. Group founded in 1983 to promote peace in Central America, concerning the conflicts in El Salvador, Nicaragua and Guatemala.

³ Group founded in July 1985 by Argentina, Brazil, Peru and Uruguay in order to support the actions of Contadora. Together, both groups became known under the name of Group of Eight, which in 1990 transformed into the Rio Group.

But even before recalling this historical phase, José Ignacio Salafranca emphasized the importance of political will to keep alive the spirit of unity that prevails in the bi-regional relationship, even if the context may be leading into different directions. After all, except in some very specific cases (as possibly is Spain), Latin America has been hard to detect on the European attention radar during the last decades. This might be the case because Latin America is not a direct neighbour, or because it was the first region in the world to voluntarily prohibit nuclear weapons, because it is a region which does not display a degree of conflict that would make it prone to crises and conflicts that could endanger international peace and security; or, finally, because it is a region whose states, in spite of facing important and pressing problems, are not far from fulfilling the global development goals and are therefore not in danger of becoming failed states – or maybe all of these reasons have to be considered as a whole.

But José Ignacio Salafranca also reminded us of the importance of the specific circumstances constituted by the opportunity and the timing that allowed the bi-regional process to be created, an element that was also stressed by Wolf Grabendorff. In his presentation he specified how this process took shape, recalling that we are part of the Western world and that what the majority of the Western world does, will affect that part of the Western world not present in the process. He concluded by alerting to the changes of priorities and the need to the bi-regional agenda.

Stephan Sberro presented a structured image of the evolution of the bi-regional process and described the impact of the tragic events of 11 September 2001, and suggested that a change was initiated in Madrid in 2010, paving the way for progress in the bi-regional relations, progress that should continue and become more accentuated next January in Santiago.

Tomás Duplá spoke about the dense network that has been built over the years, about its relevance and about adapting different approaches in response to real problems, as for example new ways of understanding development cooperation or aspects such as regional diversity in Latin America and the subsequent need to conceive integration in terms that do not necessarily coincide with the European experience. Duplá concluded by emphasizing the need to “socialize” the bi-regional process, transcending the inter-governmental realm and opening up spaces for entrepreneurs, academics and representatives from all sectors of civil society.

The second panel, moderated by the former President of the Dominican Republic Leonel Fernández, focussed on assessing the challenges of the international context for the bi-regional relationship. The moderator directly referred to one aspect of this context, which is the Euro crisis, the weak growth of the US economy, and a possible slowdown in China, in order to emphasize the dangers of contagion.

Germán Ríos of CAF presented a vision from Latin America in which he pointed out the challenges that the region faces regarding infrastructure, the productive transformation for adding value to raw materials, and the integration into value chains, first on a regional and then on a global level, thus achieving said productive transformation.

Jiang Shixue from the Chinese Academy of Social Sciences suggested ten concrete measures that reach from incorporating China as an observer at bi-regional summit to the creation of an investment

fund and partnerships for investments, measures that, in his view, would allow a triangulation of the relations between the European Union, Latin America and China. Previously, Jiang stated very clearly the differences between the way in which his country relates to Latin America and the Caribbean, and the way in which the EU does so. He emphasized that while the EU-LAC relationship is filled with contents like democracy, human rights, social cohesion and environment, among others, Chinese interests in Latin America remain restricted to economic relations.

Mario Pezzini, Director of the OECD Development Centre, highlighted that despite the improvements of social indicators in Latin America, the weak institutionalisation and the lack of a welfare state with general coverage maintain these achievements in a fragile state, seeing as even minor problems can easily lead to falling back into poverty. Moreover, Pezzini mentioned the challenges posed by the so-called middle-income trap in Latin America, where enormous incomes from the exploitation of resources lead to a monetary revaluation, deepening dualism within the societies and creating an urgency for new social and productivity policies. All this demands fiscal revenues that do not exist today and that could only be achieved by a profound fiscal reform that would increase the state's income.

Peter Hakim, President Emeritus of the Inter-American Dialogue, shared his vision about the differences and similarities between US American and European relations with Latin America and the Caribbean. He recognised the decreasing presence and influence of the United States in Latin America and the Caribbean and concluded by pointing out that the US and the EU show more similarities than differences in their actions. For Hakim, the distinctive element of both relations in fact originates in the attitudes of Latin America, which derive from the way Latin America perceives its own interests.

These visions, while undoubtedly leaving aside some contextual elements that influence the bi-regional relationship, allow an appreciation of the challenges the relation faces. In the end, these challenges make it indispensable to return to the real economy, as former President Fernández summarized in his conclusions.

The third panel was moderated by José Antonio García Belaúnde, who made a call for pragmatism given the diversity within Latin America and the Caribbean, in order to guarantee continuity within the evolution of the relations between the European Union and Latin America and the Caribbean.

Within a broader vision of cooperation, Rut Diamint stressed the distinguishing elements that differentiate the EU-LAC relationship from the relations that both regions have with third parties, while identifying incentives in politics that might make the relation much more intense than in the past. Alberto Pfeifer, Secretary General of the Business Council of Latin America, represented the Brazilian point of view as well as one of the business world. He argued for a pragmatism that would allow the pragmatic identification of constant actors, rather than focussing on collective mechanisms. Pfeifer also emphasized the importance of Brazil as an integrated actor of special importance to South America and with a broad Atlantic perspective, situating the country in particular proximity to the EU.

Pablo Gómez de Olea from Spain gave an analysis of the historical process, which allowed for the identification of possible synergies and contributions of the Ibero-American process to the bi-regional

relationship. Afterwards Alejandro Salas from Transparency International stressed the contribution and participation with which civil societies can support the process, focussing especially on the need to complement the bi-regional economic dialogue with issues like education or the training of police forces. Carlos Quenan from the French Institut des Amériques prioritized investment and education, areas in which he detects a major symmetry between the regions, while simultaneously pointing out that the tendency of bilateralisation makes this relation much more flexible.

Before opening the debate, José Antonio Sanahuja, in a very clear-sighted contribution, emphasized the relevance of common values in the process of relaunching the bi-regional relationship at a moment to which he attributes the end of interregionalism, which would therefore suppose the establishment of a new horizon and a new narrative for the relationship. He thus formulated four proposals for a new association based upon an identity that relies on those common values: a partnership that would meet the need to rebalance international relations; a partnership that responds to the demands of globalisation and global governance; a partnership that responds to the economic challenge of improving integration into international markets; and a partnership that would allow for advanced cooperation in areas of common interest.

All those presentations subsequently lead to a rich and wide-ranging debate, which had to be restricted due to time limits, but which nevertheless again showed the interest and enormous potential that is conferred to the bi-regional relationship from different perspectives.

In the name of the EU-LAC Foundation I want to express my gratitude to everybody who made the realization of this Seminar possible, including participants, panellists and moderators. All of them played a decisive role, not only by giving very comprehensive presentations, but also by provoking a debate that demonstrated the potential and richness to be developed in the bi-regional sphere.

I especially want to thank CAF, its President Enrique García and Germán Jaramillo, who was until recently in charge of CAF's European Office. Their immediate answer to our application for support not only allowed us to carry out our initial purpose, but also proved CAF's commitment with the relation between the European Union and Latin America and the Caribbean. My acknowledgements also go to GIGA German Institute of Global and Area Studies, to its President Detlef Nolte and to Bert Hoffmann, Director of the GIGA Institute of Latin American Studies, who have been our partners in designing and organising this event; a partnership which revealed the enormous possibilities that can emerge from such a close collaboration of two entities that are situated in Hamburg, a city whose authorities have received us with kindness and courtesy.

And finally I would like to express special thanks to Nadine Haas who has been responsible for the organisation of the Seminar. Her accuracy and persistence have been decisive for the positive results and her determination, although sometimes not understood by those of us who still considered the Seminar to be far away, have proven exceedingly productive.

Hamburg, November 2012

**SPEECHES FROM
THE INAUGURATION
OF THE EU-LAC/GIGA
SEMINAR**

Olaf Scholz*

Sehr geehrte Präsidentin der EU-Lateinamerika und Karibik Stiftung, Frau Ferrero-Waldner; sehr geehrter Professor Nolte; Mr Fernández de Soto, Director of CAF; Mr Fernández, President Fundación Global Democracia y Desarrollo; Excellencies; Members of the Consular Corps; sehr geehrte Mitglieder der Hamburgischen Bürgerschaft; Ladies and Gentlemen:

I am more than happy to welcome all of you here today on behalf of the Senate of the Free and Hanseatic City of Hamburg. Although I may admit that I was just a wee bit astonished when reading the title of tomorrow's seminar: "EU, Latin America and the Caribbean – Towards a Relevant Relationship". I actually do believe our relationship is relevant already... and may only become even more so when we keep working on it.

But allow me to prove my point. Hamburg was glad to celebrate numerous events with Latin American partners over the past months. In November 2011, we held the opening ceremony of the EU-Latin America and the Caribbean Foundation in this very room. The city is still proud and thankful that we may host this Foundation and international organisation-to-be. Please, let me thank you, Ms Ferrero-Waldner, and you, Mr Valdez and your team, for promoting the bi-regional relations. I hope your work will continue to thrive. This seminar is just one point on the rich agenda you are planning. In March 2012, delegates from the Latin American, Caribbean and European Parliaments gathered in Hamburg to discuss different issues of bi-regional relevance. The EU-LAC Foundation took the opportunity to inaugurate its new office rooms. Some of you are back today and I would like to thank you again for having honoured us with your short visit. Only a few weeks ago, in August this year, the European Centre for Latin America was opened in Hamburg. It offers services to Latin American small and medium enterprises planning to expand their activities to Europe. The center will provide them with information on the different issues that a step like this will ask for – and support them in any way possible. As the office is new, you might not as yet have heard of it. I think it comprises a unique portfolio of services for its customers. So, please, feel free to inform your contacts overseas on this new offer.

And today we have all come together for the opening of the seminar the name of which I have quoted earlier. Apart from the economic and the political exchange this will focus on the research angle. I am utterly content as this shows how broad our exchange is already. Furthermore, I was impressed with the number of high-level participants from the different continents that have confirmed their attendance. My highest respects to the EU-LAC Foundation and the GIGA German Institute of Global and Area Studies Hamburg for the successful cooperation they are showing us today. Let me please re-iterate at this point that the Foundation is eager to enhance its reach and its programme. But this will only be possible with a joint effort of all the member countries and regions. Our support will make them successful. Thanks again, therefore, to all those who are backing them already and to all those who will in the future.

* Olaf Scholz of the Social Democratic Party of Germany is the First Mayor of the Free and Hanseatic City of Hamburg since March 2011.

As you may see, Hamburg is keen to strengthen its ties with Latin America and the Caribbean. There is effectively no other region with which our ties have deepened likewise over the last months.

But why is the region so important for Hamburg? Let me quickly give you three facts: Firstly, Latin America and the Caribbean are managing the global economic and financial crisis in an enviable manner. The growth rates are impressive: 4.2% in 2011, as compared to just 1.6% in the eurozone. I hope you see no harm in my freely admitting, that for an ancient trading town such as Hamburg this is decisive. Hamburg's merchants have traded with South America for centuries and we are hoping that this goods exchange will further increase. Secondly, the LAC region is gaining in political power and in self-confidence. It will have future global leaders and its global responsibilities will increase. This is a development all of us Europeans must necessarily look forward to. The more partners there are, the more successful global challenges can be tackled. I do not only mean today's economic crisis, but also long-term questions as the climate change, or the increasing division of wealthy and poor people in the world. Lastly, there are 15.000 inhabitants with Hispanic roots in Hamburg. And this is a stroke of luck, because the internationality of Hamburg's citizens contributes to its great living conditions. I feel that we all can learn a lot from intercultural exchange, it makes the world a better place. So let's start today.

Please, enjoy your stay in Hamburg. I wish you all good discussions and interesting new contacts.

Thank you very much.

Guillermo Fernández de Soto*

I would like to thank the EU-LAC Foundation and the GIGA German Institute of Global and Area Studies for inviting CAF to participate in this seminar. On behalf of President Enrique García, I welcome you all to this event. This meeting is very relevant because of the extreme changes that the international context has experimented in a very short period of time.

The US and Europe are in the middle of a long and profound recession, and most of the global growth has been generated by emerging economies in Asia, Latin America and Africa. We are also facing unprecedented challenges such as global warming, and climate change. However, this complex context also offers opportunities. In particular, this is a critical time for collaboration between developed and developing countries. Moreover, it is of paramount importance to strengthen the relationship between the EU and LAC in areas such as trade, economics, social and political issues.

This seminar facilitates the debate of ideas on how to make the most of the opportunities and challenges in the global context for both regions. CAF highly regards the creation and dissemination of knowledge on development issues and welcomes the opportunity to exchange ideas with the academic community, policy makers, international organizations and concerned citizens. The results and conclusions of this seminar will be a very important input for the design and implementation of a comprehensive agenda of cooperation.

German Ríos, Director of Strategic Affairs of CAF, will share some views with you tomorrow regarding the current international context and its implications for the bilateral relationship between the EU and LAC.

Latin America is one of the richest regions in the world in terms of natural resources, and has abundant arable land, water, energy and minerals. Our history and geographic location makes Europe a natural trade partner. During the last 10 years, the region has achieved a stable macroeconomic environment, and poverty reduction, although continues to be the most unequal region in the world. Despite its achievements, Latin America seems caught in the middle-income trap, and the GDP increase is not enough to close the gap with developed countries. There are also many challenges that the region must face in order to produce quality growth and improve standards of living of Latin Americans.

It is essential to improve governance, to fortify democracy and to reduce crime and corruption. Although in many countries democracy has deepened, there are still many challenges in terms of openness, participation, and efficiency. In some cases decentralization has contributed to improving democracy and allowing citizens to have more access to politics and public institutions. One important task in many countries is to tackle corruption, which delegitimizes the public function.

The region has to have an ambitious agenda of productive transformation, which aims at improving competitiveness, increasing productivity, fostering technology and innovation, and generating quality

* Guillermo Fernández de Soto is Director for Europe of CAF Development Bank of Latin America.

jobs. This will allow us to reach an intelligent and pragmatic international insertion strategy. One of the challenges of Latin America is to increase interregional trade and to build and reinforce regional production chains. In addition, there is room for regional cooperation in areas such as energy, environment, and infrastructure. It is important to notice that the region is one of the most open in the world and many countries have pursued trade integration through the negotiation of bilateral and multilateral agreements, such as the recently formed *Alianza del Pacífico*.

Latin America had important gains in terms of poverty reduction, but social issues remain at the top of the policy agenda. In particular, social policies should tackle the enormous asymmetries that still exist among different demographic groups in the region. Although there has been a substantial improvement in terms of coverage in health and education, social policy should concentrate in improving the quality of these services in order to make better the labour force in Latin America. The social agenda should be integral, provide opportunities for the poor, pursue the creation of quality jobs, and promote the accumulation of human capital

As you know CAF Development Bank of Latin America is a multilateral bank established in 1970 that initially included the five Andean countries. Currently, CAF has eighteen shareholder countries from Latin America, the Caribbean and Europe, as well as fourteen private banks, and obtains most of its funding from global financial markets. The institution promotes sustainable development and regional integration through credit operations, grants and technical support, and offers financial structuring to public and private sector projects in Latin America.

The four pillars of CAF's comprehensive development agenda to foster sustained and quality growth are: macroeconomic stability, microeconomic efficiency, social equity and inclusion, and environmental sustainability. To achieve this, CAF works closely with its member countries in investing in all forms of capital, as well as in the design of projects and programs to support the productive transformation of the region and a competitive insertion in the global economy.

CAF's success in the region is due to its Latin-American essence, the strong political and financial commitment of its member countries, the maintenance of prudent financial policies, especially in times of economic stress, and its policy of non-conditionality. Today, CAF has become one of the main sources of multilateral financing for infrastructure and energy in the region, with approvals of more than USD 10 billion at end of 2011, which represents around 30% of the total multilateral lending for Latin America. The counter-cyclical role that CAF has played in times of economic turbulence in international markets has been of particular importance as has been its support to shareholders when financing has become scarce.

Dear friends, President García has asked me to lead CAF's new vision for Europe with its office based in Madrid. I accepted the challenge to increase the presence of the institution in global scenarios. We expect to consolidate and expand our network of allies to work together for the progress of Latin America. I wish you success in this seminar.

Thank you all.

Detlef Nolte*

First Mayor of Hamburg Olaf Scholz; President of the EU-LAC Foundation, Dr. Benita Ferrero-Waldner, Director for Europe of CAF Development Bank of Latin America, Guillermo Fernández de Soto; President Leonel Fernández; Excellencies; Members of the Consular Corps; Members of the Hamburg Parliament; and all our other distinguished guests and colleagues: It is a great pleasure for me to welcome you to this first joint conference of the EU-LAC Foundation and the GIGA German Institute of Global and Area Studies in Hamburg. We are honoured to have co-organized this event together with the EU-LAC Foundation. And we thank the CAF Development Bank of Latin America for providing financial support for this conference.

Not only does Hamburg have a long tradition of trade with Latin America but it also has a long tradition of academic interest in Latin America. The University of Hamburg has a well-established Latin American studies cluster, which specializes in the continent's history, literature, geography, anthropology and political science. This semester the University of Hamburg will also begin offering a Masters Degree in Latin American Studies.

The GIGA and its forerunner, the German Overseas Institute, have a tradition of nearly fifty years of research on Latin America here in Hamburg. We publish an international online journal on Latin America called the Journal of Politics in Latin American (JPLA), and to date we have signed cooperation agreements with fifteen research institutes and universities in Latin America. These include some of the continent's leading universities and think tanks, as well as the Funglode Foundation that was created by President Leonel Fernández. President Fernández visited the GIGA two years ago – our doctoral students still remember the very interesting discussions they had with you then, President Fernández.

The GIGA is used to work within networks and coordinating networks. I am currently the president of the German Latin American Studies Association (ADLAF) and vice-president of the European Latin American Studies Association (CEISAL). Together with colleagues from Oxford, Salamanca, Paris, Lisbon, Bergen and Brasilia we run a European-Latin American Research Network called RedGob (Red Euro-Latinoamericano de Gobernabilidad para el Desarrollo), which organizes a conference every year. Last year we met here in Hamburg for an initial Brazilian-German academic dialogue forum; the second meeting will be next year in Rio de Janeiro. At the moment we are creating a Colombian-German Research Network.

At GIGA we are also supporting the initiative of our colleagues from the Institut des Amériques in Paris and from Celare (Centro Latinoamericano para las Relaciones con Europa) in Santiago de Chile as they organize the first European-Latin American and the Caribbean Academic Summit for next January in Santiago de Chile – a few days before the EU-LAC summit. We think this is a very important and timely initiative.

The GIGA demonstrates the importance of independent research institutes outside of universities. The institute, which is co-funded by the Free and Hanseatic City of Hamburg and the German Foreign Of-

* Detlef Nolte, a political scientist, is acting President of the GIGA German Institute of Global and Area Studies in Hamburg.

fice, is part of the Leibniz-Gemeinschaft or Leibniz-Association. This association includes 86 member institutes from nearly all disciplines – with a total of more than 8.000 researchers. The *leitmotiv* of the Leibniz-Gemeinschaft, which is named after the German philosopher Gottfried Wilhelm Leibniz, is *theoria cum praxis*, theory with practice. I think this international conference fits quite well within this general concept of theory with practice. It will bring together academics, politicians and representatives of international organizations. They will analyse the state of European-Latin American plus Caribbean relations, and they will make proposals for the further development and deepening of these relations.

Relations between Europe and Latin America and the Caribbean are not bad, but they could be better. There is less a risk of conflict between Europe and Latin America than a risk of mutual neglect. Europe is very much preoccupied with its own economic problems. And Latin America has new trade partners, especially in Asia. This means that many Latin American countries today are not necessarily looking across the Atlantic for partners. Instead, they are focusing on partners across the Pacific. China is now the most important trade partner for some Latin American countries – such as Brazil. And when we look at Latin America as a whole, we see that in 2010 Latin America imported more products from China than from the EU. But as a recent newspaper article said, the honeymoon between China and Latin America is over. So there might be a good chance that Europe can refresh its old romance with Latin America now that the new flame, China, has lost some of its attractiveness.

From a European perspective, one might ask who speaks on behalf of Latin America and the Caribbean. There are a lot of bilateral relations between European and the Latin American and Caribbean countries. On the European side, the EU has a mandate to speak for Europe. But on the Latin American side there are a lot of regional and sub-regional organizations. Some of these – such as Unasur, the Union of South American Nations, and CELAC, the Community of Latin American and Caribbean States – are quite new. This multiplicity of counterparts has the potential to complicate communication between our regions. However the upcoming EU-LAC summit is a good opportunity to bring all of the European, Latin American and Caribbean countries together. It is critical that Latin America and Europe broaden and deepen the dialogue between them. And it is for this reason that it is so important that the EU-LAC Foundation initiated its activities in Hamburg.

With its Latin America and Caribbean Strategy of 2010, Germany has taken the lead in Europe in putting a greater focus on Latin America. The German government fought hard to have the EU-LAC Foundation based in Hamburg. And I think that Germany will continue to be an important voice in the EU in terms of reminding the other member states that Latin America is a significant partner for us.

We hope that this conference in Hamburg will contribute to an increased mutual understanding between Latin America and the Caribbean and Europe and to the discussion of how we can deepen the relationship between both regions. Perhaps some of the topics we discuss tomorrow will also be part of the final declaration of the Santiago summit.

Welcome once again in Hamburg. I hope you enjoy the city and the conference.

Thank you very much.

Benita Ferrero-Waldner*

As President of the EU-LAC Foundation, I would like to welcome you to the promising seminar that we will co-host tomorrow. Herzlich Willkommen! ¡Sean todos muy bienvenidos!

Let me pay tribute also to CAF, to its President, Mr. Enrique García, and their European representative until now Mr. Germán Jaramillo, who have been fantastic partners and have given us their full support. Let me thank also their new representative Mr. Guillermo Fernández de Soto.

Allow me to briefly reflect on the topic of this event: New Grounds for the Relations between the EU, Latin America and the Caribbean – Towards a Relevant Partnership. My conviction about the relevance of this partnership has been a cornerstone of my political and diplomatic career as Secretary of State and Minister of Foreign Affairs of Austria and European Commissioner for External Relations and European Neighbourhood Policy. And if I look back, I am proud of what we have achieved so far. From Rio to Santiago we have consistently been strengthening the strategic partnership. The bi-regional summits, the preparatory process and events have allowed us to consolidate a fruitful political dialogue, which contributes to forging common positions in international fora thereby also leveraging our respective roles and aspirations on the global stage. Moreover, we have managed to involve stronger civil society and the private sector, and the bi-regional parliamentary dialogue has been institutionalised. Broad Association Agreements were signed between the EU and Mexico, Chile and Central America; free trade agreements with Peru and Colombia and Economic Partner Agreements with the thirteen Cariforum countries. The EU and its Member States account for more than 60% of Official Development Assistance (ODA) directed to the region apart from financial support from the European Investment Bank.

However, I agree that we need to do more. We have to find the best way to advance our partnership in order to make it even more relevant to citizens on both sides of the Atlantic. The EU-LAC Foundation has the mandate to connect the non-governmental sectors of Europe, Latin America and the Caribbean with each other and to bring them closer to the agenda of the governments of both regions. We want to strengthen channels and mechanisms of dialogue. We are determined to impact on key areas for constructing the bi-regional strategic partnership. These key areas are reflected in the Foundation's priority working areas and the expertise of our strategic partners, ECLAC, the Institut des Amériques, the Lombardy region, and Funglode.

The context in which the relations between Latin America, the Caribbean and the EU are embedded has changed over time, and the speed of change is unprecedented. This provides us with challenges and opportunities. We have been witnessing gradual but steady shifts in the global architecture and balance of power, and we are going through a period of sustained financial and economic turmoil on a global scale with Europe at the very heart of the problem. This paradigm shift has had profound albeit different impacts on Europe and Latin America and the Caribbean. Obviously, it also has implications

* Benita Ferrero-Waldner is President of the EU-LAC Foundation. A career diplomat, she has been Secretary of State and Minister of Foreign Affairs in her native Austria, and Commissioner of the European Union.

for our partnership. The latest economic outlook published by the OECD earlier this month, confirmed that recession was taking hold in the eurozone, effectively being the biggest threat to global recovery. Structural long-term unemployment is threatening the eurozone. Recently, OECD Secretary General, Angel Gurría referred to a “potential lost generation” of 7.8 million young Europeans who neither have a job nor are in education or training.¹ And the International Labour Organization (ILO) warned that the impact of the euro crisis was spreading to Latin America and other regions, worsening the situation for many young jobseekers.² Europe’s economic downturn contrasts sharply with the generally positive performance of Latin America and the Caribbean although the region does certainly not offer a uniform picture. From a regional perspective, Latin American and Caribbean economies have shown a considerable degree of resilience towards the financial crisis. Two thirds of them grew at rates above 3% last year, and for 2012, the Economic Commission for Latin America and the Caribbean expects a regional growth rate of approximately 3.7%. Indicators of poverty and inequality have improved significantly and reached record lows in the past 20 years. In 2011, the region has received US\$ 153.448 billion from foreign direct investment (FDI): another record. However, in 2012 foreign trade in Latin America and the Caribbean will suffer from the current recession in the eurozone, the lack of economic dynamism in the United States and Japan and the slowdown in China’s and other emerging economies’ growth. Given their strong ties with the EU, the Caribbean countries will even witness a fall in their trade exchange.³ On the World Economic Forum’s Competitiveness Index for 2011-2012, many Latin American countries have improved their score, namely Brazil, Mexico, Peru and Panama. But in the field of innovation all countries under-perform vis-à-vis the OECD average and emerging economies such as China. Innovation is crucial to increase productivity and move up in the value chain beyond simple production processes and products. This is a key challenge for the region’s middle-income economies in their struggle to avoid falling into the “middle income trap”. Governments need to develop growth models that mitigate the region’s traditional over-reliance on commodities and the implied vulnerability to global demand and price fluctuations. Productivity, innovation, science and technology, research and development, education and training including vocational education and training, entrepreneurship and small and medium size enterprise are areas where the partnership between the European Union, Latin America and the Caribbean has unfulfilled potential and would benefit from closer cooperation.

I just came back from a meeting organized by the Atlantic Council in Washington D.C. on the Atlantic triangle where I spoke about an agenda for developing human capital and entrepreneurship among Europe, Latin America and the United States. I do believe that the US would be a powerful partner to be included in this specific but also in other areas. In any case, the EU should position itself to contribute to structural change in Latin America and the Caribbean, as structural change will eventually lead to sustainable growth, this is growth with equality and environmental sustainability. As Executive Secretary of ECLAC, Alicia Bárcena said, this means “qualitatively transforming the region’s production structure to strengthen knowledge-intensive activities and sectors in order to generate a higher number

¹ EU Observer, *EU faces ‘lost generation’ of almost 8 million young people*, September 7, 2012.

² http://www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS_188797/lang--en/index.htm

³ <http://www.eclac.org/cgi-bin/getProd.asp?xml=/prensa/noticias/comunicados/2/47992/P47992.xml&xsl=/prensa/tpl/p6f.xsl&base=/tpl/top-bottom.xsl>

and quality of jobs”.⁴ Quality investments is another area where our partnership can generate real added value. The upcoming EU-CELAC Summit in Chile on sustainable development via the promotion of social and environmental quality investments reflects this. After all, the EU remains the leading foreign investor in Latin America and the Caribbean. If guided thoughtfully, FDI can contribute to strengthening the specialization of production in Latin America and the Caribbean. This in turn, if accompanied by appropriate public policies can foster more inclusive societies. In general, advanced forms of economic cooperation are becoming ever more relevant for the bi-regional partnership. Besides the promotion of FDI, this includes policy-dialogues on macroeconomic stability, technology transfer, support for research, development and innovation and policies to increase international competitiveness and market access, including regional integration.

The EU has a long-standing track record in supporting regional integration in Latin America and the Caribbean. Although a sort of “new regionalism” in Latin America has shown extraordinary dynamism over the last decade. As a consequence, the map of regional integration has changed resulting in an admittedly complex set of sometimes overlapping processes and institutions and a sort of “new regional governance”. Today, it is more political, less trade-centred, pragmatic and flexible. The issue of infrastructure and connectivity is being an important catalyst. In any case, this new regionalism is key to combat the risk of deindustrialisation, boost intra-regional trade and foster development across Latin American and the Caribbean.

The EU – albeit struggling to overcome its very own crisis – remains a distinct partner and source of experience in this regard. President of the European Commission José Manuel Durão Barroso – in his recent “State of the Union” speech – strongly advocated for a stronger economic as well as political union in order to overcome the EU’s financial and economic but also social and not at least political crisis. Indeed, the solution can only be more and not less integration. Cooperation is not a choice but a necessity. Our governments all strive for growth, sustainable development and job creation. This may result in different policy options given different stages of development, but we need to recommit to policies of productivity, sustainable growth and economic integration within our own regions and in our relationship with each other. The better we understand the challenges of our times the better we can respond to them.

This seminar can contribute a great deal to this task and generate important impulses for steering the bi-regional partnership towards greater relevance in today’s context. Personally, I am very much looking forward to tomorrow’s promising roundtables and debates. They will certainly contribute to a new mutual understanding!

Muchas gracias por su atención. Herzlichen Dank für Ihre Aufmerksamkeit.

⁴ ECLAC, *Exports in Latin America and the Caribbean Face Slowdown Due to International Crisis*, September 13, 2012.

Leonel Fernández*

Honourable Olaf Scholz, First Mayor of Hamburg; Ms Benita Ferrero-Waldner, President of the EU-LAC Foundation; Dr. Detlef Nolte, Acting President of GIGA; Dr. Guillermo Fernández de Soto, Director for Europe, CAF.

Over 500 years ago, on what can be considered, perhaps, as the first wave of modern globalisation, European explorers and indigenous peoples of the Americas came through together in an encounter of civilisations. The first Europeans in the new world settled in the island of Hispaniola, in the area which is now, the Dominican Republic, from where, I should say, I come from. To arrive to this beautiful city of Hamburg, I had to reverse the voyage made by the European explorers, crossing the Atlantic, to strengthen the ties, friendship, cooperation and cultural exchange of our two great regions on the global map: Europe and Latin America and the Caribbean. Of course, I made my trip to this historical site under much better conditions than my predecessors 500 years ago. I came by Lufthansa, a world-class airliner, which could be the pride of any nation, from where, at 35 thousand feet of altitude, I began to experience the well-known hospitality of the German people. Therefore, without even imaging it, my country, the Dominican Republic, became the historical bridge that connected these two parts of the world that are the object of our meeting today. It is, then, in that spirit of collaboration, partnership and mutual understanding that we come jointly to look into the future to enhance our shared values of peace, democracy, respect for human rights and human dignity, tolerance, transparency and the rule of law.

It is also a great opportunity to tap into the potential of trade, investments, finance, infrastructure development, education, cultural exchange, science, technology and innovation. Through the creation of the EU-LAC Foundation the appropriate instrument has been created to promote bi-regional relations that will be of benefit to all the players involved. This new approach of bi-regional relations represents a new paradigm of international affairs, where non-state actors develop and implement a strategic vision of regional exchange within a globalized world.

Back in 2000, when I ended my first term as President of the Dominican Republic, I became engaged in creating the Global Foundation for Democracy and Development, Funglode. The purpose of this organization was, and still is, to within the context of global issues, carry out research, design public policies, offer capacity building, foster exchange and enhance public understanding in areas crucial of social, economic and democratic development of the Dominican Republic, the Caribbean and Latin America, in general. At Funglode, we strive to accomplish these goals through research projects, training programs, academic exchange, publications, seminars and conferences. It encourages intellectual and professional development, while working to offer viable action plans and solutions to national and regional problems.

* Leonel Fernández is the former President of the Dominican Republic and President of the Global Foundation for Democracy and Development (Funglode).

When I look at the GIGA's (German Institute of Global and Area Studies) mission statement, indicating that it is a research institute for area studies, and its main priority is to produce high quality work related to economic, social and political developments, related to regional, interregional and global issues, I feel as if I have been living in Hamburg for the past couple of years and being part of the spirit of this prestigious organization. Consequently, it is quite evident that because of their orientation, policy purposes and common interests, the EU-LAC Foundation, the GIGA, Funglode and ECLAC can partner in a joint venture aimed at embracing a new perspective of bi-regional relations.

By executing on our goals, not only will we enrich the lives of our citizens across the Atlantic, but will be able to establish a new reference of global exchange, narrowed to the scope of interregional relations. Our task ahead is enormous. Our expectations, high. Our determination to succeed, immense. We will follow a well-thought plan, that will enable us to mobilize government agencies, business organisations, academic institutions, civil society groups, professional associations, the media and personalities, that have a stake and the will to collaborate in this huge project of remarkable potential.

We dream of a new world, in this 21st century, in which the port of Hamburg can increase its connections with the Panama Canal; in which Alstom, the French company, or Telefónica from Spain, can invest in our countries; in which Caribbean organic food products can freely access European markets; in which Deutsche Bank or BNP Paribas can finance development projects; in which Fiat from Italy can increase its exports to Latin American and Caribbean markets.

We dream of a new world, in which knowledge will flow from both sides of the ocean; in which students will travel back and forth; scholars will spend their time in different places; in which technological and innovation breakthroughs will be shared. In this partnership that we are creating through the EU-LAC Foundation, we dream of a new world, in which we can take pleasure in the readings of Bertolt Brecht, Albert Camus, Umberto Eco, Pablo Neruda and Gabriel García Márquez. In summary, we dream of a new world in which La Vie en Rose, Edith Piaf's classic song, Beethoven's symphonies and Pavarotti's aria can be enjoyed by Latin American youth, the same way as we would like our European friends to thrill in excitement by dancing at the rhythm of Tango or Merengue.

I would like to conclude, by expressing my gratitude to Benita Ferrero-Waldner for her kind invitation to participate in this event, to all of you for joining us here today and to the authorities and the people of this lovely city for their warmth and generosity.

Thank you. Danke. Guten Tag.

Panel 1

**THE EU-LAC
BI-REGIONAL RELATIONS:
FROM RIO DE JANEIRO
TO SANTIAGO**

President of the EU-LAC Foundation, Dr. Benita Ferrero-Waldner; Director for Europe of CAF Development Bank of Latin America, Guillermo Fernández de Soto; President Leonel Fernández; Jorge Valdez, Executive Director of the EU-LAC Foundation; Members of the Consular Corps; Excellencies and colleagues: It is a great pleasure and honour for me as President of the GIGA Institute of Global and Area Studies to welcome you again to this international conference on the relationship between Europe and Latin America and the Caribbean. As I mentioned yesterday during the inauguration of the event, relations between Europe and Latin America and the Caribbean are not bad, but they could be better. There is less a risk of conflict between Europe and Latin America than a risk of mutual neglect. Europe is very much preoccupied with its own economic problems. And Latin America has new trade partners, especially in Asia. This means that many Latin American countries today are not necessarily looking across the Atlantic for partners. Instead, they are focusing on partners across the Pacific. China is now the most important trade partner for some Latin American countries – such as Brazil. And when we look at Latin America as a whole, we see that in 2010 Latin America imported more products from China than from the EU. But as a recent newspaper article said, the honeymoon between China and Latin America is over. So there might be a good chance that Europe can refresh its old romance with Latin America now that the new flame, China, no longer has that much sex appeal as in the beginning. And on the other hand, Latin America's former partner, the United States, is not in good shape. We all know that old love sometimes returns, and many times is the best, and that is what we should try by the means of this conference: to reheat emotions between Europe and Latin America.

In Europe many countries are currently going through a situation of economic crisis. Yet, surprisingly, today the term 'economic crisis' is rarely used in reference to Latin America, although growth rates there have also descended. If in a similar conference twenty years ago, the words 'economic crisis', 'state debt', and 'government instability' were mentioned, they definitely would have been connected with Latin America. At these times, the question about what Latin America can learn from Europe would have been posed; today some European countries resemble Latin American countries at the end of the 1980s or early 1990s. Back then, discussions were about in which way the indebted countries could keep their liquidity, if it was convenient to grant new credits or if it was necessary to condone part of the debt in order to rescue those countries affected by bankruptcy. Some presidents had to resign before the actual ending of their term of office and technocrats' influences on politics increased. Some features of the former Latin American crisis seem familiar to us in the current European crisis. Most of Latin American countries had to undertake profound reforms and a fiscal adjustment policy and better regulation of their financial sector. Maybe for those reasons Latin American countries were less affected by the financial and economic crisis than Europe at the end of the last decade. Europe is no longer the great example to be followed, neither with regard to its economic model, nor with regard to the economic integration model. Likewise, nowadays it seems that the idea of creating a common Latin American currency, taking the Euro as a model, has only quite few supporters in Latin America.

Today Latin America faces Europe with greater confidence in itself and as an equal actor. During the international financial crisis, Latin America criticized the developed countries by holding them responsible for the situation because they had not accomplished their tasks. In the past, those same countries

that today are in crisis, had acted as teachers themselves, giving lessons on economic behaviour to Latin America. However, Latin America's criticism of the developed countries is also influenced by the fear of being negatively affected by a long-lasting crisis in the United States and in Europe.

However, not all that glitters is gold in Latin America, despite the fact that much progress and deep changes occurred during the last years; there are still several problems unsolved that could also be part of the dialogue between Latin America and Europe. Although in several Latin American countries poverty rates are diminishing, poverty is still a problem. From a comparative viewpoint, distribution of income within the region remains very unequal and once more many economies basically depend on raw material exploitation, while very few high-tech products are exported. From an international perspective, the education and university sectors still show deficiencies regarding funding and performance, which in some Latin American countries becomes manifest in student demonstrations. The problem of crime and violence, which is often linked to drug-trafficking, also has to be mentioned. Regarding drug-trafficking and illegal drugs, we have to ask ourselves – more than 40 years after President Nixon declared the war against drugs – if the limited success in reducing drug production and consumption confirms the existing strategy, especially if we take into account the political and human costs in Latin America. Perhaps a reorientation of policies against drugs and drug trafficking is necessary. Recently, new approaches and proposals for the discussion have come up in Latin America, which could also be discussed in the dialogue forums between Europe and Latin America. Another issue for debate is the migration flow within Latin America and in Europe, and between both regions, as well as the topic of political and citizenship rights of the migrants.

From a European perspective, many times we do not know who represents or speaks on behalf of Latin America and the Caribbean. On the European side, the EU has a mandate to speak for Europe. But on the Latin American side there are a lot of regional and sub-regional organizations. Some are still quite new, despite their great influence in the region, as is the case of CELAC and especially of Unasur, which during the crisis in Paraguay showed its authority by speaking on behalf of South America. This multiplicity of counterparts has the potential to complicate communication between our regions. This is why European-Latin American and the Caribbean summits are so significant. They represent a forum to bring all of the European, Latin American and Caribbean countries together. It is critical that Latin America and Europe broaden and deepen their dialogue. And it is for this reason that it is so important that the EU-LAC Foundation initiated its activities in Hamburg.

We have two panels during the morning and a third one after lunch. The first panel will review the bi-regional integration process since the Rio de Janeiro Summit up to the Santiago Summit. The second panel will focus on the challenges for the bi-regional relationship set by the global context, and the third one will be centred on the new bases for the bi-regional relationship. Afterwards a general debate will be held before the Ambassador and Executive Director of the EU-LAC Foundation, Jorge Valdez, and the current Director of the GIGA Institute of Latin American Studies, Bert Hoffmann, will present some conclusions from this seminar.

Thank you very much.

José Ignacio Salafranca*

Good morning everyone. I would like to transmit a cordial greeting from the European Parliament, an institution that has been a great promoter of the relations between the European Union and Latin America. Firstly, I would like to thank the EU-LAC Foundation, its President Benita Ferrero-Waldner, its Executive Director Jorge Valdez, and GIGA for organising this discussion and debate forum, which allows us to analyse the relations between Latin America and the European Union, their past, their present and their future.

Looking backwards, we think of the San José political-ministerial dialogue in 1984, of the institutionalisation of the political dialogue between the European Union and the newly formed Rio Group in Rome in December 1990 and the superseding of that political-ministerial dialogue through the mechanism of summits: Rio de Janeiro in 1999, Madrid in 2002, Guadalajara/Mexico in 2004, the Vienna Summit – conducted at that time by Benita Ferrero-Waldner as Commissioner in charge of the relations and who gave a great dynamism –, Lima in 2008 with Joselo García Belaúnde, Madrid in 2010, and now we are at the eve of the next summit in Santiago de Chile.

The key element that has been moving these relations during the last years, has been, in my opinion, the mobilization of political will. But although political will is a necessary condition, it is not the only one; the circumstances also count. Although circumstances may be transitory, temporal or situational, while they exist, they condition and limit us strongly. When the President of European Union, José Manuel Barroso, presented his report on the European Union to the Strasbourg Parliament last Wednesday, he reminded us that the European Union is not only going through an economic and monetary crisis, but above all a political crisis as well as one of confidence, the most profound crisis since the founding of our political project. In this context, and since this panel is called “From Rio de Janeiro to Santiago”, we have to say that the world in 2012 is of course not the same as it was in 1999. The last enlargement in 2004 led our borders to have new neighbours like Russia, Belarus, Moldavia, and Ukraine. Beyond our southern borders are the Arab Spring countries and we are all aware of what is happening there. The EU Mediterranean policies unfortunately did not produce more stability, prosperity or democracy. Benita Ferrero-Waldner was Commissioner for External Relations and European Neighbourhood Policy, and she is responsible for the new Mediterranean policy we currently have.

Evidently, Latin America is living its own particular circumstances. Some moments ago we were told that Latin America together with many Asian countries was leading global economic growth. We have also seen the failure of the FTAA Project during the period running from 1999 to 2010, the – legitimate, I think – option of some countries to aim for bilateral agreements with the most important economic blocks, the rupture of the Andean Community, the birth of Unasur, and also the emergence of new institutions such as the EU-LAC Foundation or the Euro-Latin American Parliamentary Assembly, and a series of events which should make us feel glad about this evolution, but not totally satisfied. During

* José Ignacio Salafranca is member of the European Parliament for the European People's Party and holds a seat in the Parliament's Committee on Foreign Affairs.

the 1990s there is a revision and a qualitative, as well as quantitative, step forward in the EU Latin American policy, with the third generation agreements, characterized by the democratic clause. You may remember that the first generation put the accent on development aid and cooperation, the second one on scientific and technological cooperation, the third one on the democratic clause, and the fourth one, in which we are now, on association agreements including a progressive and reciprocal liberalization of the exchange. At the Los Cabos Summit we saw the positive effects that the association agreement with Mexico has brought: more than 43 billion annually in exchanges and over 80 billion in investments stocks.

This is the agenda that the European Parliament is about to confirm. This week, in the Foreign Affairs Commission we have voted on the Multiparts Agreement with Peru and Colombia, and in the beginning of October we will vote on the Association Agreement with Central America. Obviously we have a great task pending; the EU-Mercosur Association Agreement turns out to be problematic. I am sure that those of you who will participate in this panel will tell us how you perceive the evolution of these events.

It is also evident that many things have happened in the world – September 11, when freedom was attacked by savagery; the Iraq War; the world changing from the unipolar world it was during President Clinton's mandate; and the emerging of G8 and G20. A few days ago, the President of the Commission Mr Barroso said that during the G20 meetings nowadays, China or Russia call attention to the European Union about the fact that we are unable to solve our internal problems. And although we might be ranked as first worldwide goods and services importing block, first exporting block and first donor of development aid, tripling the aid from the United States, we will not possess external credibility if we are not capable of solving our internal problems first. We have just heard about the irruption of China, which is already dislodging the United States as the first trade partner of Brazil, second trading partner to Argentina, and there are predictions that by 2015 the European Union will be the second trading partner, already clearly displaced by China. In this context, the bilateral agenda we had when the Rio Summit started has become a global agenda where these relations are effectively established within parameters of greater symmetry.

Looking back on the Starting Process of the “Strategic Partnership”

Wolf Grabendorff*

My first thanks obviously go to the EU-LAC Foundation and to GIGA for putting this very interesting meeting on the agenda, and, as someone who has worked some decades on European-Latin American relations, I especially want to congratulate the President of the Foundation, Benita Ferrero-Waldner, and Jorge Valdez, its Executive Director, for establishing new forms of dialogue between the two regions with this conference. For many years it seemed to me that Latin America was not only a distant, but an almost forgotten continent, at least in the perspective of Brussels, but with the foundation of this new bi-regional instrument fortunately there seems to be some change on the way. Why this change has come about is very interesting to look at, but firstly it is worth to take a look back at the history of the first EU-LAC Summit, why it emerged and what were the motives behind it.

A reality check shows very clearly that the idea was pretty much – as it usually is the case in the EU – a French-German initiative. The idea was born in a meeting between Jacques Chirac and Fernando Henrique Cardoso in 1997 and was granted immediate support from Spain as well. Since the German Presidency of the Council of the EU was coming up in 1999, the proposal was regarded as a excellent opportunity to put some important international issues on the agenda. Given the very special relation between Germany and Brazil, Brazil was seen as the obvious place to hold this new type of inter-regional summit. A very difficult period of intraregional consensus seeking began. Between 1997 and 1999 Brazil had to convince its neighbours, and France and Germany themselves had to convince their neighbours, that a new type of North-South relation was in their national interest. This was a cumbersome process that from the very beginning was complicated by some unkind comments from Washington with regard to this new initiative, reflecting the preoccupation of the US with the concept of a new alliance between two Western regions excluding the third. Given the sensibilities of Latin American power politics and the engagement of the European Union in Central America since 1984, it was important to have Mexico involved as well as Central America. It came in handy that at that time Mexico held the presidency of the Rio Group and therefore could chair the upcoming meeting in Rio de Janeiro.

José Ignacio Salafranca has already mentioned the importance of the timing of this new interregional initiative. It was a different international environment at the time with a very optimistic worldview in the European Union as well as in Latin America. There was a certain window of opportunity because the Cold War was over and the “War on terror” had not started yet. At this time it seemed that the West had a peace dividend to spend and could create new mechanisms towards a different system of governance worldwide. It seemed very clear that a more consolidating European Union was looking for a stronger international role and the existence of common values and cultural affinities were the decisive elements why the European Union was looking towards Latin America at the time. The intention was not to create more possibilities for free trade; the objective was to build an alliance. The European

* Wolf Grabendorff, a political scientist specialized in International Relations and Security Issues in Latin America, is the current director of the Friedrich Ebert Foundation in Quito, Ecuador.

Union wanted to go beyond its economic weight in the world and to explore, together with Latin America, the possibility to become one of the rule-makers within a newly developing international system.

What was the concept behind this new North-South bridge building? It basically consisted of three pillars: democratic consolidation, liberalization of trade, and political coordination within the multilateral organisations. Those were the main thrusts, not only with regard to democratic consolidation in Latin America but also with regard to Eastern Europe. The concept of the extension of the European Union was already in the making. The common effort was principally geared towards improving the bargaining power of both regions in a new international setting. This was the driving force behind the EU offer, since there was not only the interest of the EU in establishing stronger relations with Latin America because it was culturally closer to the European Union than other parts of the world, it rather was seen as a necessity to combine forces in order to achieve a bigger impact on the international system.

At the time Latin America and Europe were convinced that they represented the bulk of the Western World, which was certainly true regarding the number of states. Therefore the political idea became fashionable that if the two regions combined their international efforts, the Western World would be able to gain more international weight. This was not the perspective of Washington, but it was definitely something that moved the idea of a bi-regional summit at the time. And the strategic partnership was meant to be strategic in the sense of forward-looking, of having common strategic goals internationally. At the same time the partnership was established to be of mutual benefit. That concept of mutual benefit became the catch phrase later on, when many people from both regions appeared to be very disappointed of the very low, or limited, or sometimes zero results of the bi-regional efforts.

The discussion before the summit was also very tough with regard to the format. To elaborate a consensus image was not very easy, having to take into account the different opinions of then fifteen European states and thirty-three Latin American nations. A variety of difficult questions had to be answered: who should join the meeting and who should be excluded? Views were very different on that question, and the idea of completing the concept of transatlantic relations, as Felipe González had called it, would have implied a summit of the entire Western Hemisphere with the European Union. But that was not considered as possible, partly because of a very small country – Cuba. There were discussions if Cuba should be included or not and there were very contrasting opinions within the European Union and Latin America. But then the European Union came to the conclusion that it was not a political concept but a geographical concept and since Cuba belongs to Latin America, there was no reason to exclude it. There were lots of letters coming from the State Department to warn about the implications of this decision, but fortunately they were ignored.

The original idea of the French and the Brazilian presidents was to have the meeting with the Mercosur, but it was extended very rapidly because Mexico could not be left out. Also, the Caribbean became an important political issue since the post-colonial powers within the European Union insisted that the Caribbean should be part and parcel of this new interregional effort.

The diversity of opinions and the sensibilities with regard to the power relations within both regions were sidelined for a while. This proved to be probably the worst decision of the first summit because

later on it became very clear that you cannot have bloc-to-bloc relations if one bloc is more or less institutionally established and the other one has no mechanisms for any type of intra-bloc consensus building. That became one of the drawbacks for the intended implementations of the decisions of the first meeting in Rio.

It is also very interesting to look back on the agenda of the first meeting because the agenda setting was based on three different types of input. The first input was about regional priorities and interests of both sides; the second was, obviously in the case of Latin America, the internal development agenda; and the third, which proved to be essential in the end, was the globalization challenge. Even a dozen years later it is very revealing to see that the agenda has not changed much. The top items on that agenda are still the top items for next year's summit. You can name them however you want and rank them in a different order, but they are basically trade and investment issues, cooperation of the private sector, education and technology transfer, development cooperation, security issues, conflict resolution, and drug reduction. It was not by accident that 1999 also saw the first high level EU-LAC dialogue on drugs in Panama and the famous phrase of 'shared responsibility' was coined at that time, when nobody else wanted to think about the drug problem in those terms. Sometimes it seems that the issue of 'shared responsibility' would be a good concept to use also within the EU these days. It is something, which has substantially improved the type of cooperation between the two regions. And obviously global governance issues, which are basically related to rule making decisions, will never be really implemented unless shared responsibility will not only be announced but also enforced.

Let me use the last minutes to say something about the results of all these years of efforts to make the strategic partnership work. The Plan of Action at the time of the first summit had 65 priorities. I sometimes doubt that presidents can really identify a priority. Later on under the Finnish presidency the number of priorities was reduced to eleven, but still the original Plan of Action has mostly not been implemented. The problem is that the mutual benefit relation did not materialize, or at least it did not trickle down sufficiently in the different countries to make the bi-regional relation a success. A mechanism to distribute the mutual benefits within the regions has never been established. Because of a stronger relation developing between Latin America and Europe, some of its results became more beneficial to some countries or even some sectors, and others to other countries. In general, some states did not expand their trade as expected, and others did not receive more aid as expected, and therefore the economic benefits within the regions were evaluated as insufficient. From the European Union's point of view the anticipated political benefits, especially within the international system and the multi-lateral organizations, were not forthcoming either.

So the combination of bilateral interests and actions with regional interests and actions was something that proved not to be very successful. In many respects the 'common world view' has rather rapidly disappeared. The international system has changed so much, that the general idea to consider the transatlantic community as the most powerful and most important actor in the world has been replaced by an increasing weight given to the transpacific community, which is still under construction. This tectonic shift has put the entire relation of the two continents on hold and the future role of the EU and Latin America in the international system in an entirely different context.

The Three Stages of the Bi-regional Relations between Latin America, the Caribbean and the European Union

Stephan Sberro*

On ne meurt pas dans l'époque où l'on est né. Françoise Dorin

In this text, I will try to accept the difficult challenge of resuming thirteen years of work and six top summits between dozens of heads of State. In order to achieve this, I made a chart (see appendix), and on a didactic purposes I divided the bi-regional relations in three stages. The first one corresponds to the golden age, with great ambitions for strategic bi-regional relations. However, after being launched in Rio in 1999, the following two summits in Madrid 2001 and Guadalajara 2004 were not sufficient for giving these relations a concrete content. So by the time of the Vienna and Madrid summits in 2006 and 2008, the bilateral relations as well as regional integration, both in Europe and in Latin America, seemed to be exhausted. The Madrid Summit in 2010 was a pleasant surprise because it brought fresh air into the strategic relations. The Santiago Summit in January 2013 will initiate a new period. The coin has been tossed... Will the bi-regional relations between the EU and the new CELAC be transformed into real strategic relations, or will they again enter into a stagnation period?

1. First Stage: From the Foundational Summit in Rio 1999 to the Guadalajara Summit in 2004: Great Expectations

The Rio de Janeiro Summit in 1999 gave birth to great expectations about the potential of exemplary bi-regional strategic relations. All promising elements were present; the most important godfathers on both sides of the Atlantic (Brazil and Mexico, president *pro tempore* of the Rio Group, Germany and France for the EU). Both regions had a firm interest in counting more on a newly sketched multipolar order, especially when Latin America and Europe did not seem to be the winners of the newly arising international order and thus they could reinforce each other. This was a time of growth for regional integration due to the success announced by the EU regarding the constitutional debate premises, while Mercosur represented the most ambitious model of regional integration and at the same time the Andean and Central American integration processes were progressing. Peaceful relations between two regions that shared the same democratic and social market economy values, and that seemed ideal for the take-off of the first and principal bi-regional relations in the world. This is how the hope for a new axis in international relations was born, not only between state-nations where just the great powers, USA, China, and maybe Russia and India would have the chance for building a pole among regions. The Rio Summit of 1999 confirmed this bi-regional promise with the announcement of a strategic partnership uniting the EU and Latin America.

But at the second summit in Madrid in 2002, in the aftermath of September 11, this impetus was lost. Heads of State and Government of both continents could not achieve an approach that specified the

* Stephan Sberro is Professor in the Department of International Studies and co-director of the Institute for European Integration Research at the Instituto Tecnológico Autónomo in Mexico (ITAM).

contents of the strategic partnership. Two years later, the Guadalajara Summit preserved those motivations from Rio while trying to give contents to the strategic partnership. It defined three core issues: multilateral dialogue, social cohesion and regionalism. Also, this summit achieved a more concrete content with the execution of the first real bi-regional project, EUROSociAL, designed to close the social gap between rich and poor, the most urgent problem in Latin America and one of the greatest achievements of the EU.

2. The Transition: Vienna 2008, Lima 2010

From this moment, the general panorama of the relations changes due to the regional integration crises on both sides of the Atlantic. On the one hand, Europe must overcome the failure of adopting a Constitutional Treaty and gets caught in its internal debates. On the other hand, the main Latin American integration project, Mercosur, also seems to get through a stagnation period, if not a period of retreat. Venezuela and some other governments suggest another integration project that is dividing the continent. The image of problem-free relations between both continents is modified. Some profound divergences on the new international order and even on democratic practices and economic management begin to appear, as well as more concrete dissents on human rights or disagreements between European enterprises and Latin American governments. Despite all these burdens, European and Latin American negotiators managed to keep up the ambitions of the relations. At the Vienna Summit of 2006, the initial approach and contents for the relations that were discussed in Guadalajara were not confirmed. It was impossible to avoid these new difficulties from being reflected or these strains from appearing. On the contrary, the summit was an opportunity for Europeans and Latin Americans to exhibit these fragmentations between them but also between Latin Americans themselves.

However, the high profile relations were kept and even enriched with some innovations like the Business Forum. Exactly the same would happen two years later at the Lima Summit where a certain exhaustion of the bi-regional model was confirmed.¹ Hopes for a new way of conceiving international relations vanished quickly. In this way, regional integration disappeared from the main priorities and a greater flexibility approach was adopted (that is, a stronger interest towards bi-lateral relations rather than between regions). In order to confirm this new orientation, both regions proposed their own priority issues, which were social cohesion in the case of Latin America and sustainable development in the case of Europe. The divisions that first appeared in Vienna were confirmed. Inside the CAN (Andean Community of Nations), Peru and Colombia choose to advance individually with their relations to the EU. Brazil remains isolated on its concerns for bio-fuels. At the same time, all the advances achieved on a bilateral, not bi-regional, level, such as those between EU-Mexico, Brazil, and Chile, are recognized. Nevertheless, all parties are still giving a utmost importance to the bi-regional relations. Lima concludes with the launching of a second project of bi-regional character: EUroCLIMA.

¹ Günther Maihold: "La Cumbre de Lima, un encuentro de la asimetría euro-latinoamericana", ARI no. 58/2008.

3. Madrid in 2010: Towards a New Beginning?

The Madrid Summit in 2010 reverted the trend of bi-regional relations that had constantly been losing relevance. The mistakes from previous summits were taken into consideration and the importance of the bi-regional summits was questioned, a broader questioning than the one regarding Europe and Latin America and regarding the G8 and G20 meetings, for example. Moreover, organizers and participants of the Madrid Summit knew how to respond to most of these concerns. For the first time since the initial summit, an impetus was notable within the bi-regional relations. Therefore, Madrid was a double success, being able to offer long-term political perspectives as well as concrete results, a double triumph that only few international summits have accomplished in the last decades. It can truly be held that this is a new stage in the bi-regional relations.

Precisely, the Madrid Summit gave a new direction to the bilateral relations: innovation and development. Generally, it succeeded in giving these relations a solid content through the immediate creation of two instruments: an Investments Fund (LAIC) and a foundation for reflection, the EU-LAC Foundation with its seat in Hamburg. These two important innovations were inserted into an immediate action plan with practical and already funded measures. Another innovative and significant step was accepting the necessity to build an ideal and favourable framework for the development of the bilateral relations and not only for the bi-regional ones. At the Madrid Summit, progress was achieved with the forthcoming conclusion of several global agreements with Central America, Peru and Colombia, and even with the re-launching of the summit with Mercosur. Moreover, the evaluation principle for the action plan in Santiago was accepted.

4. The Santiago Summit: Important Test for a New Era of Bilateral Relations

The Santiago Summit will be the beginning of a new cycle for the bi-regional relations, even though it is closely related to the last summit in Madrid, to such an extent that there is no sign of a new development. The Santiago Summit seems to be a continuation of the Madrid Summit. The only palpable results really expected of this summit are the coming into effect of the agreements, both bi-regional and bilateral, signed in Madrid. Therefore, the implementation degree of the plan adopted in Madrid will be evaluated closely. The debates will have a common and unique topic for both European and Latin Americans: the “Alliance for Sustainable Development: Promoting Investments of Social and Environmental Quality”. The debates will be more specific and structured, including three different areas of dialogue on migration, drugs, science and technology, as well as with working groups on economy, biodiversity and climate change, with two co-chairmen, one European and one Latin American.

After the re-launching of the strategic partnership in Madrid, the Santiago Summit will start on healthier grounds. A different relation is born, enriched from prior experiences, and whose novelty is reflected in its change of name: Latin America will attend as a new group, CELAC (Community of Latin American and Caribbean States) that replaces the Rio Group. This also brings hope for a greater institutional symmetry between both regions, which was not the case beforehand with the Rio Group. It is also noteworthy that the first CELAC summit corresponds to the first CELAC-EU summit, thus strengthening the relations between both regionalisms and reinforcing the bi-regional idea.

This becomes also notable when considering the undeniable progress achieved during fourteen years of institutionalized relations and six summits. The creation of CELAC is not the only significant change since the establishment of the bi-regional relations in 1999. Since then, two bilateral agreements have been signed – with Mexico (2000) and with Chile (2004) – that include political coordination, cooperation and free trade. Also, two agreements on strategic partnerships have been signed with the two “giants” of the region, Brazil (2007) and Mexico (2009). Negotiations for similar agreements with Central American countries and with Colombia and Peru should be settled in Santiago.

At the Madrid Summit a more realistic view of the relation was adopted, which incorporated concrete interests as well as divergences. Moreover, the dichotomy between bilateralism and bi-regionalism is being set aside. The next bi-regional summit will be open for bilateral meetings and advances. Hence, this will be a “normalized” summit, without great expectations, but with concrete and measurable results, as for example at the ASEM summits with the Asian countries.

The Santiago Summit will not be obstacle-free as we are facing the same type of problems that corroded former summits, and which can be divided into four categories. The first category is the abundance of issues. Besides the already mentioned agenda, Chile wants to add two strategic issues: human security (particularly public, environmental, food, energetic and social security issues), the meeting of the Ibero-American Social Security Agreement, and the creation of a Euro-Latin American and Caribbean Peace Area, where the use of force would be excluded. There are also talks about the inclusion of gender issues. The second category of difficulties refers to organizational problems in articulating all the meetings on all levels, the problem of clarity and visibility. The third category is the challenge to achieve concrete results in a highly political summit. And finally, as since 2002, the heads of State and Government will meet in a regional and international context. The economic and financial international crisis plus the particular European problems will be central during the meeting. Disagreements between both regions and within each region are more present today than in 1999. The rise of Asia and the BRICs as well as the conflicts in the Middle East reduce the relevance of the bi-regional relations.

Conclusions

Despite its ups and downs, the bi-regional relation is not only still alive, but also progressing. It continues summit after summit with some real decisions that cannot be rejected. Even for countries like Mexico, which has close, fluid and highly institutionalized bilateral relations through the global agreement and strategic partnership and its executive plan, the bi-regional relations are still useful and desirable. This allows to keep on counting as a region while facing other priorities, by promoting inter-regionalism, by gaining negotiation power in front of the 27, by harmonizing positions and achieve better integration with the rest of Latin America, while making advances on bilateral agenda issues, by treating issues that are not in the bilateral agenda, and by taking palpable decisions.

In conclusion, the Santiago Summit lies in this third stage of which we hope it will be the resumption of the bi-regional relations. There are elements that favour this resumption to follow the healthier bases established since the Madrid Summit: the end of inter-regionalism *à la* Rio and a new type of inter-regionalism through a dialogue with CELAC. This new institution brings hopes for a more equilibrated

and better-organized relation between both blocks. The existence of a strategic association established between two giants of the region – Brazil since 2007 and Mexico since 2009 – and the pragmatic acceptance that a bi-regional summit can also be an arena for a multitude of bilateral summits, which are not mutually exclusive. This bi-regional summit may result as a turning point for the bilateral associations between Central America and Peru, Mexico, Chile and the European Union to prosper without this being contradictory with the idea of a bi-regional summit.

EU-LAC Summit	Goals	Concrete results
I. EU-LAC Summit Rio de Janeiro, Brazil 1999	- Bi-regional Strategic Partnership	- Establishment of the goal of an Inter-Regional Strategic Partnership - Definition of shared principles and objectives and of an Action Plan on all common issues <i>- Launching of negotiations for Association Agreements with Chile and Mercosur</i>
II. EU-LAC Summit Madrid, Spain 2002	- Terrorism - Immigration - Drug trafficking	- Reaffirmation of the goal of an Inter-Regional Strategic Partnership - Starting of the ALBAN Programme <i>- Announcement of the conclusion of negotiations for the EU-Chile Agreement</i> <i>- Re-launching of negotiations for an EU-Mercosur Agreement</i> <i>- Commitment of negotiation for EU-CAN and EU-Central America Political Dialogue and Cooperation Agreements</i>
III. EU-LAC Summit Guadalajara, Mexico 2004	- Multilateralism - Regional integration - Social cohesion	- Presentation of EUROsociAL Programme <i>- Starting of evaluation process for a future EU- Central America and EU- CAN Association</i>
IV. EU-LAC Summit Vienna, Austria 2006	Democracy, Multilateralism, Fight against terrorism, Energy, Growth and Em- ployment, Migration	- First Business Summit - Credit line for Latin America at the EIB <i>- Official launching of negotiations for EU-Central America Association Agreement.</i>
V. EU-LAC Summit Lima, Peru 2008	- Social cohesion - Sustainable development	- Launching of the EUroclIMA programme for the cooperation in climate change mitigation

<p>VI. EU-LAC Summit Madrid, Spain 2010</p>	<ul style="list-style-type: none"> - New stage of bi-regional strategic partnership - Sustainable development - Social inclusion 	<ul style="list-style-type: none"> - Concrete action plans (energy, environment, education, migration, research, fight against drugs) - Advancing towards the development of a “EU-LAC Knowledge Area” - Creation of the Latin America Investment Facility (LAIF) - Agreement about the creation of the EU-LAC Foundation - <i>Concretisation of the EU agreement with Peru and Colombia</i> - <i>Completion of the association agreement between the EU and Central America</i> - <i>Re-launching of negotiations for an association agreement between the EU and Mercosur</i>
<p>I. EU-CELAC Summit Santiago, Chile 2013</p>	<p>Deepening of the bi-regional relations, strategic alliance for sustainable development, innovation, education, employment, renewable energies, trade, and gender</p>	

The European Union, Latin America and the Caribbean: a Promising Option

Tomás Duplá Del Moral*

First of all, thank you very much for inviting me to this meeting which to me seems important and furthermore adequately located in this city that clearly symbolizes the real European dimension of the relations between both parties. I would like to begin by greeting two presidents, Benita Ferrero-Waldner, who has been of utmost importance for the relations between Europe and Latin America and the Caribbean, and who continues being so as president of this Foundation. Furthermore I would like to greet President Leonel Fernández who represents Funglode, a strategic partner of the Foundation, and therefore also very important to us. Moreover I greet Jorge Valdez as well as all the ambassadors present, and all of you, who represent a truly impressive and somehow intimidating concentration of knowledge and talent with regard to the bi-regional relations. Bearing in mind that the European External Action Service is in charge of coordinating the preparation of the Santiago Summit for the European Union, there is no doubt that in this forum we are going to come across useful ideas and interesting reflections, which will help us to advance this relation. In Santiago for the first time we will have a summit between the European Union and CELAC, but it will also be another summit in a long series of this bi-regional strategic partnership. Perhaps thereby we are already given an important hint: first, this is about a partnership, which means a sharing of resources and interests among equals. This is an aspect that gradually has gained relevance in the relation between Latin America and Europe. Latin American countries, which are democratic countries enjoying economic growth and stability, highlight in an increasingly clear manner that within our relations the cooperation element, no matter how well-intentioned it may be, should not play an essential role. This is about a relation among equals – which could be difficult to accept if someone were used to other types of relations. But this is how it is and how it should be, and the partnership element will be increasingly noticeable.

This partnership is strategic because it not only deals with the two regions, but rather is and should be concerned with global issues. This is a pending goal since the Rio Summit and one of the tasks we have for the Santiago Summit. I will come back to this later.

Moreover, our strategic partnership is bi-regional, which is expressed in many ways. Throughout the years and with the impulse of different summits we have woven a net of dialogues at all levels, which is really impressive. We have bi-regional, sub-regional and bilateral dialogues, dialogues on several issues mandated by the summits, which were of particular importance to us, such as migration or drugs. This net of dialogues is of highest density and regarding the working hours dedicated, it represents a big part of our efforts in our daily schedules.

* Tomás Duplá del Moral is Director for the Americas at the European External Action Service.

Besides this structure of dialogues we also have agreements:

- In force, as with Mexico, Chile or the Caribbean; it has already been mentioned that the first two have achieved very important advances and gains on both sides; the third one is the first region-to-region agreement and we are working to develop all of its potential;
- Already signed and in the concluding process, with great potential, as with Central America, Colombia and Peru.
- And in the course of negotiation, as in the case of Mercosur, to which I shall refer later on.

There is also a large quantity of very concrete agreements: about science and technology or about social issues, for example, sometimes supported by tangible projects.

Let us return to the aspect of partnership. The relations between equals are becoming increasingly prominent and determine a change in cooperation relations. Currently we have to distinguish between the fight against poverty, which continues to be a fundamental goal of the European Union, from this collaboration that focuses on our mutual interests. In order to target the collaboration, we must look for new instruments in cooperation, and this is the task we have to fulfil today. If someone is interested I will gladly deepen this topic later on; for now I want to set down the principle: this is a shift towards relations between equals.

But all of this relates to how we structure the relations and does not reveal anything about the current dynamics. It is clear that both regions have recently experimented great changes. From the economic point of view, Latin America and the Caribbean have been experiencing a significant economic growth for several years, with important increases in trade and investments and within a frame of sound macroeconomic management. Evidently this has been noticed, and the attention in concrete terms became manifest in increased investment flows.

We have also witnessed a significant reduction of poverty levels; seventy million people have already overcome poverty and we cannot underestimate this achievement. However, considering the level of development attained, this is not enough, as the reduction of inequality is not progressing at the same pace as economic growth, or at least not as fast as expected. Economic growth to a large extent still depends on the export of primary products and commodities. The much longed-for diversification of the productive base of the economy, broadly speaking, is not yet materializing and therefore this economic performance is not free of risk.

On the other hand, the fact that this region is so rich in natural resources is attracting new foreign actors, which become increasingly visible. The most visible one is China, but it is not the only one; there are many others. This is a phenomenon rather of dynamics than of volume. In public discourse it is usually emphasized that this dynamism is heading west, towards the Pacific rather than towards the Atlantic.

But before declaring the death of the transatlantic relations, we must remember that these relations, in a broad sense, still represent over 50% of the worldwide gross domestic product and that their potential is far from being exhausted. So let me insist: perceptions and dynamics are one thing, while realities are another, and we need to work on the basis of realities.

The European Union by far still holds the greatest foreign investment portfolio in the region, although we are fully conscious of China's quick progress as well as of the increasing importance of other Asian countries on the Pacific shore. At the same time, the European Union is going through difficult or even very difficult times. I believe that it is important to remember which challenges we are facing, as we want to preserve our solidarity among the countries even during these times; our social solidarity and our integration ambitions, all of which do not exist elsewhere. Maybe one of the obstacles we have to face in order to overcome the crisis, but which we assume as an essential part of our European identity, is, as President Barroso said in the European Parliament, that we are not willing to abandon these ambitions. But as I stated before, even under these circumstances does the European Union remain the biggest investor in Latin America and the Caribbean, not only in a cumulative investments portfolio, but also in annual terms. However, we know that China might overtake the European Union, perhaps in the year 2015.

Let us see what this means: by now up to 90% of Chinese imports are primary or natural products, more or less elaborated. Chinese investments basically follow this track: they are oriented to stimulate and facilitate these investments. I am not saying that they are not going to change and of course at no point in time I would deny that China has been one of the key factors responsible for the recent growth in Latin America and the Caribbean. However, I believe that the European added value resides in its long-term projections. Here we are in Hamburg, Germany, and there have been German enterprises established in Latin America for over one hundred years and this continues to be the case in a very vigorous manner and not only through investments and production, but also through innovation, research and social standards. One should pay attention to corporate social responsibility practices, to environmental awareness, to added value and the creation of employment, to technology transfer, and to those companies that have always been there and still are nowadays. It can be stated that the technological component in the current investments from Asia and the Pacific is not comparable with that in European investment, naturally not to mention cultural affinities and population transfers which are still very, very significant.

The Pacific-Atlantic dynamic is not only relevant for Latin America and the Caribbean but also for Europe. As one of our key thrusts, we launched ourselves into a fully Atlantic task, as is our partnership with Mercosur, but surprisingly the dynamics came from the Pacific side, from our bilateral agreements with Mexico and Chile, and now Colombia and Peru. Therefore we can state that Latin American and Caribbean countries as well as those of the European Union, are at a crossroads that we could maybe define as Atlantic-Pacific. But I believe that it can be defined in other ways, including as a contrast between, on the one hand economic and commercial opening with job creation, technology transfer, respect towards nature and social protection, with diversification and sustainability, and on the other hand exploitation of non or barely processed natural resources, with immediate attractive and substantial gains, but with clear and high costs in the medium and long term, and without a stable perspective.

I understand that I am oversimplifying things, but I believe that this option should be crystal clear. The Atlantic dimension, which is the one Europe is offering, is alive and real and it has a future.

The European integration process is going through its hardest challenge, but it is still alive and it has an unprecedented substance. Obviously Latin America and the Caribbean have other dynamics; our next summit will be with CELAC. CELAC, which is a reality that we recognize and applaud, lacks an institutional structure, so that we are joining up two totally different realities in this summit. Evidently we hope and wish that CELAC will promote greater internal coordination, as well as with third countries. Its potential as an efficient interlocutor is significant.

At the same time there are also other regional dynamics that are sometimes difficult to follow because while some wax others wane. Unasur is getting set up as a political reality, but there are also other sub-regional realities, like Caricom and Central America, that are based on needs more than on the simple will for integration and with which we have agreements, one of which is already in effect, while the other will come into effect soon, which supposedly is a challenge both for themselves as well as for us, but will demonstrate that the bi-regional integration works and that inter-regional relations are possible. There are also a few more: ALBA, the Pacific Alliance with its great future potential, or the Andean Community of which we do not know for certain if it is a reality on which we can rely.

Here in Europe we have to decide with whom we establish relations and to which extent we engage. Perhaps the most problematic and also the most important association in this context is Mercosur. Mercosur exists, it is bonded by economic interests of such importance that it is unconceivable that in the medium or long term this reality will cease to exist, hence the need of our relations with Mercosur. But we cannot ignore that nowadays it is going through a serious integrational, political and institutional crisis, and it is uncertain to what extent, how or when it will be solved. Probably at this time this crisis casts a shadow on the convergences and complementarity of economic interests within Mercosur but also with the European Union. I believe that in the long run economic realities will prevail and in one way or another we shall advance with these relations.

Another lesson of the crisis is that the regional dynamics are not sufficient. Regional integration has been a European mantra for a long time, which we have pursued as a political direction and which is still guiding our action, or at least has partly done so. But we also have established bilateral agreements with several countries and we should not abandon this possibility under any circumstances. The experience so far shows positive and measurable results.

Two last points: we have not exhausted all our potential in exerting our global influence. We often pay more attention to differences and discrepancies in the bi-regional relations than to common grounds and we have never managed to establish collaboration mechanisms that will work at bi-regional level on global issues; we have collaborated on climate change initiatives, for example with the Caribbean and other regional actors, but never at bi-regional scale. Therefore, there is a potential to be developed, and for that end we should use all our tools: political, economic and cooperation.

Finally, one of the problems that we have always wanted to tackle is the fact that our relations are mostly inter-governmental. To a great extent we lack civil society participation, and we are trying to involve them through activities in the margins of the summits, but there is always a deficiency. The awareness of this deficiency is what has led us to the creation of the EU-LAC Foundation, which among other tasks is in charge of strengthening contacts among civil societies, entrepreneurs, scholars and scientists, and that relies on the support of both regions – support that does not rest only on the fact that we have conceived and launched the Foundation together, but also because it represents a permanent political priority for both regions.

Thank you very much.

Antecedents of Latin American Coordination

Ricardo Luna*

Thank you very much. First and foremost, I would like to highlight the presence of President Fernández who is not only an important figure for the Dominican Republic but for all Latin America. I would like to thank Benita Ferrero-Waldner, President of the EU-LAC Foundation, for the invitation. Also, I am happy to greet the most experienced Peruvian foreign minister and dear friend, Joselo García Belaúnde, as well as my colleague and friend, Ambassador Jorge Valdez. I would also like to acknowledge the presence of Peter Hakim, President Emeritus of the Inter-American Dialogue, who has contributed to keep the hemispheric relations between the United States and Latin America alive during so many years.

I think that I may have been invited because I was 'present at the creation', as Dean Acheson said. Therefore, my personal chronology is the main reason for participating in this dialogue. I have been asked to mention some prior characteristics of the bi-regional relations in comparison to what we have been analysing up till now, and I will gladly do so.

500 years ago the first Iberian globalisation started: at the same time when Mexico and Peru were conquered, literally at the same moment when Montezuma fell, Portugal made a parallel effort in China, in 1517 and 1518. This was analysed by Serge Gruzinski in his brilliant book "The Eagle and the Dragon". Since that time the European presence manifested a creative attitude that went beyond the extents of the Conquest. Two centuries later, during the Enlightenment, opinions in Europe about America were totally divided: on the one hand, the enthusiasts of the earthly paradise, the utopia to be performed in Latin America, the noble savage, Rousseau, Voltaire. On the other hand, this vision was denied by travellers-scientists, like La Condamine, who declared that not only flora and fauna, but also human beings in the Americas were inferior to those in Europe.

They granted us a great favour, because this contradictory approach created the first consciousness of cultural and political nationalism in the region, accurately formulated by intellectuals of the end of the 18th century: Clavijero in Mexico, Molina in Peru, among other intellectual Jesuits, who started to produce literature on the significance of the great pre-Columbian civilisations, not only in their agricultural, scientific, artistic and architectonic dimensions, but above all regarding the continuity of a state concept that lasted millenniums, and which was far prior to establishment of the European states.

I would like to speak about the 20th century now, but it is important to keep those two antecedents in mind, because we are now at a very similar point to this first Iberian globalisation, as Gruzinski denominates it. The lost decade (1980-1990) – and I mean 'lost' because of the crisis of external debts and the ineffectiveness of development models since 1979 – is also a decade that revives the regional presence of Latin America in view of a Latin American cooperation. Firstly, to initiate very tentatively and in a very unequal manner the different integration processes, but above all, processes of interna-

* Ricardo Luna was Peru's Permanent Representative to the UN as well as Ambassador to the United States. Currently he is a guest lecturer at the Science Po in Paris.

tional projection. This effort ended with the Contadora-Apoyo and Esquipulas processes in the 1980s, which sought a pacific solution for the Central American conflicts. The decisive external stimulus was the stubbornness of the Reagan government and especially of its main figures Elliot Abrams and Oliver North. It was extremely daring to declare the first priority of US American foreign policy to be the Central American security crisis, above all the threat represented by Nicaragua. Obviously, the exaggerated attitude from Washington facilitated the concentration and convergence of wills in such different countries in Latin American.

In 1979 a very interesting effort for convergence comes up, given that this was the first and the last time that the countries from the Andean Group of the Cartagena Agreement created a political Andean Council of foreign ministers in order to successfully facilitate the transition of the Nicaraguan government. The Andean foreign ministers were invited to San José in Costa Rica some days before the fall of the Somoza regime. It is important to remember that out of these five countries, Peru was the one that introduced the initiative for creating the Andean Council and declaring the Sandinistas as 'legitimate belligerents' according to international law. Peru at this time was still a country under a military government that had already announced a transition for the following year. One motivation of the foreign minister at that time, García Bedoya, was to ensure the Peruvian transition process towards democracy. Peru was, with the exception of Chile under Pinochet, the last regime in Latin America to pass from a *de facto* government to a democratic government, through a process of international projection in defence of nationalist and popular movements – in this case the Sandinista movement – and finally achieving this goal.

In the same year 1979, and thanks to the specific intellectual impulse within the Brazilian diplomatic service from Rubens Ricupero, and on the Peruvian side from García Bedoya (with whom foreign minister García Belaúnde and I worked directly), the creation of a system of Amazon cooperation agreements between Brazil, Peru and eight riverside countries was agreed. The Amazon Cooperation Treaty – which is not one single treaty, but several ones – was the first step in a process of shifting Brazil's attention towards its Western neighbours and to adopt a leadership, back then very subtle and reluctant, that these days is consolidating with plenty of consent, tolerance and sympathy by the majority of its nine neighbours.

That same year of 1979 the Carter mandate terminated. Carter was a president with historical achievements, having overcome complex problems in the unequal relations between the United States and Latin America. The most important one was the Torrijos-Carter Agreement that returned the sovereignty of the Canal to Panama. Secondly, and in a very subtle way always leaving the initiative to the Latin American side, he promoted and supported the on-going democratic transition processes. Then in the 1970s a gradual Latin American empowerment process began, which evidently accelerated and deepened before the extremely radical and hostile change to the Reagan government the following year.

During all this process of democratic affirmation and external projection of our region, the government of Felipe González as well as the subsequent Spanish governments assisted significantly in articulating the initial forms of cooperation. On the other hand, the very democratic transition of Spain after Franco was definitely an inspiration not only for the Andean countries but also for all Latin American

countries, with exception of Chile under Pinochet. Therefore, there is an element of initial democratic contact with Europe through Spain during the period of 1979 and 1980. Another important milestone in this era is the overcoming of the arms race between Argentina and Brazil, which profoundly liberates both countries. The interesting point in this chronology is, roughly speaking, that the Andean Council or foreign minister's council of the Andean Group, which initiates the support of the transition of the Sandinista government in 1979, was without doubt the first step towards the subsequent Latin American cooperation. This was prior to the Rio Group, to Contadora and Apoyo. Actually, in 1981, Mexico – through its chancellor Alfonso García Robles and its ambassador Miguel Marín Bosch – successfully, and in less than six weeks, negotiates a joint declaration with France supporting the FMLN, which was recognized as an authentic political force. This would have been very difficult to achieve without the Andean antecedent regarding Nicaragua. Little afterwards, in 1983, the Contadora Group, initially constituted by Mexico, Panama, Venezuela and Colombia starts to get directly involved by promoting a negotiated solution for the diverse Central American conflicts, which was stimulated by the ideological stiffness of Reagan's regime. The decisive point in this Latin American successful mediation process in the conflict between Central America and the United States is the creation of the Contadora Group in 1985, since it included 90% of the countries in the region. At this time Brazil, Argentina, Chile, Uruguay and Peru entered the group, and this created a critical mass of countries that arranged their positions with great ease, not only with regard to the Central American conflicts, but also facing the external debt, extra-regional problems or in their relations with third parties, particularly with Europe. The common denominator of all these processes, from the very beginning to the time of consolidation when the Contadora Group became the Rio Group, is the real vocation to defend precarious democratic consolidation of these times. It is the first and last time that the democratic process emerges from its roots and that it is not imposed for reasons of Cold War or for exogenous calculations of the very process in order to establish the best of all political regimes in comparison to existing real alternatives. Therefore, the idea of the diplomatic clause is not an 'afterthought', as the US Americans would say, like the one that is established in the Cartagena Agreement that created the Andean Group in 1969 a decade before, or two decades after that with Mercosur, and lately with Unasur. This is a process of democratic conviction that emerged in an endogenous way out of Latin America, which facilitated the dialogue between equals that has been sought and that is always difficult to hold among people, states and regions.

A little known episode within the Contadora context that I would like to mention is that on 19 November 1987, two General Secretaries from two significant international organisations (Javier Pérez de Cuéllar from the UN, and from the OAS João Baena Soares from Brazil) decided that it would be convenient to catalyse the Latin American cooperation process. After consulting with the European countries and Security Council members (except for the United States), they published and distributed formal notes to the member states, a sort of functions list (supervision of elections, peace forces, etc.), which suggested that in the hypothetical solving of the Central American conflicts there were mechanisms, both from the global and the regional organisation, that could contribute to the consolidation of peace. This was finally achieved in Esquipulas, thanks to the efforts of the Central Americans themselves and to the creative capacities of president Óscar Arias. The US American government protested vigorously against this manifestation of the heads of the UN and OAS without prior consultation, but the purpose of the initiative was accomplished nevertheless.

Democratic consolidation did not continue uninterruptedly, because there was Fujimori's self-coup in Peru, which at the same time revived the Rio Group that suggested the return to a precarious democratisation process, which Fujimori saw himself forced to accept at the OAS meeting in Bahamas. The Rio Group suggested that instead of sentencing, sanctioning and expelling Peru due to Fujimori's self-coup, a time schedule should be approved in order to return to democracy by means of a constituent assembly. On the other hand, during the following months, for the first time an elected president was impeached by its congress due to excessive corruption: Collor de Mello, in Brazil. In both cases a practical consolidation process of democracy took place, which was enormously difficult in both cases, and I think that overcoming them created self-confidence and optimism regarding the international projection and regional cooperation capacity. In sum, not only Spain's original influence or the continuous cooperation, particularly the very discreet cooperation with France and all the European countries during the period of Pérez de Cuéllar, but also a real and continued shared vocation for defending democracy as well as appealing to diplomatic modalities, decisively links both regions. I believe that this double compromise continues to be the common denominator of the impulse that will culminate in this second globalisation, no longer Iberian but Ibero-American and directed towards China and Europe.

Thank you.

A Summit in Hard Times – Some Practical Suggestions for Santiago

2013

Laurence Whitehead*

As previous speakers have already demonstrated, the bi-regional relationship has considerably matured and evolved since it was launched jointly by Presidents Cardoso and Chirac in Rio in 1999. At the start there was a buoyant and outward-looking European Union preparing to launch a monetary union, and to undertake its greatest ever enlargement. The world was celebrating a decade of liberal internationalism, and the post-Cold War peace dividend. Latin America was also more liberal, more confident, and more outward-looking than it had been during the “lost decade” of the 1980s, so there were good reasons to expect growing convergence between the two regions, and to anticipate that acting together in areas of common interest and shared values they might exert a growing and beneficent influence on the international system as a whole. Although there was some sense that such a prospect might be viewed with ambivalence by some US hardliners, the Clinton administration was more likely to see it as a broadening and reinforcement of its outlook than as a threat.

For a Latin America that had shared a long experience of relative subordination to Washington, the prospect of gaining another influential like-minded partner offered the hope of a more balanced role in world affairs. While President Cardoso clearly enjoyed high recognition and approval on both sides of the Atlantic, there was an acceptance in most of his sub-continent that Latin America was a recent arrival at a western liberal consensus already fashioned by the older industrial democracies. (For example, when questioned about strains within Mercosur, Cardoso replied that European integration had also had its ups and downs, but overall it had progressed for much longer, and that South America’s integration should be allowed similar leeway). So, although the bi-regional relationship was conceived as a partnership of equals, there was also a sense that one side had more to teach, the other more to learn. In particular, the EU was in the vanguard on regional integration, and aimed to promote counterpart processes in Latin America from the outside.

But now, as noted by previous speakers, thirteen years later, the EU is no longer in anything like such a buoyant and outward-looking frame of mind. The eastern enlargement has shifted the Union’s centre of gravity away from the Atlantic, and in any case the prospect of expansion has given way to the real risk of geographical shrinkage, and perhaps even an institutional unravelling. Member states are no longer caught up in teleology of “ever-closer union”, and many national electorates are more fearful and inward looking than before. In particular Latin America’s two most committed advocates within the EU – Spain and Portugal – are both contending with grave domestic economic problems that render them dependent on the goodwill of their European partners. More generally, the EU has experienced a loss of internal confidence and external prestige that undercuts its authority as a source of guidance on liberalization initiatives, whether justified by shared interests or by common values. As always, the

* Laurence Whitehead is an Official Fellow in Politics at Nuffield College, Oxford University, and holds the presidency of the Scientific Council of the Institut des Amériques in Paris.

immediate panorama may prove transient, and the greater confidence of the 1990s may eventually be restored. But sound planning for the Santiago Summit of January 2013 needs to start from a clear-sighted recognition of present-day risks and realities.

The Latin America/Caribbean of 2012 has also moved on in major respects. Few would have anticipated in 1999 that a PT administration in Brazil would be confidently advancing into its third term, with Cardoso's party apparently reduced to near irrelevance in the opposition. Mexico not only democratized in 2000, but launched into a "war on drugs" that has cost it over 40,000 criminal homicides, many of them grotesquely brutal. Central America is similarly affected. Argentina defaulted in 2002, and remains at the margins of the liberal internationalist framework to this day, although still a flourishing food exporter and an assertive voice on international issues. Mercosur is still in existence, but not quite in the form envisaged a decade ago, and now that the Venezuela of President Chávez has been formally admitted it seems likely to move further away from being the kind of counterpart Brussels had hoped for. The Andean Community has faded from view.

Thus, rather than progressive convergence around a single liberal economic-political model, the sub-continent displays an array of loosely constitutional arrangements often buttressed by economic practices that are relatively state interventionist – although mostly without relapsing into the failed ISI models of the 1970s. In South America high foreign exchange reserves, relatively healthy financial sectors, buoyant and diversified commodity exports, and reasonably sound fiscal and monetary positions, grant most of the region's policymakers a license to reject any foreign condescension, and to resist both "Washington consensus" and "Brussels conditionality" recommendations where these are thought to reflect "neo-liberal" prejudices. Further north a massive upsurge in remittances has similarly eased some earlier balance of payments constraints.

It is, of course, important not to overstate the uniformity of these new dispensations. There are vigorous disagreements underway in most countries of the hemisphere over economic strategy, regional integration, and external alignment issues, and in almost every instance one can find influential advocates of the kinds of positions that would command assent in core Europe (where more pluralism is also emerging). But, again, sound planning for the Santiago summit would need to take into account the changed terms of such debates, and the weakened credibility of the various traditional EU-supported prescriptions.

The rest of the world has also developed in directions that were hard to foresee in 1999, but that need to be taken into account when seeking out constructive proposals for the Santiago gathering. Policy divergences within Latin America seem relatively mild when compared the polarised alternatives apparently on afar in the November 2012 US elections. These are too close to call, but their outcome will doubtless weigh heavy on the minds of the Santiago summiteers. Equally pressing will be concerns about the course of the Chinese economic experiment, so crucial to the sub-continent's medium term prospects, and indeed to the health of the global economy. On the security side, too, while the EU and Latin America may both be on the margins as concerns the stability of the Middle East (including its essential energy supplies); or the new forms of warfare being developed in so many supposedly "ungoverned" spaces around the globe; these both constitute "grave and present dangers" that could

derail any project the bi-regional conclave may promote. In short, planners for the Santiago meeting need to contemplate a much more troubled, divided, and insecure global panorama than the one that faced the progenitors in Rio in 1999.

Taking all these changed background conditions into account, it becomes clearer what space remains for a productive bi-regional dialogue in Santiago next January. High-faluting rhetoric about transforming the globe in the name of shared values would not seem either plausible or unifying. Supra-national projects for convergence or standardization would invite resistance or rejection. Big ticket spending plans cannot be financed. And yet, there is an institutional agenda to be drawn up, and some sixty nation states have invested fourteen years of engagement and expectation to making something of this venture. So what might be worth proposing? The elimination of all the overblown options need not be a bad thing, if it clears the way for something practical and worthwhile, and of tangible benefit to solid constituencies.

Despite relatively unfavourable short-term conditions, the next summit could achieve worthwhile results if it is designed with a long view in mind; if it can focus on the rather specific areas where real and convergent interests can be advanced through bi-regional co-operation; if it enlists the continuing and active engagement of precisely defined actors who would be assigned clear and mutually agreeable shared responsibilities; and if the processes of monitoring and follow through on worthwhile specific commitments were made transparent and reliable. Such desiderata are feasible, even in the context of scarce resources, but they cannot simply be added on to past practices of costly over-promising and ungrounded rhetoric. A serious shift of emphasis and procedure would be required, and the temptation to go for grandstanding and photo opportunities would need to be contained.

It is not realistic to expect a very high turnout of busy heads of state from three score sovereign nations for a bi-annual gathering that has mainly sectorial and technical tasks to perform. But in practice that kind of bi-regional summit has already passed its sell-by date, and it would be better to recognize the fact at the outset, encouraging lower level but properly mandated substitutes rather than holding out for a high turn out of Presidents and Prime Ministers. Even if the latter could be delivered – which is unlikely – the result would be to distort the proceedings in the direction of unproductive altercations (the Malvinas, and the question of asylum at the Ecuadorean Embassy in London come to mind for this British observer). The logistics and opportunity costs of summits of the Rio type have become prohibitive, and would convey quite the wrong expectations about what a bi-regional process should be expected to deliver.

Taking the long view, and focussing on issues of critical international importance where the EU and Latin America have common grounds, and could provide a greater global impetus by acting together, the challenge of climate change deserves special emphasis. Since Copenhagen it has become even clearer than before that world leaders currently lack the collective will to avert runaway global warming. At the same time, the scientific evidence about the imminence and scale of prospectively disastrous disruptive outcomes continues to accumulate, and to become more alarming. In contrast to North America, Australia, India, China, and Russia, the governments and opinion formers of Europe and Lat-

in America are more alert to this issue, and there are even quite influential “green” currents of popular opinion pressing them for action. It has to be admitted that even the Santiago summitters have been deflected from environmental concerns since the 2008 “sudden stop” to economic growth, and that hopes vested in Amazonian agriculture and new hydrocarbon sources conflict with proposals to curb carbon emissions. But both Europe and Latin America remain committed to a rational and evidence based approach to this most critical global policy issue, and between them the two continents nurture an exceptional array of scientific and practical expertise on the matter. The Santiago summit would do well to capitalise on this comparative advantage, to promote intensified collaboration on the production of realistic diagnoses and feasible corrective measures, and to position the bi-regional partnership as world leaders in this area.

There are also some more modest and sectorial headings where the desiderata listed above could also be satisfied. Rather than attempting to generate a long “wish list” of possibilities it may be more useful to provide one relatively specific and already worked-out illustration. The Vienna Summit of 2006 was presented with a proposal on bi-regional co-operation in the higher education sector, which had been drafted and approved by a representative selection of university Rectors from the two continents. No doubt some actions have already been taken, but it would be a good idea for the forthcoming Academic Summit in Lima to revisit the “Leiden Rectors’ Declaration” and to think again about how much more could be done to fulfil the potential sketched there. (I have an interest to declare here. As one of the drafters of the declaration, I was disappointed that in practice we did not achieve as much follow through as hoped from the Dutch and British education ministries, and that some of the more detailed and constructive aspects of the proposal did not gain traction or even much visibility at the Vienna Summit).

Climate change and university co-operation are both very valuable areas for bi-regional co-operation that could acquire momentum and build support constituencies to deepen the relationship and reinforce its momentum between top-level meetings of governments. But there may also be a need for some initiative with greater public visibility – a bold and striking activity that makes a real difference and symbolises what the partnership can stand for and achieve.

Here too it would be possible to draw up a long “wish list”, but again a personal illustration may be more useful. There is much talk about the dangers arising from “failed states” and “ungoverned spaces” in the post-Cold War world, and also about the international community’s “responsibility to protect” when human populations are not cared for by their governments. The EU, together with the Contadora countries and later the Esquipulas partners, took a brave and bold initiative of this kind when it promoted the San José Peace Process for Central America in the 1980s. (Some may argue that it is a failure of the Brussels establishment to allow this remarkable success story to pass almost unnoticed by present generations).

I would like to suggest that perhaps a contemporary equivalent issue has arisen in post-earthquake Haiti. Three years will have elapsed from the earthquake to the Santiago Summit, at which point it could be apparent that neither Minustah nor the Brazilian, Canadian, Chilean, Dominican, and so forth efforts at reconstruction and recovery there have really delivered the minimum improvements one

would require. Yet if the international democracies cannot overcome state failure in such a relatively favourable and deserving context, how can they proclaim their humanitarian credentials in other, far more controversial and conflictive, settings? On my wish list, at least, would be the hope that the bi-regional agenda might include a serious and sustained drive to make the recovery of Haiti a “showcase” of what the two regions stand for, and know how to achieve.

There are also, of course, some other high profile – but also high risk – possibilities that might be worth considering if the Summit was in a buoyant mood. It could, for example, aim to reinforce the peace initiative in Colombia, currently being brokered by our good friends the Norwegians (with participation by Cuba). It might also follow the lead of various eminent Latin American ex-Presidents, notably including Cardoso, in seeking more constructive alternatives to failing orthodoxies concerning the daunting and increasingly bi-regional problems of international drug trafficking, money laundering, and arms trading. It could take a fresh look at the increasingly contested and resented bi-regional issue of migratory visas, undocumented labour flows, and indeed people trafficking. So there is no shortage of pressing topics deserving more EU-Latin America collaboration. In the near term, however, wish lists should be kept brief and realistic. That may be the only way to preserve a medium-to-long term capacity for broader bi-regional engagement.

José Ignacio Salafranca

I would like to conclude by saying that in the bi-regional relation we are more in a relationship between equals than in a paternalistic one. I always sustain that Latin America does not need presents, but opportunities. It is evident that, besides the bilateral relations, we are transiting towards global relations. The panellists have referred to the big challenges that arise: economic crisis and digital economy, fight against terrorism, drug trafficking and organized crime, environmental and natural resources preservation, migration issues, and, of course, the challenge of reaching an efficient multilateralism. In this context I would like to emphasize – and President Fernández will address this in his roundtable – the heavy weight of the new circumstances and parameters, which are currently shaping the international events under the influence of the deep crisis in the European Union. Several years ago, perspective studies stated that for 2010 Japanese economy was going to overwhelm the one of the United States. We see that this forecast has not been accomplished yet. All studies currently say that there will be – and that there is already – a shift in the global economy axis from the Atlantic Ocean towards the Pacific and the Arctic Ocean. But as Director of the European External Action Service I refuse to acknowledge that the United States is a declining power and that the European Union has fallen into irrelevance. I believe that there are concrete proofs of what this bi-regional strategic partnership means, and I will leave it to you to do the balancing. For me it is very clear: there are reasons for us to feel reasonably satisfied, but I believe that there is much left to be done.

I would like to mention a fact referred to by Tomás Duplá del Moral on the different opinions we have nowadays on integration. Out of the European Union we can put our achievements and mistakes on the table, and I believe that these could be instructive experiences for the integration process in Latin America, taking into account that the political, economic and social circumstances are radically different. But in this globalized world it is clear that the old Roman slogan that “Unity makes strength” is more real than ever before.

I would like to conclude by returning to the different phases of the summits mentioned by Stephan Sberro. I remember having seen, during a ministerial conference in San José, a very graphic image in a book that amused me a lot, despite being eminently *machista* and, of course, not politically correct. It said that there are four phases in couples' history: the first phase, when the boy meets the girl, he speaks, while she listens; the second phase, the honey moon, when both speak and both listen; the third phase, when things start to complicate and he speaks but she doesn't listen; and the last phase, when both shout and the neighbours listen. Obviously, we cannot hope for a permanent honey moon within the dialogue between the European Union and Latin America, nor can we think that things are unrelated to the real problems we are going through, but what we do aspire to is a permanent dialogue.

Panel 2

**CHALLENGES
OF THE CONTEXT
FOR THE BI-REGIONAL
RELATIONSHIP**

Leonel Fernández*

We would like to start our second panel of the day and first I would like to greet Benita Ferrero-Waldner, the President of the EU-LAC Foundation, and its Executive Director, Jorge Valdez, as well as Detlef Nolte of GIGA, José García Belaúnde, Peruvian ex-minister for Foreign Relations and José Ignacio Salafranca, Member of the European Parliament. I would also like to greet the distinguished panellists, who accompany us today in order to discuss the challenges that the bi-regional relations between the European Union and Latin America currently face.

We are, without doubt, in a moment of particular importance regarding the relation between the European Union and Latin America, basically because of the crisis – a crisis, which has different nuances and which has already passed a variety of stages: in the first moment, an American ‘sub-prime’ crisis that contagiously made its way to Europe, and the conversion of real estate mortgages into financial assets. But today, this first stage of the financial crisis has entered – at least this is the case for Europe – a second stage, which is the sovereign-debt crisis. This sovereign-debt crisis has been countered by two lines of thought, which become clear at the G20 summits and especially at the Seoul Summit where the dividing line becomes clearly visible. On the one side are the ones who estimate that the solution to the crisis lies in emphasising stimulus policies, which focus on growth and the generation of income. And on the other side are the ones who believe that the solution to the crisis is focussing on the issue of fiscal deficit and sovereign-debt, and therefore the formula would be the application of austerity policies. This formula has not shown any success so far in solving the sovereign-debt crisis. On the contrary, Europe is currently suffering a recession with a growth rate of practically zero, but now additionally struck by an aggravation within the social sector as well as concerning the political aspect – firstly, with the reconfiguration of the European electoral map in the last elections, and then with regard to the upcoming protest movements.

What we see in the United States is definitely growth, but growth that is very fragile and uncertain. Nowadays, a slowdown in growth starts to manifest in other regions of the world, for example in China and India. This has an impact on Latin America, especially on the Southern Cone, whose economies have been connected to the growing Chinese demand for natural resources and basic products.

So we see that the crisis of 2008, even though it was considered a financial crisis of global extent, only affected Europe and the United States. The threat we face today is that the crisis could extend to the rest of the world, including China and Latin America. The crisis of 2008 did not affect Latin America financially; not a single bank of the region collapsed. The impact was rather visible in foreign trade: reduction of exports and imports, decrease of tax revenues by the governments and therefore a decrease of public investments, especially from Panama in a northward direction up to Mexico; the southern part suffered less effects. Already in 2010 a certain recovery became visible, economic growth returned to the region. Today we can say that Latin America as a region is stable and growing, although

* Leonel Fernández is the former President of the Dominican Republic and President of the Global Foundation for Democracy and Development (Funglode).

not comparably to rates prior to the crisis. Nevertheless, there is growth and an increasing confidence within the international community, which allowed the continuation of foreign direct investment.

Last week there was a fundamental change regarding the various approaches to the solution of the crisis. Measures applied by the Federal Reserve of the United States, as well as the Federal Constitutional Court of Germany, concur with short-term approaches that include new investments in the economy in order to guarantee a certain economical growth. The QE3, how it is called in the United States, includes a monthly investment of forty billion dollars in the US American economy by the purchase of bonds, especially mortgages from commercial banks, as a formula to secure an economic dynamism within the United States. In the European case, the creation of a European Stability Mechanism, the authorization of the European Central bank to effectively buy debts from the commercial banks, all this in the short term is regarded as mechanisms to guarantee a certain growth. Obviously in the medium and long term the subject of financial stability and sovereign-debt will remain. In Latin America we have considerable experiences concerning the problem of sovereign-debt, as this was what affected us during the decade of the 1980s. It appeared to be an unaffordable debt and obviously the solution approach was the so-called Baker Plan and the Brady Bonds installed at the end of the 1980s and the beginning of the 1990s, which contributed to a significant relief of the debt. Nowadays the issue of debt is not a problem in Latin America and I insist on the macroeconomic stability and a sovereign-debt that is under control.

So this is the context in which we have come together today in order to find a way to revive the relations between the European Union and CELAC, which is the authorised representative on the Latin America side, especially from the Santiago Summit in January 2013 onwards. And we are going to discuss these issues in a fantastic panel; we have distinguished and experienced panellists, both from the public service as from academia, which certainly will provide us an insight about the topics that have been tackled since the first panel and that are of global importance: How to solve the crisis and therefore which is the destiny of the relations between the European Union and Latin America.

The challenges of the Global Context and their Impact on the Relationship between Latin America and the EU

Germán Ríos*

President Fernández, thank you very much for your introduction. Firstly, I would like to thank the EU-LAC Foundation. At CAF we are very grateful to be part of this initiative and to contribute to this event. Thank you for your invitation, Ambassador Valdez, Dr. Benita Ferrero-Waldner, President of the Foundation, and also thanks to the GIGA German Institute of Global and Area Studies for co-organizing this event.

After the superb introduction on the international background by President Fernández, I will briefly address some issues, focussing on aspects that are significant for Latin America. Basically, I will speak about the global framework and its implications and challenges for Latin America. I will seize the issue raised by Laurence Whitehead about possible areas of active collaboration between the European Union and Latin America. Finally, I am aware that many of you are familiar with my institution, CAF Development Bank of Latin America, but for those who are not, I would like to describe briefly some features of our development bank.

As President Fernández said, we are in a setting of a global economy which has stabilized after the 2008 crisis, but is still relatively weak. Among those features already mentioned, there is a very modest recovery in the United States with a downside risk, and a deep recession in Europe, with high unemployment and a slow recovery. However, we believe that after the last decisions on economic policies taken by the United States and Europe we are heading towards a “soft landing” scenario. The emerging economies, which have been the motor of global growth during the last years and today represent 75% of global growth, will contribute importantly to the global economy’s growth rate of between 3 and 4% in 2013.

For Latin America this means a descent in the growth rate from the last years; however, we believe that we are still going to reach about 4%, and the reasons of this “soft landing” in the region is that we have, in most countries, solid macroeconomic policies (we are not talking about macroeconomic instability in Latin America anymore), an external sector, which has been very favourable due to commodities, food and minerals exports, mainly to Asia, and finally a financial system that, as President Fernández mentioned, is solvent, has very good regulations and supervision, and did not present any problems during the sub-prime crisis. This is a result of the lessons we learned in multiple financial crises in almost all Latin American countries.

This is today’s picture; but how will it look like in the future? Our colleagues that make prospects are predicting Asia to become the most dynamic region worldwide. In the short and medium term Asia,

* Germán Ríos is Director of Strategic Affairs in the European Office of CAF Development Bank of Latin America.

and particularly China, will be responsible for almost 60% of global growth, which is fundamental for Latin America, while our traditional trading partners (Europe and the United States) are estimated to contribute around 20% of global growth. Therefore, for Latin America the Asiatic phenomenon is an important development that will remain at least for the medium term. What does this mean for our region? It means that we are in a period of significant progress, with a growing middle class at an impressive rate (we calculate that in 2020 the region's middle class will be approximately 140 million inhabitants), which turns Latin America into a very important and interesting market for European exporters and enterprises.

The EU continues to be our second trading partner after the United States, but if one looks at the trends of the last years, it is quite probable that China will displace it in the short term. As it was mentioned in other contributions, in some countries like Brazil, Chile and Peru this has already happened, and it probably will happen in the whole region. Not only trade has been an important force in the relationship between China and Latin America, but also Chinese Foreign Direct Investment (FDI) in Latin America is turning into a significant phenomenon, which practically did not exist ten years ago. I believe that independently from the discussion on whether Asia is Latin America's future, for sure it will bring opportunities for everyone, including Europe, as far as it can participate in investment projects, which will be generated by this new dynamics the region is facing. FDI numbers are illustrative: In 2003 China's FDI in Latin America did not reach 10 billion dollars, in 2010 it reached almost 45 billion dollars. Although it is true that the European Union is still the leader in terms of FDI in Latin America, China is closing the gap very quickly. If someone has lived in Latin America recently, like it is the case for many of us, one can observe that China's presence in daily life is impressive, just like by travelling to China one can easily notice the dynamics of growth this country is experiencing. We believe that this will remain a very significant reality for Latin America.

Although it is true that we have reached significant achievements, such as macroeconomic stability, a substantial reduction of poverty (even though we still have serious inequity problems), and although many advances have been accomplished in the trading area, the region still has a very important agenda of pending reforms, especially in the microeconomic sector. I cannot speak here about all the reforms we have to undertake, therefore I will rather concentrate on two of them, which are significant for CAF: infrastructure, and what ECLAC, CAF and the IDB have called the productive transformation of Latin America. One certainty of our region is that we are mainly exporters of commodities. However, we have quite significant manufacturing exports to the United States and within the region. However, if we see the distribution to the rest of the world, to Europe and Asia, our commodities exports reached nearly 80% of the total; while within the region and to the United States this proportion is basically 50%. These numbers should be evaluated, because if we are capable of exporting manufactures within our region and to the United States, there is a potential for exporting these goods to other parts of the world as well.

Another fundamental issue for our region, which in other parts of the world has proved to be helpful for boosting quality economic growth, is the possibility of a stronger inter-regional trade. Examples of this can be seen in Europe and in Asia, where regional production chains have been established, and where all countries within the region participate in many goods productions. For example, if you see on

a map how an iPad is produced nowadays, each part is manufactured in many different Asian countries, and finally it is assembled in China. In the case of Latin American, due to several reasons (and I insist on the two mentioned before: infrastructure and productive transformation) this inter-regional trade does not have the strength it should have, and this is one of the reasons for which regional integration is still a fundamental priority for our region.

A research by Professor Ricardo Hausmann from Harvard University based on global exports patterns showed that Northern economies, particularly those most developed, export goods with high technological contents and high added value. In the Latin American case (and this has been said before) there are serious problems of generating innovation and technological development. With the exception of Mexico and Brazil, and to a lesser extent Argentina and Uruguay, the region has little capacity to produce complex goods with technological high added value.

To tackle these problems the region should undertake an agenda of productive transformation, and we believe the European Union could play a significant role. In all our countries we should have an agenda of public policies in order to improve competitiveness (although recently we have seen improvements on the competitiveness indexes). These policies must include infrastructure (we believe Europe has plenty to teach us on this issue), education, promoting new discoveries in added values activities, innovation and technology, as well as the regional clusters I mentioned before. In a first stage, we should attempt to create regional production and value chains in order to take one more step towards global production chains.

The acquisition of good-quality foreign investment is an important issue for Latin America. There has been much discussion during the past in our subcontinent on this subject and currently there is the fear that foreign investors will arrive in order to exploit our natural resources and will leave taking everything with them. For example, there is a certain fear of Chinese investments. We have to learn from the past and not allow this kind of enclaves. Those investments must be negotiated, and our enterprises and countries must bind FDI with the condition to go hand in hand with human capital training and technology transfer. Obviously we have many necessities, but there are, for example, three areas in which we believe that FDI, including from Europe, could have an important impact in the region: infrastructure, adding value to our commodities, and enabling the insertion into global production chains.

I will not go into details, but we have important challenges in several areas, such as transport, electricity, information technology and communications, and water and sanitation. There is plenty to do in these areas, and there is a big interest in the region to obtain allies and strategic partners for achieving this reform agenda. Requirements are huge; only in the energy sector we are needing 1.4 billion dollars of investment in the next 20 years in electricity, oil and gas. Opportunities will be enormous and we are only referring to the production and infrastructure sectors.

I would like to end my presentation by telling you something about CAF. We are a development bank that has an integral view of economic development. We identify the problems of our region and we know that macroeconomic stability, equality and social inclusion, microeconomic stability and environmental balance are fundamental for reaching a sustainable and quality growth. To achieve this we are

working with our member states on investing in all sorts of capital, in productive transformation, in an intelligent international insertion and in the improvement of the quality of our institutions. As the song says, 'Put your money where your mouth is'; therefore, we identify priorities and then invest in those areas. We have plenty of projects, both with the governments of CAF member states as well as with the private sector. Our cornerstones are sustainable development and regional integration. Our headquarters are located in Caracas and we have offices throughout the region; we have recently installed our new office for Europe in Madrid and have become the major multilateral financial source in the energy and infrastructure sectors for Latin America. We have gone step by step; we started by being a purely Andean institution (this is our original name: Corporación Andina de Fomento) and we changed our name into CAF Development Bank of Latin America. Afterwards the rest of the region got involved, and now we are and like to be called an Ibero-American bank, due to the presence of our shareholders Portugal and Spain plus other 16 Latin American countries. This has been a much accelerated growth; today we have a 10 billion dollars portfolio in loans in the region and we are very much interested in incorporating new countries within the region that are not CAF members yet. Our added value is our catalytic and anti-cyclical roles. As our executive president Enrique García says, CAF will be there to help if it rains and nobody is willing to lend his umbrella; this is when CAF becomes active and helps countries in crisis. Our anti-cyclical role is played when circumstances require us to do so. We have changed our loans policies in order to help our member-countries if in need. We promote innovation of products and services and we acquire our funds from international markets. Currently we are the frequent issuer with the best credit rating all over Latin America. We support regional integration and knowledge diffusion. Some of the colleagues participating in this seminar have a close relationship with CAF through academic projects and institutional collaboration. We like to consider ourselves as the bridge for transmitting knowledge, innovative initiatives, business operations, financing, and resources to the region; and in this particular case we offer ourselves as a significant tool for improving the relations between Europe and Latin America and take them to a new level.

Thank you very much.

Ten Suggestions for China and Europe to Develop their Relations with Latin America

Jiang Shixue*

Thank you very much. First of all, I would like to express my thanks to the conference organizers. It seems to me that I am the only one from a third continent. So I am going to say a few words about how China and the EU can cooperate to have better relations with South America, Central America and the Caribbean. As you know, in the past decade, China's relations with Latin America have been developing very quickly in political, economic, diplomatic, cultural and even military areas, practically in any field. At the same time, we can also see that the EU has been trying to promote a stronger partnership with Latin America. My view is that China emphasizes economic relations with Latin America whereas the EU is not only interested in economic, trading, and investment, but also in promoting democratic governance, strengthening security, improving conflict prevention, etc. Therefore, there seems to be an evident difference here. Unlike the US, Europe seems not to be afraid of China's presence in Latin America. That is a welcome attitude. Now, we need to ask the following questions: Does China need the European "bridge" to go to Latin America? And, does Europe need China to further promote its relations with Latin America? My answer is yes for both questions.

Some years ago I talked to the Chinese ambassador to a South American country. I asked him what he thought about our books, papers and articles. He said: "Well, the books, papers and articles by scholars are good, but they are too theoretical and sometimes too empty. Therefore, we do not pay much attention to them". So I would like to make ten very practical suggestions for China and the EU to further develop their relations with Latin America:

First, let us include the triple partnership or triangulation into the annual China-EU Summit. The 15th China-EU Summit will take place very soon, so we could ask the leaders from both sides to include this kind of topic into the summit.

Second, can we set up a China-EU fund to promote Chinese and European investment in the region? If realized, this effort will make it easier for both European and Chinese firms to expand their presence and operations in Latin America.

Third, let us make more joint ventures like the Sinopec-Repsol, a deal in Brazil. As far as I know, this is the largest private energy group in the region with almost 18 billion dollars.

Fourth, can China be invited to become an associate member or an observer at the EU-LAC Summit and/or the Ibero-American Summit, so that China can have a better understanding of what is going on between Europe and Latin America?

* Jiang Shixue is Deputy Director of the Institute of European Studies at the Chinese Academy of Social Sciences (CASS).

Fifth, let us bring China and Europe into their business summits with the region. So far we have seen five China-Latin American Summits, and the next one will take place probably next month. It is necessary to have the European business community at the summit. At the same time, China can also be invited to go to the Europe-Latin American Summit. Needless to say, a triple understanding is certainly very helpful for business relations among the three parties.

Sixth, let us strengthen our cooperation in the Inter-American Development Bank (IDB) and other multilateral institutions. China joined the IDB in early 2009 and many European countries are also members of the IDB. So we can cooperate with IDB and other multilateral institutions in this regard. As you know, the IDB is a very important player in Latin America.

Seventh, let us make good use of Macao's position as a platform for China-Portuguese speaking nations. The Secretary of the Forum for Economic and Trade Cooperation between China and Portuguese-Speaking Countries is located in Macao. The forum is a good connection between China and the eight Portuguese-speaking nations (except for São Tomé e Príncipe, which has diplomatic relationship with Taiwan). China and Portugal (and other EU members) can join hands at this forum.

Eight, let us build more "bridges" like for example the Spanish law firm Uría Menéndez so that Chinese and European traders and investors can go to Latin America more easily. As far as I know, many Chinese investors want to invest in Latin America, but they do not know anything about Latin America's market conditions or the so-called investment environment. They cannot have access to information about investment opportunities there. So bridges like Uría Menéndez can play an important role.

Nine, let us refuse the mentality of China-threat or "fear of China" by the American, European and Latin American media, politicians, etc. Of course I know that this is not an easy job, but we have to understand that this mentality is harmful to China. As I have mentioned, China's relation with Latin America has been developing very quickly, but the nature of this relation is south-south cooperation. It promotes development for the benefits of both sides, and China's presence in Latin America poses no danger to the US and/or to Europe. It contributes to world peace and development. So let us do away with the mentality of China-threat or "fear of China".

And, last but not least, let us strengthen trilateral understanding of each other in every aspect. In order to promote a triangulation of China, Europe and Latin America, we need to have a better understanding of each other. Otherwise, as one panellist mentioned before, husband and wife will not talk to each other but shout to each other. A better understanding is very important, and I think that think-tanks like GIGA and the Chinese Academy of Social Sciences should do something about this kind of thing.

Finally, we have the following questions: First, will triangulation increase transaction costs? I would say probably yes in some cases, but in other cases I think that it will cut transaction costs. So we need to pay attention to this point. Second, does triangulation mean that all the three parties, i.e. China, Europe and Latin America, should work together, or just China and Europe join their hands? Well, in the first stage, it is likely that there will be only China and Europe working together to further develop their relationship with Latin America. But in the second stage, I hope that the three parties can cooperate more

closely in every aspect. For instance, the EU and Latin America could also join hands to have better relations with China. Therefore, it should be a kind of a three-way street.

Thank you very much.

Optimising the Bi-regional Relation for Development

Mario Pezzini*

Thank you very much President Fernández, thank you for moderating this panel, thank you Benita Ferrero-Waldner and Ambassador Valdez for the invitation. This is a somewhat *complex* pleasure because it seems to me that the former speakers have brought up key issues, which do not allow me to follow with my presentation as I actually scheduled it.

One mistake, which was frequently made by us economists during the last decades, is our attitude, which may be fairly explained by a joke: A person claps his hands every five seconds and when he is asked why he does so, he says 'To keep away the crocodiles'. 'But there are no crocodiles here', he is told, and he answers: 'So it works'. In a similar manner, we thought that it was a matter of more market. Now we have to enter a new phase in which we must listen to what has been said here, I am especially referring to President Leonel Fernández, who was very clear in his introduction. I invite you to read his speech from the last Inter-American Dialogue event, given in Washington D.C. ten days ago, because it synthesizes the thoughts and feelings of many of us, including the emotion and passion reflected.

I would like to mention three points reinterpreting the issues that have already been exposed: firstly, this is a point of utmost urgency in our current discussion; the second point is about which topics should be discussed between the European Union, Latin America and maybe China; the last point is about the fiscal reform.

Regarding the first point, the urgency, we see that Latin America's growth rate will continue to be very high, which makes the Europeans quite jealous. Certainly Latin America, due to everything that has already been mentioned –increase of internal demand, macroeconomic policies and diversification of trade relations – has obtained very different results in comparison to Europe. We can talk about divergences from a macroeconomic viewpoint and then see where there actually *is* convergence.

I want to emphasize that the story of Latin America is not the only one existing. If we take a look at the predictions, Southeast Asian is expected to grow at a rate of almost 5.0% or 5.2%. During the last weeks, indexes were a little lower, but they still continue on particularly high levels and in some cases higher than in Latin America. If we add China and India to the ten ASEAN countries, we will have nearly 7% or 8%. For Africa we all expect about 4.5%. The African continent was heavily influenced by the Arab Spring, and if we focus on Northern Africa, the growth rate will be near 5.1% or 5.2%. These examples show that nowadays there are particularly high levels of development in many places of the world, not only in Latin America.

What does this mean? It means that there are possibilities of South-South relationships that are actually already developing. For example, if we consider Africa's foreign trade, in 2009 China overtook the

* Mario Pezzini is Director of the OECD Development Centre.

United States in terms of trade volume. We always talk about the European Union as the first “partner”, and it still is, but the European Union is a group of many countries. Today, as a single country, China is the main “partner” of Africa. But is China the only one? No, there are also Brazil, Turkey, South Korea, India and others. In this type of relations the different countries provide different capacities, competences and products. We know that India works a great deal on its human capital, especially in the software industry, Brazil on its food industry, and Turkey and South Korea on their manufacturing industry. So it is clear that these relations provide a potential to be exploited. In some cases there is criticism; they say that this type of relation is only interested in commodities and that it will create some sort of crowding out of the other sectors, but what we see in fact is that exports of manufactured goods from Africa to China have increased over time, and by this new opportunities are created.

What is my point with this story? Firstly, that there exists a certain urgency due to many new South-South relations that are being developed. Therefore it is necessary to think about a triangulation and we have to build it, although traditionally we are not used to this type of relationship. How and where to build it? There are proposals, for example, to create a “global partnership”, but we know that this is limited to the aid issue rather than actually dealing with the exchange of political ideas. We have heard it this morning: the aid issue has characterized what we call cooperation. It has been said in the first panel that we must now go further than cooperation and head towards a relationship among equals. This is curious, because the word cooperation initially means relation among equals, but we have altered its meaning in the course of time and under the logic of development aid, towards a relationship based on an asymmetric dependency. I think it is positive that the European Commission now tells us to reconsider this matter. Therefore, if the discussion was conditioned to the dimension of development aid, the new nature of the relationship must now lead to new ways of structured dialogue. We cannot wait to build this type of relationship in five, ten or fifteen years; in fact, we are talking about months. Therefore, to come up with a proposal as our Chinese colleague did, seems indispensable to me.

The second point is related to the issues in which we should cooperate. There is the issue of our values, but there is also a lot of talk about interests. Undoubtedly many countries share common interests. Let me give you another example: during the 1990s, there were three countries presenting a growth rate more than the double of the average rate of the OECD countries: Chile, the Dominican Republic and China. How many countries had a growth rate more than double of the OECD during the first ten years of the 2000s? Not three, but eighty-three. Therefore, the development level in the southern countries is so significant that it creates an interest for confrontation and discussion as well as common challenges.

The last time we were in Beijing we talked with a Chinese government representative about the middle income trap, a problem of great concern in China, both for the Chinese Academy of Social Sciences as well as for other institutions. Of course this is also an outstanding feature of Latin America. There are several relevant aspects, but mainly two: firstly, people overcome extreme poverty and enter what President Leonel Fernández defined as vulnerable middle class. This means that these are people who have overcome extreme poverty, but if they get sick, they will fall back into extreme poverty; if there is a divorce in the family, they will fall back into extreme poverty, and when they retire they will also fall back into extreme poverty because they work in the informal sector and have no retirement

pension. This is a social time bomb. If we analyse the situation in Tunisia, we see that similar problems have occurred there. These are people who hope for social integration and social cohesion but who do not find an adequate answer in public policies. How can these social problems, so frequently observed in emerging countries, be dealt with? This is an issue of utmost importance.

The second typical aspect of the middle-income trap discussion is productivity. Many countries are facing the classical problem of the Dutch disease: commodity prices increase, prices in the non-tradable sector rise within the country, the emerging manufacturing sector in the country in question is not competitive; so we are conditioning development of a natural resource that, since it does not produce diversification, helps to maintain social dualism in a society, between pensioners and low-paid workers. This is not a valid projection for the future because we are not creating productive fundamentals that solve social problems, and this is without even taking into account that we will lose competitiveness as many other countries nowadays produce these types of resources. This is not the only problem. For example in Costa Rica foreign investment influenced the productive system, but now foreign investors are looking for a different type of assets in the target countries, which are not only low prices. Hence, a new and different sort of attraction capacity must be created. And here again the question is how we can achieve this. These are highly important challenges shared by many emerging countries.

Thirdly, what can we do for the European-Latin American relations or maybe for a triangulation? I believe there are several good ideas, but there is a traditional one that needs to be strengthened: this is undoubtedly that the European Union has had problems in some politics. President Fernández recalled macroeconomic policy management in the view of ending the crisis that probably in his interpretation – which I largely share – has created difficulties for European countries with overcoming the crisis. However, in the area of managing social policies and policies of balanced growth (for example the development of regional policy), there have been very interesting experiences.

I would like to mention a third policy as an example: the policy of strengthening the productive chain, that we call class policy, industrial distribution policy, network policy, etc. This is about strengthening a network of SMEs, because this is the real problem and not Latin American multinationals that are already expanding and creating relationships, including within the region. The problem is the SMEs and their capacity in strengthening their productivity, their innovative capacity and sales capacity. How do we make a policy in this case? I believe the solution does not lie in money transfer, although this always helps. It lies in creating platforms where policy experiences can be exchanged. For example Colombia has passed a law for using coal and gas bonuses for regional policies; now is the time to implement this policy by using the money that did not produce anything while it went to the mining region. Hence, this is about learning how to spend well, how to monitor and how to create incentives for policy performance. Who has this experience at a worldwide level? As far as I know, the most important regional policy was the one of structural funds. In Spain it even helped to reduce inequalities among regions. Here we have definitely some experiences that are worth to be shared.

We must build a platform where we can realise this exchange of practices and policies among equals and with the same voice. At the OECD we have experience with these issues because we have been working in this area since 50 years. Nevertheless, we cannot consider a government intervention to

be the sum of individual policies. This was a vision of public management which came up in the 1980s and which did not really produce useful results. A government is much more than the sum of its policies. When President Fernández in the Dominican Republic carries out the Development Plan, he also wanted to discuss with international experts, as for example Mr Attali, which were priority measures. Attali, together with a committee, in which I had the honour to participate, identified seventy-seven measures. But once these measures are identified, the problem is where to start. Should we start with an electricity reform or a fiscal reform? What comes first and what allows a reduction of efforts? To tell a government that it has to carry out seventy-seven measures is frustrating because nobody can achieve this without having reached a certain level of development prior to that.

So this is about developing a reflection on the strategy. We have abandoned this reflection. As far as I know, it is not practiced in international organisations. It is practiced sector by sector. Probably this is due to the thought that all economies were alike, that there was only one way to development and that imitating the already developed countries was sufficient for getting good results. If this idea does not work – and I believe it does not –, if we do not think that there is only one possible way, then we must reconsider the idea of development in specific countries. We must think about how countries can build their own strategy. And again, I am convinced that the European Union, with other possible partners, can contribute with significant experiences. The model we have launched in Europe is quite different to the sum of policies model with different stages in time.

I will conclude by saying that it is not easy to identify those roundtables suited for exchanging experiences of policies, especially of productivity and of the social sector. In some cases we only have to build a methodology, the spaces for discussion already exist. Secondly, we must think of how we can help countries in defining their strategies; currently existing institutions are not helping in doing so.

Finally, a major issue for discussion is the one of a fiscal reform that needs to be performed in all Latin American countries. With the exception of some countries like Brazil, Argentina and Uruguay, in the rest of the region tax collection percentage is 13-15%, while the average in the European Union countries is 35%. It is obvious that the volume of public expenditure does not permit the implementation of all the reforms that are necessary to avoid the middle-income trap. Tax reforms are difficult to implement but they are of highest priority. So let me add one more interesting point, namely how to finally use a fund for development – a fund which partly already exists if we summarize the funds of the different international and regional banks. The only problem is that it lacks coordination.

Thank you.

European and the US Policies Converge in Latin America

Peter Hakim*

Europeans have long prided themselves on having a relationship with Latin America that was more progressive and enlightened than that of the United States. US policy toward the region was viewed as more interventionist, ideological, and directive – and often based more on domestic politics than real interests. This essay attempts to test that proposition by comparing and contrasting US-Latin American relations to Europe's ties to the region. Before starting out, let me disclose that my analysis relies very heavily on Áurea Moltó's 2010 article on Spain's links with Latin America in *Política Exterior*, the Spanish foreign affairs journal.¹

I did not start off sharing the European view. My hypothesis at the outset was that Europe and the US should have important similarities in their relationships with Latin America, simply because the EU and the US are themselves alike in so many ways. Both are rich market economies that have about the same size GNPs and boast comparable per capita income. They also have relatively similar levels of trade and investment in the region. They are also both governed democratically, and are committed to promoting democracy and human rights in their foreign policies.

But I also thought that there were likely to be major differences for a variety of reasons. Geography was one. The US borders on Mexico, Cuba, Central America and the other countries of the Caribbean. It is also relatively close to the northern tier of South American countries, including Venezuela and Colombia. Europe is much further from Latin America, and shares no borders with the region. The recent historical experiences of Europe and the US in the region have also been very different – during the Cold War and its aftermath. The US was far more involved politically and economically, and intervened militarily on numerous occasions. Europe had a gentler and less intrusive presence.

A third distinction is the US participation with Latin American nations in a number of long-standing Western Hemisphere institutions and treaties, including the Organization of American States (OAS) and the Inter-American Development Bank, while Europe lacks any similar institutional bonds. Finally, unlike the US, Europe (perhaps with the exception of Spain) has never had large, continuing migration flows from Latin America. Today more than 16% of the US population is of Latin American origin, amounting to some 52 million people. And over the next quarter century, projections are that the number will grow by another 50%. Latin Americans now have a huge influence on US culture and increasingly on US politics and economic prospects.

Despite all these many reasons for divergent approaches to Latin America, the US and EU relationships with Latin America turn out to be strikingly similar, and they are continuing to converge. Part of the reason for the convergence is the changing nature of the US relationship with Latin America. The

* Peter Hakim has taught at MIT and Columbia University and is President Emeritus of the Inter-American Dialogue.

¹ Moltó, Áurea: Por una relación contemporánea con Latinoamérica. In: *Política Exterior*, sept/oct 2010, pp. 100-116.

notion that the US is joined to the region naturally in a Western Hemispheric community has largely faded away. While US politicians and diplomats frequently employ such terms as community, neighborhood, and partnership to describe the relationship, Latin Americans do so only rarely.

Maybe the idea or vision of a Pan-American community has always been exaggerated, but it did inspire some important initiatives. Some of them are of recent vintage – such as efforts to create a hemisphere-wide free trade zone (the so-called Free Trade Area of the Americas) and the historic agreement on the Inter-American Democratic Charter. Both initiatives, however, proved unworkable. The free trade negotiations were halted in 2005 and the Charter, although approved by every country in the Americas except Cuba, has simply never been put into practice. We are also witnessing the diminished stature of the Summit of the Americas (the periodic meeting of elected presidents in the hemisphere) and the OAS, the bedrock institution of Pan Americanism. New institutions – incorporating only Latin American and Caribbean nations – are assuming a larger presence and taking over some the roles of these organizations.

Paraguay's recent political crisis is case in point. Two South American organizations – Mercosur (the Southern Common Market) and Unasur (the Union of South American Nations) – took the initiative in responding to the impeachment and ouster of Paraguay's president. When the OAS launched an investigation of the events in the country, no South American nation was willing to participate. The US was passive throughout. Witness also the Colombian peace negotiations. Neither the OAS nor the US has assumed any role at all. Cuba and Norway will serve as hosts, and Venezuela and Chile will be observers of the talks.

To be sure, the US maintains a very heavy economic footprint in the region, but so does Europe. The US now has free trade agreements with eleven Latin American nations. These are exactly the same countries that have FTAs with Europe – Mexico, five Central American nations, the Dominican Republic, Panama, Colombia, Peru, and Chile. Only three of ten South American countries have agreements with either the US or the EU, compared to eight of nine of the Northern group of Latin American countries (Cuba is the holdout). Neither the US or Europe have managed to reach trade accords with Argentina or Brazil, which together represent nearly half of Latin America's economic activity. Venezuela's entry to Mercosur this year sharply diminishes the prospect of an EU or US agreement with that key South American trade group.

The US and Europe, moreover, tend to have similar trade disputes with Brazil and the rest of Latin America. The most important involve US and EU subsidies and tariffs protecting agricultural producers, Latin America's tariffs and other import barriers to manufactured products and services, and intellectual property rights. Neither the US or Europe has found a way to develop a productive relationship (economic or political) with Argentina.

The similarities of US and EU relations with Latin America extend many other issues. European policy toward Cuba has never been as extreme as that of the US, but the EU common position, approved at Spain's urging in 1996, did move the EU and US conceptually closer. Both demand that Cuba satisfy human rights and democracy criteria in order to normalize relations – which they require of few other

countries. And like the far more severe US policy, the EU's common position did little, if anything, to encourage Cuba to liberalize its economics or its politics. Indeed, it ended up constraining potentially more creative policies from individual EU nations. Moreover, both the US and EU policies made it impossible to cooperate with other Latin America nations on the Cuba question. Neither was a pragmatic approach to the problems that Cuba presents – and neither had an effect on developments on the island.

Immigration policy is another issue on which the EU and US are converging. Over time the EU and the US have both moved more and more toward restrictive policies, as a result of internal politics that turned immigration into a highly politicized and polarizing issue. Two factors may now change the situation for the US, however. The first is the likely decline in migration from Mexico, where the great bulk of undocumented immigrants originate; the decline reflects lower birth rates and economic progress. The second is the growing political power of the Hispanic population in the US – which, in the coming period, will have substantially increasing political participation and voting numbers, and thus greater capacity to shape immigration legislation.

One more issue, that of drug policy, has long been an irritant in US relations in Latin America. Today US consumption of drugs is viewed in many Latin American countries as responsible for the devastating wave of crime and violence that is affecting so many countries of the region. As European consumption increases, my guess is that Latin America countries may also begin to view Europe through the same lens.

What seems clear is that the US and Europe are increasingly facing similar challenges in Latin America and have been responding to them in remarkably similar ways. The question still is why that should be the case. What is driving EU and US relations with Latin America?

Four factors have become particularly important in shaping Latin America's international relations. Two of them represent long-term trends – the growing economic and institutional strength of Latin America, which is reinforced by a second factor, the globalization of political and economic relationships. A third factor, hopefully short term, is the economic crisis facing Europe and the stumbling growth of the US. The fourth, whose timeline is uncertain, is the multiple cleavages that now divide Latin America, and prevent it from pursuing a common approach toward the US, the EU, or the rest of the world.

Latin America today is far stronger economically and more stable politically than ever before. Most of the region's countries are confident in their future. They are pursuing more assertive, independent policies, no longer looking to the US or the EU for guidance or support. According to the World Bank, Latin America is a region of mostly upper middle income countries, with increasing middle class populations. There is no guarantee that they will continue to grow into future, become more prosperous, and join the world's developed nations. The problems and challenges are well known – deteriorated infrastructure, dismal education systems, deep and pervasive inequalities, public security threats, and widespread corruption, among others. Yet Latin America's prospects are promising – and they are unlikely to retreat from their independent approach to international affairs.

A second long term driver of Latin American attitudes and policy has been globalization and rising emerging markets, which has opened up a wide range of opportunities for the region. China has now emerged as a major trade partner with the region and a growing source of investment. India and other Asian nations will not be far behind. Latin America is not bound to the US or Europe – it has an extraordinary range of choices and is exercising them. It is hard to imagine a shrinking of its international engagements. The EU and the US will remain important, but they can no longer act as a monopoly or oligopoly.

Third, during a period of economic weakness, both the EU and the US have less to offer Latin America – in terms of investment, trade, and direct aid. Perhaps more important, Latin Americans no longer feel they can rely on the EU and the US to the extent they had in the past. Their economies and politics now appear vulnerable, even endangered – perhaps even more so than many Latin American countries. Accordingly, Latin American nations are building their own defenses: stronger fiscal and monetary management, large reserves, low debt to GDP ratios, and a diversity of international ties.

Finally, there is the perennial question of Latin American integration. Can Latin America nations find enough common ground to act more collectively in their approach to bilateral, multilateral and global issues? Can they find a way to deal with Europe, the US, and China in a more coordinated fashion? How about with the G20, the World Bank and IMF? It does not look promising. Even South America seems unlikely to develop strong coordinating mechanisms. Mercosur has long been viewed as the Latin America's most significant effort at integration – but even that trade agreement is faltering badly and the recent incorporation of Venezuela is likely to diminish its prospects. That is too bad. A prospering Latin America that was able to develop a common approach to international economic and political affairs would be in an exceptionally strong position to influence global events – particularly if the regions relations with the EU and the US can be reinvigorated.

Leonel Fernández

At the moment, relations between the European Union and Latin America are challenged by the global context; challenges, which are basically related to the global crisis. Because of its depth, severity and duration, the crisis is now called cyclical or structural within the discussion. It is important to recognize that solutions to the crisis are not only being sought within the short-term economic perspective, but also in the medium and long term. In the short term the solution lies in stimulating growth by the means of generating employment, while in the medium and long term it is essential to guarantee sustainability and tax responsibility. However, the ultimate solution to the crisis apparently lies in returning to the real economy, namely productive investment, productive transformation and integration into the global value chain.

Within this agenda of competitiveness, which will include enormous investments in infrastructure, we can benefit from the relations between the European Union and Latin America. European companies will find numerous opportunities in the Latin American the transport sector. Yesterday Alejandro González Pons, Ambassador of the Dominican Republic to Brussels, spoke to me about the dream of a high-speed train that could operate between Buenos Aires and Mexico City. Maybe this seems too ambitious right now, but one way or another, the integration of transport in Latin America would imply the establishment of communication ways from the Rio Grande to Patagonia.

Secondly, concerning the energy sector, we are moving towards a model of green economy with a minor dependency on fossil combustibles and an increasing sector of renewable energies, which also holds a wide range of investment opportunities.

On the other side there is everything related to sanitary systems: the building of waterpipes, sewerage systems, roads, bridges, hospitals, schools. This immense transformation of the infrastructure sector will accelerate the development process in Latin America. At the same time this offers plenty of opportunities for the reactivation of the European economy, the Latin American economy and the global economy in general.

Another key topic the EU-LAC Foundation will focus upon is education, especially higher education. Latin American universities always appear to rank quite badly. There is much work to be done in order to improve quality of education in Latin America, to establish links between universities and companies and even to further strengthen the relation between research, science, technology and innovation.

Right in the middle of uncertainty and difficulties there are enormous possibilities with regard to the future. We will overcome this crisis, like we have overcome previous crises, and the way ahead is one of revolution – Jeremy Rifkin called it the third industrial revolution –, which will request massive investments and strong links in the economic and social area in Latin America. We have to keep on carrying out policies that aim to reduce poverty and social inequality, to strengthen the middle-class and to integrate into global value chains. This would bring mutual benefit to Latin America, Europe, as well as to the rest of the world.

I want to express my thanks to the panellists for their splendid contributions and to all of you for attending.

Thank you very much.

Panel 3

THE NEW BASIS OF BI-REGIONAL RELATIONS

José Antonio García Belaúnde*

Good afternoon. This morning we had two fantastic panels, which were basically focused on what we have done and what we are currently doing, or more precisely how the relationship between Europe and Latin America has developed, and how it looks like at the moment. This afternoon we will try to think about how the relationship between Europe and Latin America actually should be and which path we should choose in the future. One aspect that I want to emphasize, based on many years of experience in relation to the EU, is that we must consider the relationship within its historical context. The context will exactly show us how the relationship evolved and how we can expect it to develop, or which are the things that we will focus on in the future.

Before I go on, I would like to thank the President of the EU-LAC Foundation, Benita Ferrero-Waldner, and Ambassador Jorge Valdez, its Executive Director, for their kind invitation. Benita Ferrero-Waldner knows that I am much obliged to her because, thanks to her political will and her vision as a stateswoman, next week the European Parliament will vote for the commercial agreements the European Union with Peru and Colombia. Without her and without the firm commitment from a country that played a very important role in deepening the relations between Latin America and the European Union – I am referring to Spain – we probably would not have these agreements ready to be completed.

I also want to emphasize the presence this afternoon of President Leonel Fernández who has not only been an extraordinary Head of Government of his country but also a figure of utmost significance for all Latin Americans.

At the beginning I mentioned that we should try to imagine the future perspectives of the bi-regional relationship based on what we were and what we currently are. I believe that the relationship between Europe and Latin America has been nothing else but a constant evolution towards higher levels of understanding. But there is one thing that has always marked this relationship: its pragmatic character. We never tried to make things 'by the book', as US-Americans say, but according to the circumstances of the moment. And, certainly, what we have today, are different achievements. We have, in some cases, operating trade agreements like the ones between Europe and Chile as well as Mexico, and soon-to-be approved agreements with Colombia and Peru and Central America. And that tells us how far the relationship with some countries can go. It also tells us that, though sometimes we think that we all must walk in the same direction, this is not always the case in the region. It should be understood that in Latin America this is not possible. So let us create different integration menus according to each one's possibilities for advancing. This is called wisdom; the other thing would be simply to stick to one or several dogmas. I believe that Europe has been wise in this sense and Latin America also, in a certain way. Both regions have learned how to adapt the reality of this relation to the specific conditions in which it can be developed. Some countries can advance much further in their effort to deepen economic and trade relations, while others keep certain reservations on this topic. Let us show respect

* José Antonio García Belaúnde is a Peruvian career diplomat. He was Peru's Minister of Foreign Affairs from 2006 to 2011.

to this plurality and assume with pragmatism the kind of relationship that adjusts to the requirements or necessities of each country or group of countries. This is inevitable in dealing with a region without any communitarian institutions as it is the case of Latin America.

Having said this, how do we see the future today? I believe that if we insist on this pragmatic and trustful vision of shared values, we will continue to obtain good results. One does not build a perfect relationship from one day to the other, but one can build it step by step in the most pragmatic and sensitive way. In any case, our fantastic panellists will talk about this issue here today.

Crisis and Regional Diversification

Rut Diamint*

My presentation will be based on three points, and a guideline of the first topic could be “in view of the crisis, more cooperation”. The second one refers to the idea of civic potential and the third topic is the participation of civil society.

In the first panel the president of the EU-LAC Foundation, Benita Ferrero-Waldner, argued for greater cooperation. But this cooperation has to be developed in a peculiar context, a context of crisis, which forces us to pursue this cooperation path during uncertain times. We have passed from bipolarism to unipolarism and now supposedly to multipolarism; some have spoken about China’s rise, about the emergence of regional powers, others affirm the apparent decrease of the United States’ leadership and its increasing lack of interest in Latin America. Some praise the concept of democratic cosmopolitanism, others predict infinite violence, but none of these approaches has an unchallenged supremacy. There are plenty of different attempts to conceptualize a new order, which has not been defined yet, and therefore generates a current economic situation of uncertainty. And this is a key element for establishing the context in which we have to redefine this relation. Within this framework, it is necessary to reconsider why states actually establish relations and which are the problems that still have not been solved after so many years and different mechanisms of cooperation.

I want to recall the classic text by Arthur Stein, “Why Nations Cooperate”, which has been revised in the light of several theories of International Relations. Stein recognized that states are confronted with economic, social and security problems, and that they choose strategic options in pursuit of a collective benefit to their society. In order to achieve this, they construct international regimes that guarantee commitment, reciprocity, coordination, reinsurances and results that lead towards the preservation of national interests. Although Stein wrote during the Cold War and therefore was influenced by the logic of power balance, he showed that cooperation always brings more benefits than a zero-sum situation or policies of individual interests. Today in all regions there exists the conviction that cooperation creates mutual benefit and that regimes create obligations and reinsurances, and therefore states are willing to follow that path. An interesting argument in Stein’s text – and this is a traditional Cold War viewpoint – is that states only cooperate because cooperation allows them either to face a common enemy (remember we are still in a period of Cold War) or to create defence in case another country or group of countries threatens them. Since the beginning, the relation between the European Union and Latin America was not characterized by this concept, although it was established right in the aftermath of the Cold War. We did not associate because we had a common enemy – some would say the United States, since Latin America wanted to have some preferential relation in order to avoid direct bonding to the United States. As a matter of fact though, we did not associate against the United States, neither did we associate because we could possibly have a state that threatens us or goes against our interests.

* Rut Diamint is Professor of Political Science at the University of Torcuato Di Tella in Buenos Aires, Argentina and researcher at the National Scientific and Technical Research Council.

So what kind of relationship has this been? I would say that inheriting the philosophy of a specific time of democratization and Latin America's return to the international agenda, which was reflected in the meetings of Rio Group-European Union, the signing of this partnership had a rather paternalistic view of cooperation, perhaps it was in some way an extractive colonization path. This is one of the incentives we have to overcome. But also today a new period of equality emerges, with more equally balanced relations, and if we ask ourselves why we should cooperate, I believe that the first answer is because it will bring us benefits – and that is proven – and secondly, because it will allow us to be more equilibrated, and in some way that balance leads us to this idea (at least as an idea, although this is not a concrete possibility soon-to-be) of global governance.

My second point is about the differential aspect in Latin America's relationship with the European Union. In the first place, the differential aspect is politics. On the Latin American side there is a vast political dynamism, which is not adequately accompanied by a complementation or incentive in the trading and financial areas, nor in the infrastructure and energy sector; but currently in politics, incentives for this partnership are much stronger than in the past. Surprisingly at the same time there is a proliferation of mechanisms, regimes, agreements, bilateral partnerships, encounters, which are not being effectively channelled. The Canadian professor Hal Klepak says that for him, as an observer of Latin America, he considers the following phrase as one of the more traditional characteristics of the region: "I accept, but I do not accomplish". So in some way these mechanisms are created, but lack implementation.

There is a bulged agenda with new organizational arrangements that outline external relations, such as Unasur (Union of South American Nations), the Bolivarian Alliance for the Peoples of Our America / Peoples' Trade Agreement (ALBA-TCP), the Community of Latin American and Caribbean States (CELAC), which, without rejecting trade or development proposals, have focused on political agreements. This is how it is expressed in Unasur: "giving priority to political dialogue", and in ALBA: "ALBA is the historical project of Simón Bolívar of unity in the Grand Homeland ("Patria Grande"), to guarantee its people the greatest amount of happiness, the greatest amount of social security and the greatest amount of political stability".

One particularity is that it seems that both Unasur and ALBA appear in a competitive way, but they are not competitive, they are different. Nevertheless, both mechanisms lack institutionality. This is due to various circumstances, among which I will enhance the frustrations of Mercosur, the individual competition for markets, residual lack of confidence among the countries in the region, but above all, Brazil's and Venezuela's will to reach a superior status in the world and to become global players. This plan would require a political articulation within the region but not necessarily a trading agreement. In a certain way, Unasur is the expression of a global strategy of Brazil, while ALBA is the formula designed by Hugo Chávez for gathering countries under the Venezuelan orbit. One question arises: Do they lack institutionality because this represents a common style in Latin American countries of low or weak institutionality, or do they have low institutionality because there is actually a purely negative reading of what previous mechanisms have been, like the inefficiency of all mechanisms from the 1960s onwards? In fact, the arguments in favour of summits without institutional mechanisms are well known, since an inefficient bureaucracy and a diplomacy that is little identified with the governments

would be avoided, while high level decisions as well as presidential meetings stimulate the dynamics of the agenda. Other known arguments criticise the lack of regulations, stability, memory, or evaluation mechanisms of the agreements. But despite these differences, there is something that seems interesting to me and which also has been expressed today, and this is that Latin America in the international agenda passed from being a recipient into being a contributor, from being a consumer into being a producer. This is an attribute that changes the position of the region on the global stage, and if this new position is sustained, the remaining international actors will look towards Latin America with different eyes. The region does not need a relation with the European Union in order to show its democratic conviction, even if we are still remembering the breakdowns of rule of law – especially in Honduras and in Paraguay – but to develop as a partner and to contribute with its capacities.

Now, this differential aspect, which is political, how is it perceived on the European side? What I consider to be the essential feature and which adds value to the European contribution in this bi-regional relationship is the concept of civic power. Building institutions, social defence and wealth distribution are an amalgam of the bi-regional partnership. Europe brings this concept of civic engagement, but it is bringing it in times of crisis. Europe is currently focusing inwards on its own problems more than outwards. Besides, and as it has been told today, there are countries at an equal level for negotiating, but there are others that still depend on aid rather than on reciprocity. And there are severe tensions: on one side, Europe is trying to reconstruct its economic potential by the means of fiscal adjustments. On the other side, in some (not all) Latin American countries fiscal adjustments are understood in an absolutely negative way, as the cause of the crisis; instead they favour market safeguarding guidelines and the protection of domestic production. Likewise, vulnerability and instability concepts, which were traditional characteristics of Latin America, are now an attribute that can be applied to several European countries.

These European principles that we know as the welfare state, which was critically called 'the Venus Europe' in the United States – that is, all those guidelines, those models not only based on the market but also including the human dimension, are challenged because in view of adjustment it is very difficult to keep the provision of those goods, that have made Europe, from my point of view, a different political association.

Meanwhile, every crisis can be seen as an opportunity to grow towards more equality and relevance for both actors. The ideas of global governance have more weight and rationality in an environment less characterized by an assistance mentality, and in which Latin America and the Caribbean assume more responsibilities and are granted more opportunities. Despite this increasing parity, institutional deficits in Latin America and the Caribbean claim social cohesion guidelines as well as democratic obligations to be strongly present in the considerations of the bi-regional partnership.

It must be taken into account that these innovations do not necessarily give way to a new regionalism. Mercosur was clearly forged under the ideal of the European Union as a federal experience of cosmopolitan democratic governance with supranational mechanisms and inter-governmental institutions. However, Mercosur never achieved to fulfil some of the aspects that are fundamental in the construction of the EU. The EU model was complemented with a security alliance which stipulated that

member countries would not menace each other, that divergences should be solved by pacific means and that any crisis should be anticipated and managed. Unasur, ALBA and CELAC try to differentiate themselves from the Mercosur model and from established defence organisms, but they are not federal governance experiences.

Unasur has certain regulations that at least generate some predictability: the terms of the Secretary General are determined as well the necessary resources, which country holds the Secretary and which government agency sets the agenda. ALBA though is an arrangement made by Chávez: there is neither a fixed agenda of meetings nor topics. Hugo Chávez at the same time is president of Venezuela as well as auto-proclaimed president of ALBA. Power retention is not a subject of debate.

In terms of political cooperation, there is another outstanding difference between Unasur and ALBA. The agreement proposed by Chávez does not determine the democratic requirement but the ideological identity as a membership clause. A fading concept of the socialism of the 21st century gathers countries with different regimes but which are clearly located at the ideological left. ALBA's guiding principles are solidarity, economic complementarity – as opposed to competition – and cooperation between Latin American and Caribbean societies. But the defence of democracy does not appear as a requirement. Instead, issues about freedom of expression, political competence, civil control by the military, among others, are fundamental of Unasur membership. At the Georgetown Summit in Guyana on November 26, 2010, Unasur presidents approved the democratic clause as a requirement for participation.

These are the malfunctions which justify why Europe keeps reminding us of the concept of civic power, that means that we should negotiate as equals but with a Europe that continues giving a very strong support for the institution building, social cohesion, social levelling, and opening opportunities for the different sectors in society. Without this discourse the trading and financial contents will not be different from any other agreement we make with any another region.

I will briefly address the last point, which is related to the civil society issue. The bi-regional civil society is a deceit. The truth is that although there are some NGOs that participate especially on environmental and migration issues, there are a couple of academics linked to this topic; and of course there is a financial and entrepreneurial sector strongly interested, but there is no civil society. When you look for example at the important demonstrations in view of the 'fast track' in those countries that were about to sign agreements with the United States, one should ask why nothing similar occurred in Europe. There is a positive answer: Europe does not provoke the fear which is produced by the United States, because we think that this relation will be more equal or balanced. But this question can also be regarded from a negative point of view: there are no demonstrations because nothing is going to happen, because society is not altered by agreements that come from the top administrators and that do not affect them in their daily life. Therefore there is a very significant vacuum. Civil society neither understands nor knows what this partnership means. If one asks an ordinary citizen what the bi-regional partnership between Europe, Latin America and the Caribbean is, one will not have any idea. However, if the 'fast track' were mentioned, possibly more people would understand what we are actually talking about.

I will leave two final issues. Much has been said in this conference about the cooperation aspects and an important issue has been pointed out: the educational-scientific-technological issue, which creates and transfers knowledge and energies, generates a spiral of activities and knowledge. How important was that transfer? Was its monitoring sufficient? For example CEFIR: during all its years of existence, has the European Union performed an evaluation of how much money was spent and on which purpose? Which effect did it have on employee-trainees in their future performance in each of the countries in Latin America? The evaluation and monitoring of expenses and real efficiency of programmes seems fundamental to me.

Finally, I think that there is one issue on which the European Union has not given us sufficient support and which nowadays is a key concern all over Latin America and the Caribbean, and where transfer of knowledge, practices and legislations would be very useful: public security. If there is one issue in which societies could be interested in the support of the European Union and where they can actually feel the difference, it is the crime issue. Not only concerning organized crime, but also regarding common crime, which distresses a concrete society, concrete neighbourhoods and for which today there are impediments in Latin America for giving a solution more or less according the people's needs. Authorities do not know how to manage this situation neither do they have the resources to accomplish this task.

Thank you very much.

From an Entrepreneurial View: Recommendations on Initiatives for the EU-LAC Relationship

Alberto Pfeifer*

Thanks to the moderator and also to the organizers of this encounter, to the city of Hamburg for its reception, to the EU-LAC Foundation, GIGA, CAF and Funglode for their initiative; thanks also to Ambassador Jorge Valdez, to Ms Benita Ferrero-Waldner, to President Fernández; my acknowledgements to Dr. Grabendorff who has been working hard during all these years on the issue of Latin America, the Caribbean and the European Union.

We are gathered here to discuss at this historical moment something strange, I would say, because we are facing a world in which, fifteen years ago when we were just starting on this issue, Latin America was an example of bad financial health, and today this situation has turned around. Nowadays, we are probably an example for some European countries. While Spain, the country most interested in the integration between these two regions, was a great example of economic and financial power as well as of its investments abroad, it was also a very poor country in one resource in which South and Latin America are rich: football. Today Spain is world champion while South American countries are increasingly classifying in a lower ranking in international competitions.

Well then, let us look into the future, especially towards January 2013 in Santiago where we will have the opportunity to make suggestions. I think this is the idea of this meeting, to prepare ourselves and prepare whatever will be possible to achieve in Santiago, where CELAC will participate for the first time. I know that you Europeans like to identify the interlocutor; even in Latin America sometimes we do not know that. We therefore have to be careful because although CELAC will participate and we shall dialogue with CELAC, there is a disposition to start things, but sometimes these things are not achieved in the organization or institution, and finally nothing happens. Thus, it is important to keep the focus on some key countries that can really be the guides for a bilateral relationship, due to their economic weight or to their political significance as agenda setters.

I have been invited to talk to you as representative of a Latin American and Caribbean entrepreneurial network, the Business Council of Latin America (CEAL), which nowadays is also present in Spain and Portugal. I am talking to you maybe more as a representative of the civil society than as a state actor – up till now we have only spoken about the state's point of view, of national states, regional organizations or intergovernmental organizations. So I believe I am the first to propose some thoughts about bi-regional integration, which correspond to what Rut Diamint said about the creation of civil power, the example of European civil power. The advantage of entrepreneurs and business men who want to start a business with self-determination and initiative, who need clear rules and stability, and who in order to start their projects need some financial and technological support or some entrance costs reduction

* Alberto Pfeifer is coordinator of The Business Council of Latin America (CEAL) as well as Executive Director of the National Chapter of Brazil of CEAL.

– less bureaucracy, less barriers for their entrepreneurship – the advantage is that they are actors or economic agents who want stability and permanence, while the heads of state of democratic regimes have a sense of alternation. Those are two different perspectives, because we all know that heads of state will change some day and as a consequence their will is changed, while entrepreneurs have the idea to stay, creating wealth and making profit.

First of all, I think that it must be very clear that when dealing with the Latin American region, one must separate very well South America from Central America, Mexico, and the Caribbean, because the logic of South American was implemented with Unasur, still in a very incipient way, but there is a logic with some common issues, not only from the political and social point of view, but also economic. Starting from the Plata region and throughout the Andean arch, there are converging points, for example the infrastructure currently being developed between Brazil and Peru. So, this union of the South American Atlantic with the South American Pacific is a goal to be concreted and that we will possibly see happen in the following years, and this will create an own internal dynamic for South America. I also believe that it is crucial to consider that when we speak about integration in Latin America, there is a country that is integrated really well: Brazil. It is the only country (with Portuguese roots) that kept its political and social integrity. It is a federative country, so there are still many fiscal issues that are barriers for the homogenous growth of the country, but it is important to take into consideration – as the United States, which is said to be the country with the most perfect free trade area because all is integrated there. Somebody mentioned that there were two giants in Latin America, but I would not say that. Mexico is certainly a giant if compared to Central America, but compared to the United States it is not that gigantic, while Brazil is perhaps not a giant in South America, but a big country anyhow, and as a big country it is also currently recognized by the United States as a global player. This is also a novelty within the framework of international relations and of inter-regional logic. When we speak in terms of the inter-Atlantic space, I believe that Brazil is an extremely Atlantic country, a country that is far away from the Pacific and therefore has an Atlantic logic, and in this sense is very close to the European logic. Moreover, great oil deposits were found in the coastal area of Brazil, and it is esteemed that in 5 or 6 years the exploration will start, which is going to produce extraordinary profits, probably establishing a new type of energetic and economic relationship between Brazil and the rest of the world.

In the energetic area it is also very important to consider – and this is a very interesting topic for Europeans – the issue of renewable energies. There are very clear examples, which have not been discussed here, not only on the potential but also on the reality in many countries in Latin America, Central America, Colombia and Brazil, in which exists a large production of renewable energies derived from solar energy, photosynthesis (ethanol), hydro energy. We are not talking about an exemplification, but about something that already exists and that can be transferred as technology to Europe as well as worldwide.

There is also a new phenomenon, the *translatinas* (trans-Latin American enterprises), of which in 2010 there were already over sixty; those are large enterprises that have adopted a Latin American logic as a basis for their strategy of international insertion. The digital society topic must also be mentioned; it is launching very quickly in the Latin American countries, and they also represent a new framework in the way of doing business and on how policy is made in the region. I believe that South-South relations

must be established directly from South America. It is very interesting that our friends from China want to present themselves as intermediaries, we greatly appreciate that, but in fact we can talk directly to Europe and the Arab countries. Within two weeks the South America-Arab Countries-Summit will take place in Lima. The BRICS are already a reality for Brazil, it is no longer the acronym of Goldman Sachs; it is an insertion tool in the world. Every year there are presidential summits and jointed agendas, so it must be taken into account that there is a logic of international insertion which is not a reaction towards Europe or to the United States or to China but our own local logic.

Therefore, in the remaining time let me propose five or six ideas for the Santiago Summit, which comes at a moment in time in which asymmetries between Latin America and Europe are reduced, to some extend due to the European crisis, and to another extend due to the recent growth of Latin America, or perhaps these are non-traditional symmetries what we are seeing today. For example, one could work on the issue of social policies or conditional cash transfer programmes. In Latin America we have a good technology, and maybe it is necessary for Europe to take hold of this technology to alleviate the social crisis in Europe. At the same time, in Latin America we can keep on receiving inputs for improving our productivity, which is still low. President Fernández mentioned the issue of higher education; pre-school education is also very important. This is a highly strategic issue for Latin America. In Europe every child has all the milk, food, and college education it needs, but this is not the case in Latin America. It is at the age from 0 to 3 years that the nervous system is developed and if we lose this opportunity, we lose generations of higher productivity.

In business terms, the agreements for avoiding double taxation are crucial in order for investments to prosper among our regions, as well as the agreements on the protection of investments and on intellectual property, that in some countries are considered a taboo. We must be creative in this sense for inverting the situation. It would be interesting if Europe recognized products derived from the green economy – or at least carbon neutral – and offered a zero tariff in order to stimulate those sectors. Other topics to be worked on are migration and labour politics. Up till now the flow has been from Latin America to Europe, but today there is a flow of professionals coming from Europe, from Portugal and Spain. In my office there are two Europeans that cannot obtain their working visa in Brazil due to a lot of barriers based on reciprocity. This is the time to think about a migratory and labour agreement that would benefit both regions. I believe this is not something irrelevant; Ms Ferrero-Waldner here with us will find viable pathways for its entering into the agenda of the summit, and if we advance on these issues this would be excellent for the bilateral relationship.

Thank you very much.

The Future of the Bi-regional Relationship. From Cadiz to Santiago.

Pablo Gómez de Olea*

Many thanks to the EU-LAC Foundation, to its President and its Executive Director for inviting me to participate in this event. I believe that Spain can always make a contribution due to its decided commitment to stimulate the bi-regional relationship.

I would like to focus on three points, and since we are talking about the new grounds of the bi-regional relations, I believe that first we should look at its evolution, from the first Latin American summit until now, which will allow to distinguish our future projections. I will also speak about challenges and opportunities, and finally I want to make a brief aside to consider which synergies can be extracted from the Ibero-American Summit, and how the Ibero-American Summit might contribute to the summit of the European Union, Latin America and the Caribbean.

Since the first Summit in Rio de Janeiro, or even since the First Ibero-American Summit in Guadalajara, Mexico, the situation of Latin America has changed quite significantly. At the time we were getting out of one of the darkest periods in Central American history, the Central American wars. Several dictatorships in the Southern Cone had just been ended, the economic situation of hyperinflation, the exponential growth of poverty etc., were producing a truly different panorama to the one we have today.

What do we have right now? In general, as it has been said before, we observe a consolidation of democracy and rule of law. Currently, Latin America's challenge is no longer the conduction of regular elections, which do take place, but it is to reach a sustainable, high quality democracy. Some countries have an increasing weight on the international level, and the need has been mentioned to focus on interlocutors; at the same time it is true that there are some Latin American countries with extra-regional aspirations. One observes a maturity in the region that manifests itself in different forums and regional integration initiatives, with their proper uncertainties but which is really a new development. When the First Ibero-American Summit took place in 1991, this was the only forum of political concertation that existed at that time in Latin America; the other forum was the Summit of the Americas within the framework of the OAS that was held in an irregular way and without Cuba. Therefore, I believe that this came to fill a gap. Today Ibero-American leaders speak of an inflation of summits and of a certain exhaustion. The proliferation of fora for integration and concertation is a positive sign that accounts for the political maturity of Iberoamerica. The different initiatives have to be organized and, if possible, complemented, avoiding overlapping. But in the end it is evident that this maturity is realized within increasingly interesting exercises of regional integration and political concertation. Furthermore, this will evidently bring about that non-traditional actors are increasingly attracted to the region, like it happens in the Asian countries – we heard a representative from the Chinese Academy speaking about their interest –, Africa and the Middle East; the next summit to be held in Peru with the Arab countries has also been

* Pablo Gómez de Olea is General Director for Ibero-America at the Spanish Secretary of State for International Cooperation and Ibero-America.

mentioned. Recently a summit with African countries that was to be held in Equatorial Guinea was suspended, but Latin America is really increasingly reaffirming itself as an international global actor.

This is from the political point of view, but on the economic side there has been significant progress. Latin America has shown a better performance facing the international financial crisis in 2008, and although it is true that there has been a deceleration, numbers are infinitely better than those in Europe. The region is an attractive spot for foreign investment and there is an increasing transfer of trade and entrepreneurial attention from the European to the Pacific area. And with regard to the social aspect, significant goals have been achieved in fight against poverty. About 75 million Latin American citizens overcame poverty between 2000 and 2010, while at the same time the middle classes have grown. Although it is true that endemic levels of poverty and bad income distribution still exist, there has been a fundamental shift, which in my opinion is due to three factors: a growth partly provoked by the foreign sector, a relatively better qualification of the labour force, and policies that are comparatively successful in the fight against poverty. As has been mentioned before, the tax burden is a real problem. Compared to Europe, we are talking about 35% of the average of the OECD countries in comparison to 11% or 12% in some Latin American countries.

In conclusion, Latin America faces new challenges. Not the traditional ones from the 1990s, we are dealing now with problems that have an impact not on formal democracy, but on certain aspects of the quality of democracy; they do not have an impact on the consolidation of political regimes, because they are already fully consolidated, but on the indifference among the citizens with regard to those regimes. I refer to the findings of the *Latinobarómetro* about the indifference within the civil society towards political ideas or regimes. The challenge is not poverty reduction but to reduce inequality and to integrate more citizens or the poor population into consumption and qualified jobs. Likewise, there is no problem about macroeconomic stability – this has been achieved –, the problem is the insufficient, unproductive, and low competitive growth.

So here we have a path to follow and a series of challenges: strengthen and increase democracy and governability quality, diminish poverty levels and inequalities, combine and consolidate diverse reforms that will ensure social inclusion and less inequity, and bring back expectations to the citizens regarding the democratic performance of representative institutions. Thus, the current fundamental challenges derive from the economic and financial crisis, from institutional changes with new organisms being created and reaffirmations of the political weight of Latin American countries, and all this must lead us to make use the potential that lies within the relations between the two regions and to think about those issues which are most attractive or of greater common interest from the Santiago Summit on.

In the first instance we have to insist on the fact that we are still sharing values and principles more than other regions. Sometimes we forget that together we have a greater capacity to face the effects of the economic and financial crisis. From an institutional viewpoint – and this was said by MEP José Ignacio Salafranca this morning – the creation of CELAC means that for the first time all thirty six countries of Latin America and the Caribbean will be present at a concerted forum. On the other hand, the Lisbon Treaty brought the novelty of the European External Action Service, which is an institutional innovation that may have a great potential for our dialogue. We have talked about the need of equality

between both regions; we cannot keep on working the same way or on the same issues. Obviously, development cooperation cannot be dealt with in the same way. There are many countries in the region that are interested in more innovative issues regarding technology and science transfers, professional training; but this does not mean that we must forget the importance of cooperation relations between Europe and Latin America. There is a debate within the European Union about cooperation in reference to middle-income countries, where significant sectors of underdevelopment still remain. In this sense Spain will intercede in order for the European Union to stick to those cooperation mechanisms. The benefits granted by the generalized system of preferences will end soon, and if this comes together with a reduction of cooperation funds, I believe that the political message, which the European Union is launching in view of the Santiago Summit, is not the best. In the discussion that is being held in Brussels about development cooperation, Spain therefore defends the inclusion of at least three Andean countries: Colombia, Peru and Ecuador; precisely in order to avoid a political message that would be erroneous. Therefore, we must be creative. We have to look for elements, actions, and conclusions from the summit that will enhance the potential of our relations. Which are the issues that really interest us? I believe that investments, infrastructure and higher education. But there are other issues on which we can work more and better, global issues like the protection and promotion of human rights, or efficient multilateralism. This morning we spoke about climate change and the possibility of working together in Haiti and coincidentally today in Madrid there has been a meeting of Ibero-American ministers on Internal Affairs and Security. We believe that this is a pending task in bi-regional relations.

We therefore have to seek practical results. Referring to investments, why don't we propose a Euro-Latin American rating agency, for example, or a bi-regional arbitration system in investment conflicts. There are different ideas, which we can develop, and I think it is interesting to advance on this. Spain has presented a concrete initiative during the last meeting of top officials on 6 July in Santiago de Chile, in order to launch a protocol for the summit on good practices and to avoid femicide. This is a concrete aspect but I believe that precisely these things can have real incidence for the individual citizen.

We have spoken about the representatives of civil society, and I believe this is another crucial issue that we should tackle if we want our bi-regional relations to become real. I think there is a potential; I think that we can definitely identify representatives of the civil society who can make concrete contributions. The participation of enterprises within the bi-regional relations must be improved; I think that there are several opportunities and that we can start to create interesting initiatives of entrepreneurial triangulation, of relations between enterprises from both regions to start working together.

Finally, the next Ibero-American Summit will take place on 16 and 17 November under the title: 'A renewed relationship on the bicentenary of the Cádiz Constitution', because we want to stress the significance of the Cádiz Constitution as a basis of the emancipating constitutions, and because we believe that the Cádiz Constitution caused the movement which allowed Latin America to gain principles of liberal democracy, respect for human rights, and which marked the political evolution in Latin America. This morning, Ambassador Ricardo Luna made a brilliant statement on how a consciousness of the Latin American region is being gained. I think that Ibero-American Summits also contribute to develop that kind of regional consciousness. The Summit in Cádiz will have four central topics: economic growth at the service of citizenship; the development of infrastructure in the areas of transport,

telecommunication, energy and water; the promotion of SMEs as driving forces of growth and job generators; and the institutional strengthening to favour social cohesion. All those on the basis of a transversal axis that is important to all of us, especially to Spain but also to Latin America, which is the creation of jobs, taking advantage of the big importance of our common languages and cultures.

I will finish with saying that there is a common interest between the Ibero-American agenda and the agenda of the European Union and Latin America; for example on education, more precisely on the knowledge society, information technologies and communications, SMEs, and other issues such as higher education. I believe the experiences of both regions can lead to a mutual benefit. I therefore believe that there is a huge potential; we have a new reality in Latin America which can be used in those fields in which we traditionally used to work, with an enormous economic potential, with a new political potential, and with broad margins for professionals exchange, a greater approximation of our educational systems, and, overall, a potential for tackling together the great challenges on the international agenda, from climate change, security problems, fight against drugs and many more.

Thank you.

Civil Society in Europe and Latin America – a Horizontal Relation in Favour of Good Governance

Alejandro Salas*

Good afternoon and many thanks again for the invitation to the EU-LAC Foundation, to GIGA, and of course to the sponsors CAF and the City of Hamburg.

What I would like to do – and I will be brief – is to add some points to the issues that have been mentioned yesterday and this morning during the panels; to talk about opportunities and challenges, especially for civil society, and in particular for the field of good governance, the field in which Transparency International works.

I will briefly explain what Transparency International actually is: It is a network of civil society organisations present in nearly one hundred countries; so we are not an organisation with headquarters in Germany, but with a Secretariat in Berlin that coordinates the network. And why? Because at first sight coercion seems to be a phenomenon that is quite similar everywhere. If you are in Bangladesh, Ecuador, Nigeria, or Finland, paying a bribe is paying a bribe, giving a job to a cousin or friend without justification would be the same. However, the solution to this problem varies a lot. So, it must be well studied, as it is a very political issue and one has to understand the national context. For this reason, instead of being a centralized organisation with offices worldwide, we are an association which is constituted by organisations from civil society, like Proética in Peru, which is the Peruvian chapter, Participación Ciudadana in the Dominican Republic, Poder Ciudadano in Argentina, etc. The chapters are the ones who perform the task of corruption prevention in their countries. The Secretariat in Germany has a knowledge management function and to give support on global and international issues, as for example, dialogues with the United Nations, the Organization of American States or the European Union, among others.

This is simplifying, but I wanted to mention it, because Transparency International as it was conceived is precisely a platform which enables interaction between civil society, in this case worldwide, but in particular during the last years a very strong bond has developed between our associates in Latin America and in Europe, that is probably where a higher level of capacity building of these civil society organisations exists. In a few moments I will give you some concrete examples, which will allow to draw a conclusion or final recommendation for the future, and also to define the roles of the EU-LAC Foundation and of GIGA German Institut of Global and Area Studies, and of course of the upcoming Santiago Summit.

I have to recognize that since yesterday evening as well as today there has been a lot of talk about economic, trade and financial issues, which are obviously fundamental and very important, and also

* Alejandro Salas is Director for the Americas at Transparency International.

constitute a guideline and a leading role in the relations between both regions. What has also been mentioned, but not delved into sufficiently, are some deficiencies and other pending issues. From my point of view, since the end of the 1980s and beginning of the 1990s, as a consequence of the fall of the Berlin Wall, there is a very strong emphasis on economic globalisation, integration of Latin American economies in international markets, and on democracy primarily understood as an electoral process, as voting, citizen's capacity for voting and participating in elections. I believe that a deepening of this last point, democracy, is one of the widest fields of possible interaction, openness and mutual learning for Latin American and European civil societies. I am referring to living democracy beyond the election day, to live it in the citizen's daily lives.

It is fundamental that Latin American citizens experience democratic institutions, which took so many decades and efforts to build. I am referring to effective division of powers, the balance between parliaments, the judiciary, the executive as well as the autonomy of tax authority and treasury, etc. I am referring to the institutional democratic network, in which to a greater or lesser extent there are significant discrepancies within Latin America; in this sense great advances have been achieved in countries like Chile and Uruguay, while in other countries like Venezuela and Nicaragua there are greater deficits or limitations. From my point of view, this is a crucial field that complements with the economic, trading, financial, and trade integration issues that we have been discussing during these days.

And now I will pick up a topic that has been mentioned by Tomás Duplá del Moral this morning, which seemed quite interesting to me because it refers to Latin America's current perspective of looking towards the Pacific, with an increasing trade with Asia, but with the Atlantic dimension still being present. And in a rather diplomatic way he said that the Atlantic perspective should be taken fully into account even if the amount of investment is small. It seems to me that the added value that accompanies the European investment, although smaller in quantities of money, is the dimension of values. Democratic vocation, which is also part of the relation with Europe, is important and adds a value that, although not quantifiable in money, must still be considered with the appropriate attention. Those words from Tomás Duplá del Moral deeply impressed me and it seems to me that they paved the way for what I would like to suggest, which are four very specific dimensions, in which can be achieved greater interaction and complementation between the work of the European and Latin American civil societies.

The first dimension is about civil societies in Latin America and the Caribbean looking towards Europe. The educational issue, which is very important, has already been mentioned by some of my colleagues; what has also been mentioned is the theme of learning more about managing institutions, the police. This is an urgent issue in Latin America, except for some honourable and exceptional cases like Chile and Uruguay. As a Mexican each time I see a policeman I start trembling, which is totally absurd. On the contrary, when I see a policeman in Germany or in Sweden, I feel safe and I know that they are government employees ready to serve and give protection. I therefore believe that this is a field in which Latin America may observe and interact much more with Europe, in order to learn, absorb and adapt.

On the other hand, there is also the inverse equation. Many panellists have spoken about an increasingly equal relation, less paternalistic and less dependent. I remember that three or four years ago the

Ortega y Gasset Foundation and Transparency International of Spain invited a representative of each Latin American country, from Mexico to Chile, from organisations that fight against corruption. They presented their lectures to a public that was basically from Spain, and this was fascinating because, in Latin America, the necessity of so many years to fight against corruption, to promote transparency and good governance, had produced a very strong and significant expertise, which in some way was not present in Spain. Therefore, carrying these experiences to Spain was revealing and instructive regarding the instruments for strengthening rules for tenders and hiring systems, strengthening accountability in local governments, and – very important in this particular case – improving the access to public information, because such a law had ceased to exist in Spain, while Mexico and Chile were pioneers in Latin America as innovators of access to public information. This would be a second element.

The third element is the process of mutual learning. I saw this clearly when Chile was in process of entering into the OECD. They were very interested in dialoguing with those countries that had recently entered or were in the process of entering to the European Union. So we tried to create bridges with Chile and later Colombia with Poland, the Czech Republic, etc., which was a very interesting moment of mutual learning.

And finally, another dimension of this task could be where civil societies of both regions join for a common issue of global or bi-regional character. A classic example could be illegal trafficking, for example wood trafficking, which includes producer countries, transit countries and the final consumer located in Europe. In these cases civil societies could ally, the task in Latin America being to claim regulations and create pressure in order to control illegal wood exploitation, while organisations in Europe would have to create lobbies in order to establish stricter controls on the types of wood that are being purchased in Europe. The same could be applied to drugs, human trafficking and any other type of illegal trafficking between both continents.

These are the four dimensions I wanted to refer to, emphasising that the knowledge flow has to go in both directions. I would like to suggest that a part of the efforts made by the EU-LAC Foundation and GIGA could consist in offering open spaces and dialogue platforms for civil societies of both regions. This is a unique opportunity, especially for the civil society that believes, wants and likes to work with the governments and with actors from the private sector in a constructive dialogue. These spaces must not be wasted especially because civil society in Latin America has matured and grown far, also due to the fact that in many occasions it had to substitute or support functions that some of the weaker states could not provide, and thus there is a great technological and knowledge capacity that should not be left out of the formal governmental processes.

Thank you.

Promoting Investment and the Euro-Latin American/Caribbean Area of Higher Education

Carlos Quenan*

Since this is the last and the fullest panel, I will try to be as brief as possible because many topics have already been mentioned here. Besides, there are a lot of contributions that could be topics of further discussions if we leave some time for the debate. Therefore, I will omit the jokes that are usually made at the beginning, but I will not leave out my thanks to the EU-LAC Foundation, to GIGA German Institut of Global and Area Studies, to the city of Hamburg, to CAF, and of course, I have to say that we are very pleased at the Institut des Amériques about the strategic partnership we have with the EU-LAC Foundation. In this sense, I would like to forward the regards from our president, Jean-Michel Blanquer, who unfortunately could not attend this important conference.

I will add some observations on two topics already mentioned here. On the one hand, the global approach that, from my point of view, should dominate this reflection on the new grounds of the bi-regional relationship, which are new grounds not for a faraway future, but that must be promoted and articulated within the preparation process of the Santiago Summit. On the other hand, I would like to go back to two concrete issues: investments and education, two central issues within the priorities of the bi-regional agenda.

Regarding to the global approach of the bi-regional relations, everybody here has stated that the bi-regional relations and the world have changed significantly since the first Summit in Rio de Janeiro in 1999. There are new themes and new actors, new agenda elements and new power relations, and at the same time all this is related to the global economic crisis, which has also been mentioned before and quite prominently since one of the main dimensions of this global crisis is the European crisis, as we all know.

I think that in the discussion regarding the new grounds for the development of the bi-regional relations, in the context of substantial changes and the crisis, it is important to distinguish the situational from the structural. That is, to identify those factors that are permanent and solid supports for the progress of the bi-regional relations, and, on the other hand, those more situational elements, as for example perceptions that are strongly influenced by the immediate. In this sense, we have to distance ourselves from perceptions and observations that, basing upon the situation, insist on, for example: 'Europe is in a very bad shape, Latin America is doing very fine; this is the century or decade of Latin America', etc. We have to be careful, because this could lead us to erroneous conclusions – and in the case of Latin America, to a self-satisfactory view – and at the same time we have to keep on focusing on the key structural characteristics, which evolve more slowly.

* Carlos Quenan is Vice-President of International Relations at the Institut des Amériques and Professor at the Institut des Hautes Etudes de l'Amérique latine at Sorbonne, Paris.

Therefore, with regard to Latin America, it is important to remember that this is a region of mainly middle-income countries that have progressed a lot in different aspects, for example in reducing financial vulnerability. But, as we all know, it is also a region which has great inequality problems, rooted but improvable democracies with significant debilities (menaced in several cases by mafias and drug trafficking) – tendencies that are common to rentier economies, which in many countries are in conflict with the dynamics of product diversification. Europe, on the other hand, consists mainly of high-income countries, and shows the highest levels of progress concerning human well-being and cohesion of society – even though there seems to be a regression recently. In spite of the symptoms of decline that some are remarking, there is no doubt that Europe is a power in the fields of science and technology. This has to be remembered when thinking about what to emphasize in bi-regional relations. Also, it should be considered that the effects of the crisis are not necessarily or exclusively negative since they encourage the development of a more symmetric and balanced relation between both regions. Finally, it is important to notice that there are block-to-block dynamics, but at the same time a kind of bi-lateralisation of the interregional relations has developed. Therefore, the bi-regional relations must be thought of as a relation of variable geometry with actors playing on several stages and which could really carry out not only bilateral relations with Europe, but also multilateral relations or relations with third actors. Brazil stands out in this aspect because, as it was mentioned before, it is an increasingly global actor.

In this context there are two issues that are important and, if we adopt a more “structural” approach to bi-regional relations, which are pillars that necessarily need to be strengthened: investment and education.

In a study I carried out together with a colleague we analysed the flows of the bi-regional economic and cooperation relations.¹ We found that currently and in a near future, there are three types of flows that will not have a great dynamism: firstly, trade, since Europe is a low growth area that will import less, and it is very difficult to imagine a radical change at least in the medium term of three or four years; secondly, remittances; and thirdly, cooperation, that is, official development cooperation. This does not mean that these issues should be abandoned. Indeed, we have to develop new approaches to these issues, and, for example, there is much work to be done in the area of cooperation. We have to end the phase of paternalism and oversimplification, and figure out how, in a context of scarce resources, we could promote cooperation projects that are interesting and relevant for middle-income countries. This is a challenge that goes beyond the millennium goals.

Investment is, however, a dynamic flow, and in this area the structural and the situational are connected. The situational, because we all know that for Europe and many European enterprises, investments in areas of larger growth as Latin America has acted as a counterbalance during the last years against

¹ Ch. Ghymers and C. Quenan, “La crisis en la Zona Euro, su impacto en el proceso de integración europeo y en las relaciones birregionales entre América Latina y el Caribe y la Unión Europea. Líneas de acción desde la perspectiva latinoamericana y caribeña”, document presented at the XXXVIII Reunion of the Latin American Council of SELA, Caracas, 19 October 2012.

the receding activities in Europe. To this we must add a fundamental structural dimension: the fact that from the point of view of the interest which Latin America has for European foreign direct investment, there are several things that are fundamental: biodiversity, natural resources, internal market, etc. From the Latin American perspective, it is also important to count with an increasing European presence, since, as a forthcoming study by ECLAC points out, Europe is a very interesting region due to the importance it concedes to the environmental issue. For example, Europe is the leading region in the world regarding environmental patents registration. So, the aim is to better direct this flow that is already dynamic, and which will probably keep on being dynamic during the next years, even more so if we consider the fact that Latin America is an increasingly important actor with respect to FDIs. The role of the *multilatinas* has to be promoted, and also the one of the SMEs of both regions, so that they can join these dynamics when suitable frames have been created.

Regarding the educational issue, both regions are confronted with the global challenge of education for a society of knowledge. There is already a call for the first bi-regional Academic Summit in Santiago de Chile, which takes place on 22 and 23 January, 2013. This encounter that will take place within the frame of the next EU-LAC Summit of Heads of State may allow both regions to improve their answers to some specific challenges, as the challenge of quality education in a globalised world. The Latin American and Caribbean region must strengthen the formation of human resources and Europe may increase its participation in this process, in mutually beneficial dynamics. The countries in the region must resolutely support the Academic Summit so it can become a decisive step into a new cooperation period in terms of higher education. This new period points towards the strengthening of a EU-LAC space of academic and higher education that will develop common targets and basic curricula, facilitate the mobility of students and professors, and contribute to promote innovation and development in the field of science and technology.

Through these topics that are related to structural and permanent aspects of the bonds between both regions, it will be possible to advance, even in this time of uncertainty and difficulties, towards the construction of new and more solid grounds of the bi-regional relation.

The Future of the Relations between the European Union and Latin America and the Caribbean: Three Premises and Four Proposals for the Debate

José Antonio Sanahuja*

Over three decades, the continuity of its main goals has marked the relations between the European Union (EU) and Latin America and the Caribbean in issues such as peace, democracy, human rights and the rule of law, sustainable development and the fight against poverty, as well as the strengthening of multilateralism. At the same time, they have attempted to adapt to the changing challenges of the global context and to the significant changes experienced by each region during those decades.

Looking backwards, the results of the relations have been substantial in their three main areas: political dialogue, development cooperation, and economic relations, particularly regarding trade and investment issues. However, on the eve of the Santiago de Chile Summit in 2013, in a context of crisis and rapid changes of the international stage, a reconsideration as well as a new debate on the future of these relations seem necessary, and especially on their relevance, rationality and goals. This presentation aims to contribute to this reflection starting from three premises, which refer to those changing elements, and four proposals regarding the meaning, scope and purpose of the bi-regional relations in the near future.

First premise: the rebalancing of the relations between the EU and Latin America and the Caribbean.

Firstly, we must accept that there has been a significant rebalancing of the relations between both regions. Although this does not remove them entirely, it does diminish traditional asymmetries – of power, wealth and with regard to mutual expectations and perceptions – on which this relation was built. This rebalancing is a manifestation of broader processes of change within the power structures of the international system, affecting the sources, the nature and the patterns of power-sharing in the international system.

On one hand, we see the EU weakened by the crisis, the most serious one since its formation. Beyond the problems of the eurozone, this crisis is challenging the union's most significant economic, political, and social dimensions and demands a broad redefinition of its institutional structure. This crisis calls into question the European integration as a cosmopolitan model of transnational governance, which goes beyond the nation-state and the traditional Westphalian concept of sovereignty. It weakens its attractiveness as a model that combines economic efficiency and social cohesion. And it makes less credible its assertions of becoming a truly global actor based on values, as a "civil power" or a "normative power". To a big extent, these processes lead to an increasing irrelevance of the EU as an inter-

* José Antonio Sanahuja is a researcher at the Complutense Institute of International Studies (ICEI) and Professor of International Relations at the Complutense University in Madrid.

national actor, which is to a great extent a self-inflicted problem caused by its internal dynamics and inability to confront efficiently its own problems.

This crisis has visible effects in Latin America, where traditionally many policymakers and social actors perceived the EU as a “progressive actor” pushing for political and social change. Today, in a clear contrast, there are some actors, even governments, which within their own discourse of self-legitimation gain visible political benefits by presenting the EU as a “neoliberal” actor against the region’s interests and its processes of change.

In a clear contrast with the EU, we observe an ascending Latin America in which, as a result of an increasing internal differentiation, there are countries pushing for a regional and global leadership. This is a Latin America that is more stable, more prosperous, more assertive and more confident of its own capabilities and assets. Despite the crisis, the region has maintained a strong economic growth, supported by the export bonanza to Asia and internal demand growth, in societies where the middle class is expanding, and poverty and inequality are being reduced. Displaying positive results in external accounts and sound fiscal balances, the most immediate economic problems are, in part, the typical ones of expansionary cycles, as the overheating of the economy or an overflow of external capital. This stronger self-assurance is also visible in foreign policy, with a more autonomous and assertive performance as well as the creation and consolidation of regional organizations such as Unasur or CELAC.

Those changes modify the expectations and evaluation of the bi-regional relations on both sides: during several years, Latin America and the Caribbean saw in the EU a political model and a tangible support in tackling their agendas of peace building, democratization and development. However, due to the crisis the role of the EU as a model of integration, social market economy and social cohesion seems to become blurred. In short, the EU is no longer seen as a source of solutions, but instead turns to be the origin and cause of problems, such as the possible contagion of the economic recession and of financial turbulences. The EU also seems to be less relevant for diversifying foreign relations, compared to the opportunities that could be perceived – and that materialize – in the rise of Asia and in particular of China. This country seems to be a less demanding actor than the EU in the political realm and at the same time it seems to offer a bigger economic potential. But Latin America is not the only one looking more towards Asia. The EU is also gradually putting more attention towards that region, while considering Latin America and the Caribbean as less relevant, less promising and less attractive than they seemed to be during the 1990s, because the EU’s high expectations for that region were not satisfied.

Second premise: the end of the interregionalist cycle of the relations.

Interregionalism is an analytical model, but also a political strategy. Since the mid 1990s, the relations between the EU and Latin America and the Caribbean were shaped by an interregional strategy drafted by the Commission and the Council, under the leadership of the former Vice-President of the European Commission in charge of the relations with Latin America, Manuel Marín, and the German Presidency of the Council.

On the eve of the Santiago de Chile Summit it should be recognized that the cycle of interregionalism as a strategy is exhausted, to a great extent because its main objectives have been achieved. In particular, the interregional political dialogue has been fully institutionalized, and, above all, a “network” of association agreements has materialized, including free trade agreements, which had been proposed as main and long-term goals of the strategy. This strategy was based on the “cartography” of Latin American regionalism and on the redefinition of European regionalism from the mid 1990s; and at least during one and a half decades has defined a relationship model to be achieved, while providing a narrative, a story and ambitious, long-term, and strategic goals for the bi-regional relations. As has been stated, the purpose was to create a network of association agreements that, although it started with a more limited proposal – agreements with Mexico, Chile and Mercosur – was afterwards broadened, not without resistance from the EU, to the Andean Community of Nations (CAN) and the Central American countries.

The fact that interregionalism as a strategy is exhausted and that its main goals accomplished from a medium and long-term perspective, does not mean that this cycle has arrived at its total conclusion, because it is an unfinished model. Firstly, the network of association agreements must be completed. As long as this goal is not formally rejected, the EU-Mercosur negotiation keeps pending, which, with Venezuela’s inclusion into this group, enters a new and more complex phase, without having surpassed the obstacles that, regarding trade, agricultural and other issues, inhibited the conclusion of the agreement. In the medium term, the inclusion of Ecuador or Bolivia into the “Multiparts Agreement”, already signed with Peru and Colombia, must not be ruled out. Finally, the association of the EU with Cuba must be tackled within the framework of the EU-Caribbean relations, once circumstances allow so.

Moreover, the signing of association agreements involves opportunities and challenges of considerable dimensions. Firstly, with regard to political dialogue and cooperation, it must involve both governmental actors and civil society. Secondly, with regard to trade and investments, new cooperation mechanisms are indispensable, in order to carry out complementary or side policies regarding competitiveness, market access, tackling of asymmetries and dealing with adjustment costs, all of them adapted to their development needs as middle income countries.

In any case this agenda is related, without diminishing its significance, to the goals of the past and not to the challenges of the future of the bi-regional relations and the new demands of the international context, and it is necessary to find a new story or narrative, and a new strategic horizon for the relations. Whether the agreement with Mercosur is signed or not, interregionalism as a strategy and as a goal can no longer be used as a long term strategy. This is not because bilateralism represents a viable alternative. In fact, neither the one nor the other could respond adequately to the changing cartography and strategies of integration and of the new regionalisms in the region, nor could they respond adequately to the current priorities of the European Union.

Third premise: properly understanding the role of theoretical apriorisms.

The debate on rationality, motivations and goals of the relations between the EU and Latin America and the Caribbean is only a concrete expression of the broader debate on the why, who and how of international relations, cooperation and foreign policy. This paper does not pretend to enter into this debate,

but we must remember that political realism insists on the fact that cooperation – whose possibilities are considered beforehand very limited – corresponds essentially to the search for a balance of power within a hierarchical international structure. Critical theory also questions cooperation, understanding that it essentially conceals dependency relations resulting from the expansion of capitalism at a transnational scale. On the contrary, institutionalism and other *rational choice* based theories consider that cooperation through institutions and common rules represent a rational preference or choice in order to satisfy interests in a more efficient way by reducing transaction costs. Finally, social-constructivism emphasizes, as the main explanatory variable of cooperation, the ideas and inter-subjective meanings and in particular shared values and identities.

It is relevant that those theoretic frames constitute not only or even mainly the *explanans* but the *explanandum*; rather than explaining the relations of cooperation or their absence, they explain the behaviour of the actors that participate in these relations insofar as they shape their perceptions, expectations and social practices. In other words, they form and orientate the actors and their agency-role in constructing the relations between the European Union and Latin America and the Caribbean *ex ante*, and might also be *ex post* discursive arguments of legitimation of those relations. In a moment of crisis and changes within the international system and the subsequent repositioning of its actors, the relevance of these theoretic issues is not exclusively nor even mainly academic, but political: to accept certain theoretic apriorisms as facts, and not recognize them as socially and politically constructed, may have significant consequences – in favour or against – with respect to the redefinition of the rationality, direction, scope and goals of the bi-regional dialogue and of the cooperation relations which both parts might build.

Starting on these premises, which would be then the grounds, the rationality and the functions of the bi-regional relations today? This question, on which the continuity, scope and relevance of these relations will obviously depend, admits four answers or proposals, all of them interrelated, and which are based on the theoretic assumptions mentioned before.

The first proposal suggests an association based on identity and shared values. The second suggestion refers to a bi-regional partnership, which responds to the demands of cooperation and common action for the governance of globalisation and the management of global risks. The third one proposes a partnership that confronts the challenges posed by socioeconomic development and improvement of the international position of both regions in the fast and intense process of relocation of wealth and economic power, or *shifting wealth* towards Asia. Finally, the fourth proposal refers to a bi-regional partnership that promotes an advanced thematic cooperation in areas of common interests. In the following sections, each of these proposals will be briefly explained, tackling their potential, limits and problems.

First proposal: a bi-regional partnership based on shared values and identities.

Summit after summit, bi-regional relations have explicitly stated their adhesion to a set of values rooted in the Western tradition as well as in Latin American and European history and identity, based among others on democracy and human rights, the rule of law, social cohesion, multilateralism, peace, and international cooperation. Those values are, in sum, the same ones as of liberal internationalism, but

with Latin America and European additions. Together with the bi-regional political dialogue, they are specifically expressed in the constituent treaties and in the practice of the organisations of both sides, namely the EU through the Lisbon Treaty, or Unasur and CELAC.

In an international context with emerging actors who do not always share these values, and with an increasing “post-Western” feature, the conformation and identity of the bi-regional strategic partnership as a community based on Western values, represent particular characteristics of its identity and political practice, and could also be a source of legitimacy and international influence. This is particularly relevant in view of the current redefinition of principles, rules and institutions on which the international order will rest upon in the future.

To base this relation on an identity and values does, however, bring up an unavoidable question: identity is always defined in relation to the “other”, to otherness and alterity regarding the bi-regional community of values. On occasions, it has been argued that the bi-regional relations only make sense in an “Atlantic triangle” including the United States, since it is also part of “the West” and since the values underpinning the bi-regional relations are also the same that United States promotes with regard to non-Western actors and worldviews. Therefore, this would be its natural destination.

However, the historical and current relations between EU and Latin America and the Caribbean seem to indicate that, at least in part, the United States actually represented the otherness that would justify the very existence and functioning of the bi-regional partnership. It is not because the bi-regional partnership has been confronting the United States. However, this partnership has been an alternative way of understanding what the West is, and what its international role should be. The bi-regional relations, and especially the EU before its Latin American counterpart, wanted to represent an alternative to the United States by offering a socio-economic model considered to be different from the neoliberal model of the United States. Or, in terms of *Realpolitik*, they offered an option to diversify foreign relations and market access and thus to gain international autonomy through an obvious diversification strategy. At this point, one can remember that the bi-regional relations were born, at least on the European side, as a strategic reply to the President Reagan’s war strategy in Central America in the eighties, and to the ALCA free trade project in the nineties.

Peter Hakim has pointed out that the relations between the EU and Latin America and the Caribbean, on one side, and the hemispheric relations with the United States on the other side, are increasingly alike and present a certain degree of convergence. This may be true with regard to free trade – in fact, the need to ensure compatibility of free trade agreements with WTO regulations leaves a small margin for differences – or regarding migration issues, taking into account the incidence of this issue on electoral processes both in the EU and the United States. However, in other aspects these actors still use very different approaches, as for example, regarding dealing with illicit drugs.

The key question is whether this role of a third discording actor on which to build an identity based on differentiated values, is going to be assumed by a non-Western actor such as China or another Asian country. Professor Jiang Shixue, for example, considers the possibility of a triangular relationship, harmonious and mutually benefitting China, the EU, and Latin America and the Caribbean. Maybe

this could become true in economic, trade and investments issues. However, in the area of political dialogue it maybe will not be possible.

If shared values will continue to be one of the bases of bi-regional relations as they have been in the past, they can no longer be taken for granted. To (re)build the strategic bi-regional partnership as a community of values requires something more than its generic invocation for a number of reasons. Firstly, democratic values and the very concept of democracy, regional integration, or the balance between state, market, and society, are issues currently under debate in both regions. Secondly, the complex and sometimes contradictory relationship between interests and values underpinning foreign policies and international alignments on both sides is changing in order to adapt to a world in evolution. Thirdly, because many of the shared values on which the bi-regional relations were built during the past decades are fully spent, in the sense that they are already part of the mainstream political trends assumed by the majority of the international community, and they no longer hold a distinctive value. For all these reasons, a renewed dialogue as well as a permanent updating effort is needed in those areas where the EU and Latin America and the Caribbean could make a difference, and the bi-regional relations can go beyond the goals that have already been accomplished. In all this, civil society must play a key role, and hopefully the EU-LAC Foundation may animate this renewed and broadened political dialogue.

Second proposal: a partnership for the governance of globalisation.

It must be emphasized that this has been an explicit goal of the bi-regional relations, which relevance seems greater in a world that beyond its apparent multipolar nature is increasingly interdependent and transnational. Both regions have repeatedly expressed their will to use interregional relations and interregionalism as a cooperation mechanism to create the rules, institutions and international regimes which the regulation and governance of globalisation would depend on, through a more efficient multilateralism; to improve the provision of global public goods, face negative externalities – or “public bads” – and to improve the management of global risks, generated by increasingly interdependent dynamics and by transnational processes that affect states, societies and markets in both regions.

The experience of more than a decade of bi-regional summits and a bi-regional strategic partnership shows that these objectives are not easy to achieve. There are different points of view regarding the multilateral agenda on both sides: on Security Council reform, on disarmament and arms control, on the international finance architecture, on international crisis management, or on the “Responsibility to Protect” or “*while protecting*”, just to mention some examples of recent debates. There are difficulties arising from the preference of some countries for acting unilaterally rather than the coordination of positions in their respective regional groupings. Foreign policy and common security of the EU do not always achieve concerted actions from the member states, and we know that for example CELAC and Unasur, which are very effective coordination platforms with regard to their own regional issues, are less effective regarding global issues. There does not exist an “ABM Group”, because Argentina, Brazil and Mexico, the Latin American countries in the G20, do not even agree on their positions among each other in this group, and even less with other Latin American countries. With regard to global macroeconomic problems, crisis management, or the global “currency war”, these countries hold very different

positions, due to their very different export structure. A key issue such as the exchange rate of the Chinese yuan/reminbi is not perceived in the same way by Mexico, Argentina or Brazil. Thus, coordination of positions on the bi-regional level probably requires a greater effort within each of the regions first.

However, these difficulties should not devalue the bi-regional partnership potential for a more coordinated and effective performance, starting from processes such as the strengthening of the European External Action Service established with the Lisbon Treaty, the rise and greater global projection of Latin America through Unasur and ECLAC, and the presence of both parties in the G20. In this framework, an institutionalized political dialogue keeps on being relevant as a common space for socialization and learning, which generates confidence and common points of view regarding the future of the international system.

Third proposal: a partnership for development and the improvement of the international position to face global economic changes.

It has repeatedly been pointed out that one of the main processes of change in the international system is the accelerated shift of economic power towards Asia and therefore the rapid entrance of one and a half billion people to the global labour force in a few years. This is a process that implies deep changes in the export patterns and the economic linkages with other countries; a process that raises significant challenges on international competitiveness and decisively affects employment and the social protection systems, and necessarily requires a great effort of repositioning for both regions.

In this attempt to improve the international position of both the EU and Latin America and the Caribbean, the bi-regional partnership plays an important role. Although for Latin America the EU may be a relatively declining market if compared to the quick rise of Asia, it is still the second most important Latin American export destination, due to its scale, high income per capita and its potential for export diversification. It is also the main source of FDI, in particular in sectors associated to advanced technologies and with a big export potential. As to cooperation, the role of the EU is unique with regard to higher education as well as R&D and Innovation policies, which the region needs to improve its competitiveness in the long term. For the EU, the rise of Latin America and the Caribbean, compared to the stagnation of the European economy, is turning the region into an attractive market and investments destination, particularly for European SMEs that, in view of the recession, have to speed up their internationalization process. The *multilatinas* also have a growing potential in their internationalization in Europe. Finally, beyond the bi-regional economic links, there is a significant potential for economic triangulation with Asia – as it has already happened with the market of the United States – particularly through those countries that have already signed association agreements with the EU as part of *hub and spoke* strategies.

There are indeed risks that must not be ignored. If the agenda starts to be dominated by the economic interests described above, there is – at least in the EU – an evident increase of policies supporting the expansion of corporations abroad in a neo-Colbertist tendency, driving the member States to act individually instead of acting as a part of the EU. It is a competitive trend between governments that acts like a dividing force for the bi-regional relations and their assumptions of collective action, which would

even be dysfunctional with regard to this dynamic. An additional risk consists in giving priority to economic agendas and interests instead to the democratic values that have characterized the bi-regional relations so far. This would suppose a drift of the bi-regional relations towards a pattern or model that is already known and that the EU maintains with some Asian countries; as for example the relations that the EU keeps with China, where significant trading and investment links already exist... but few or none questions about democracy or human rights. Is this the type of relation that the EU would like to have with Latin America and the Caribbean?

Fourth proposal: a partnership for an advanced thematic cooperation with middle-income countries.

There are many areas in which bi-regional relations offer a great potential for cooperation according to the specific demands of middle income countries (MIC), a cooperation characterized by its flexibility to adapt to different national realities, and at the same time encompassing the significant *acquis* achieved by both regions in cooperation and development aid issues. One could briefly mention the cooperation challenges of the economic and social agenda raised by the association agreements with regard to competitiveness policies, through technology transfer, the adoption of standards and norms and the improvement of infrastructure and productivity; social cohesion policies; support to regionalism and regional integration and their new dimensions, through the improvement of interconnectivity and investment in infrastructure; cooperation in the realm of science and technology, establishing the common space of knowledge and of higher education; environment and climate change, through renewable energies, energy efficiency, and mitigation and adaptation policies facing climate change. Some of these cooperation areas relate to the broader agenda of the governance of globalisation mentioned before, because they demand joint action facing transnational dynamics that affect governability, security, and the wellbeing of the societies in both regions, such as drug trafficking, transnational organized crime or international migration. Nevertheless, this thematic cooperation agenda, based on functional logics, also entails a risk. For this cooperation agenda, the summits of heads of State and Government might not be necessary; gatherings of senior officials or other technical mechanisms would be enough, which would cause the loss of the significance and relevance of the bi-regional political dialogue.

The bi-regional dialogue and cooperation are of utmost importance to define international development goals once the time-frame of the Millennium Development Goals (MDG) ends in 2015. The “post-MDG” development agenda brings significant dilemmas to both regions. Two significant positions are foreseeable in this debate. One, which could be named “MDG *redux*”, can be described as a new, corrected and increased edition of the MDGs, or as a fresh twist of the goals of fighting extreme poverty. It is based to a great extent on development aid, which in this agenda would take a central role, and it is clearly focused on extreme poverty, and consequently, on sub-Saharan Africa and Southern Asia, centred on the basic needs of the poorest and on other related issues such as access to drinking water, immunization, or the fight against communicable diseases.

This is undoubtedly a crucial agenda that is imperative to deal with because of elemental considerations of human dignity. But it is important to emphasize that an agenda of fighting extreme poverty is not an agenda of global development, as it leaves Latin America and other MICs out of reach and

relocates the traditional priorities of the EU on sub-Saharan Africa, putting development cooperation towards and with Latin America in different, to a great extent separated, stages or areas.

The second position in this debate, which could be called “a global association for development”, includes the former agenda, but it is placed within broader global development goals. This agenda, guided to a great extent by the results of the High Level Forum at Busan, South Korea in December 2011, centres its attention on development policies that also covers international macroeconomic and financial cooperation, trade rules, improved regulation of migration and remittances, technology transfer, global and regional public goods provision, or global environment protection. In this broadened agenda, development aid, which in any case will tend to diminish, is going to be less significant and more concentrated on the poorest countries and greater emphasis is placed on other policy areas more relevant both for the poorest countries as for the development of MICs. This is an agenda in which Latin America and its growing South-South cooperation have more at stake and might contribute more significantly. Within this agenda the possibilities of dialogue and cooperation with the EU are much bigger, not only because of the possibilities offered by the recently born “triangular cooperation” involving both regions.

Probably, the eclectic approach underneath these four proposals for cooperation and dialogue between the EU and Latin America and the Caribbean can satisfy realists, institutionalists and social-constructivists, but beyond the theoretical proposals on which they may be based, they can also provide a strong political rationality for renewed bi-regional relations. Although it is true that there is “fatigue” of the relations between the EU and Latin America and the Caribbean, it is still a necessary and appealing relationship. At the beginning of this seminar, Detlef Nolte used the metaphor of a couple that throughout its relationship has the inevitable ups and downs, encounters and ruptures. Continuing on this same image, we could say that the relations between the EU and Latin America and the Caribbean, as corresponding to a mature relationship, are relations that after the most passionate period of the romance – maybe the falling in love of the 1980s? – have to be nourished and maintained through constant communication, co-responsibility, confidence and mutual respect and above all, autonomy of the parties in order to avoid an unhealthy dependency relationship. In sum, as every lasting relationship, this one also needs compromise, good will and the mutual belief that staying together is the best choice.

DEBATE AND CONCLUSIONS

Debate*

Bert Hoffmann, GIGA Institute of Latin American Studies

Welcome everyone to today's last panel. I am Bert Hoffmann, currently Director of the GIGA Institute of Latin American Studies, and for us it has been an enormous privilege to co-host this seminar. In the name of the GIGA I would like to thank you all for coming, some of you from far away, and for sharing your preoccupations, reflections and proposals about the relations between the European Union and Latin America and the Caribbean with us. Before I continue, I would like to point out that unfortunately some people we had invited could not follow our invitation due to other obligations. One of our guests, who had to cancel her participation at the last minute, is Alicia Bárcena, Secretary General of ECLAC, one of the strategic partners of the EU-LAC Foundation; she has sent her greetings with the best wishes for today's seminar. María Emma Mejía from Unasur and Lorena Ruano from CIDE Mexico neither could participate for the same reason, and these absences have somehow contributed to the gender imbalance that some of you may have noticed, and that we ourselves admit as self-criticism, but which due to a variety of reasons has not been in our hands.

We have had an intense day with many expert discussions on the issue that brought us together today. We did not only have fantastic panels but also a fantastic audience and therefore we are not going to give further presentations but open the debate to all of you. Afterwards, Ambassador Valdez will draw some conclusions from today's seminar.

As summarising this day in few words is quite impossible, I would just like to point out one issue that seemed very interesting to me. We have widely discussed an agenda of common interests and shared values between both regions. However we have not talked (or at least too little) about conflicts or disagreements that also exist. I believe that this should also be part of a mature and sustainable relationship: to be able to, in the future, speak openly, deal with things directly and learn how to manage arising conflicts. Maybe we have to elaborate formats of crisis management among the countries on both sides, and pay attention to lessons learned from other crises, because conflicts are something natural that emerge between the fifty and more countries concerned, and if there are no conflicts yet, they will come up sooner or later. I think these are issues that can be anticipated and we have to learn how to deal with them, although they might seem a little trickier than other topics. I hereby open the debate.

Carlos Alzugaray, Cuba

Good afternoon. I want to repeat the acknowledgements to the EU-LAC Foundation, to GIGA and to CAF for making this meeting possible. This morning several panellists have said that we should use our imagination, and I will again use José Ignacio Salafranca's metaphor of the bi-regional relation that

* The following pages correspond to selected contributions from the closing debate of the seminar. The entire discussions are available on video on the website of the EU-LAC Foundation: www.eulacfoundation.org.

reminds him of a couple. My association, which is somewhat pessimistic, is that when a couple enters into a crisis, generally one of the partners tells the other: "Use your imagination, make me fall in love again!" Maybe we are in a moment like this. However, I believe that what has been expressed here is a kind of optimistic and imaginative realism, obviously thanks to the EU-LAC Foundation, the GIGA and CAF, an effort of reflection has been made that should bear fruits because it raises awareness within a group of actors about the problems the relationship is facing.

In 1999 and also in 1992, when the first Ibero-American summits took place, there was a slight worry about us facing a unipolar world, in which the unipole – the United States – was not going to be capable of managing things adequately and that something had to be done in order to remodel the international system that evidently had lost its strategic bipolarity characteristic from the era of the Cold War. Of course, this is not the situation we are facing today, but still it is slightly worrying. "No one's world" by Charles Kupchan, recently published in the United States, reflects this American "if it is not ours, it is nobody's" attitude. Well, I think that this world belongs to everybody, and therefore we must build governance systems; problems will not be solved unilaterally. Rut Diamint insisted on the necessity of cooperation and I believe that in this world it is increasingly urgent to promote cooperation regarding any problem.

I also do believe that Latin America needs a united Europe and that Europe needs a united Latin America. The process, which Latin America is going through nowadays, is represented by CELAC. Despite the objections we might have against the organisation, it still reflects a political reality initiated by the Mexican government, probably not the best actor for promoting such issues as CELAC, but it has been joined and fostered by Brazil. I do believe that we have entered a new phase of the bi-regional relation, despite the existence of an "alphabet soup": Unasur, ALBA, SICA, Caricom, etc. I am convinced that we have to keep on thinking about the bi-regional relation, using our imagination and with a sense of realistic optimism. Thank you.

Benita Ferrero-Waldner, EU-LAC Foundation

I think that at the beginning of this new bi-regional relation we made a mistake: we thought about Latin America as a homogeneous continent, which it has never been. I believe that it is perhaps due to this reason that we have been somewhat mutually deceived. It was Stephan Sberro, who has said that the Vienna Summit had already been a stagnant summit, and since I had dedicated a lot of work on this, I was a little bit irritated. But it is true that at this summit it became clear that there were three or more Latin Americas, a fact that we do realize today.

Next, I would like to repeat what Joselo García Belaúnde has already said, namely that we have to be pragmatic. Imagination is always important, but we have to work in a pragmatic way, that is, on concrete issues and in specific sectors in which a mutual interest does exist.

Lastly, I would like to point out that there is a new interest in Latin America, and this is fantastic. It is a good time for the EU-LAC Foundation, even though we are struggling with financially difficult times

because of the crisis. Why is it a good time? On the one side, our Chinese colleague has spoken about a possible triangular cooperation. I have just arrived from a Transatlantic Council in Washington where a possible triangular cooperation has also been discussed. There is a new interest in Latin America that benefits us all, and this is fantastic. I especially want to congratulate the Executive Director Jorge Valdez and his staff for this excellent day. Thank you very much.

Christian Ghymers, IRELAC

I would like to join the congratulations to the EU-LAC Foundation and to all the sponsors that made this seminar possible, which seems very significant to me. And as our Cuban colleague made a call for imagination, I will permit myself to make a couple of suggestions.

I strongly believe in the strategic partnership of these sixty-one countries, which is fundamental for our future and the future of the world. The EU-LAC Foundation is a positive and pragmatic innovation. The ideal world for the Foundation would be one in which it would receive a mandate from the summit, under which it could act as a catalytic agent and be able to go wherever is needed and express propositions, whether to governments, regional institutions or others. I am not saying that the Foundation should solve everything, but that it should act as a sort of mosquito that flies around and bites everyone to remind them that we are in a historical moment of pragmatic possibilities. This could include, for example, going to CEPAL, Caricom, or CELAC with concrete ideas and suggestions. This would mean to join the idea of a think tank with the transmission, translation, implementation of concrete issues. We know the problems, and in some cases we also know the solutions. The problem is the implementation. The ideal world for the Foundation would be the one in which it obtains a mandate in this sense. Thank you very much.

Tomás Dueñas Leiva, Costa Rican Ambassador to the EU

I would like to make a comment on an issue that has not been mentioned before. Even in the current critical situation, Europe still holds an important value for Latin America: intellectual property has not been lost in the crisis, nor has the historical capability of recovery that the member states hold, nor their history, nor their experience. For us in Central America, the Association Agreement initiates a new phase that we hope will increasingly europeanise us. We would like to benefit from both the good and bad experiences the European Union made, in order to help us strengthening the institutional structure that represents Central America – called SICA – and the institutional structures, which represent the Caribbean. I am convinced that strong institutions that represent our region would strengthen us. Thank you.

Mario Pezzini, OECD Development Centre

I would like to share my very pragmatic and concrete experience. At the OECD we receive daily visits from countries, not only from Latin America, who have exactly the same question as the one that was mentioned by the Ambassador of Costa Rica, that is, how to make a policy. We need to enter into a discussion on policies in order to conceptualize how to establish them and how to implement them. It

is a complicated issue and I do not believe that the G20 is an adequate stage to perform this. Firstly, because its agenda is too brisk and thus time for consultation is very short, and secondly, because it does not enter into details when it comes to actually making policies. I think that we have to create a new tool, because today what many politicians do is just to visit four countries – usually Finland, South Korea, Germany and some other country – to get information about their innovation policy. However, I am convinced that we are able to find a better solution for this kind of problem. I would like to meet with the innovation policy directors from Finland, Germany, Canada and South Korea and sit together with them at the same table because this is where very useful contradictions could arise.

It would be fantastic if the EU-LAC Foundation could contribute in this field, but it could also catalyse already existing energies, because SEGIB as well as the OECD are already working on this. The crucial difference between a summit and what I am suggesting here is that in this last case a programme is set up, in which a group of people, more or less always the same persons according to a defined list, meet twice a year with a working programme and an agenda. It seems to me that this type of tool does not exist yet and that it would be very necessary. Thank you.

Marc Litvine, European Commission

Good afternoon and thanks to the organisers. I am Marc Litvine from the European Commission and until fifteen days ago I was in charge of the cooperation with the Central American countries. I would like to point out that we do help SICA, that we do have a dialogue at lower levels than high political levels, where we discuss the integration issue and the type of integration that Central America wants. We do not pretend to impose any model, even less our own model, which still has its pros and cons. We are also aware of the fact that Latin America is not homogeneous. Our cooperation policies with Latin America cannot be homogenous with a Latin America that is not homogenous itself. Europe is not homogenous either and the effects of the crisis vary from one country to another. Neither of us is homogeneous, but we do have something in common, and we can talk about our common issues. I do defend cooperation because I believe that we actually do much more than what is discussed at the summits, and maybe common people are in fact interested in what we do. That is why we need better publicity. We have to recognize that much has been done already; maybe it is just necessary to spread the word about it. Thank you very much.

José Antonio García Belaúnde, former Foreign Minister, Peru

I would like to further develop what I have already tried to explain earlier this afternoon. As I have been working for some while on issues of integration, I am quite experienced in this topic, especially regarding the Andean Community. We initiated an integration process 'by the book', such as the European Union wanted it to be, integration with a free trade area, a customs union and a common market. We have never gotten any further than the free trade area, we have never achieved a customs union; Mercosur is equipped with a customs union that is way too imperfect, way too porous to be called like this. So we reached the conclusion that it is not possible to achieve integration by copying experiences, but that we have to create our own. One thing that has not been mentioned here, for example, is that Unasur does not have an economic and trading component and I think it was clever to recognize the

advantages to work on physical infrastructure issues. With reference to development cooperation, it is clear that Latin America is starting to represent a middle-income status, but still it is not homogenous. In the 1970s the EU started its cooperation agreements with technical assistance. This may already seem somewhat out of time, but maybe we should consider coming back to technical assistance in the case of specific areas in some of the countries within the region, in order to support their work on projects that otherwise they could not manage. They do have the financial means; the problem is the lack of technical know-how.

Therefore, I believe that both on integration and cooperation issues we have to reconsider what we have been doing so far and what we could actually do instead. This bi-regional relation has to adapt to the time, and the time is telling us that we have to work on more pragmatic issues. Although they may seem less ambitious, they are still significant. Thank you.

Stephan Sberro, ITAM Mexico

Besides the quality of all the presentations in this seminar, I am really surprised about one novelty of these last presentations and interventions. I have tried to mention this very cautiously this morning, but later José Antonio Sanahuja as well as Benita Ferrero-Waldner and several of the other speakers said it more clearly: I am talking about the abandoning of interregionalism, the abandoning of the ambition we had ever since the beginning and which was 'by the book', an ambition that the Europeans did not want to abandon. If interregionalism does not work between Latin America and the EU, it means that regionalism is a theory that cannot be applied, and clearly is not the only solution. This does not mean that it should be ruled out or disappear, but that there should be more flexibility and perhaps less expectations than we had.

I would like to mention two examples referring to this. First, I conducted several interviews with the Secretary of Foreign Affairs in Mexico regarding their opinion about the summit and my provocative questions were, firstly, concerning the competition with Brazil and secondly, concerning Mexico's purpose for having all these summits. We are close to the realization of a global free trade agreement, we have achieved a well-functioning cooperation, a sound political partnership – because there is no deep disagreement between Mexico and the European Union, on the contrary to what happens with other Latin American countries. Besides this we have a strategic partnership agreement with an executive plan that is also being applied very precisely and that is advancing. The answers were all very clear about the fact that for Mexico it is very significant to be present at these summits. There are many advantages, which I will not enumerate now, but for the Secretary of Foreign Relations from Mexico, besides these very complete agreements, it is important to be together with the other Latin American countries not only out of common interests, but also because Mexican interests are better defended in a summit with sixty heads of state than in a bilateral summit. So there is this first idea that interregionalism is not the only possible way, because Mexico bets on bilateralism. Still interregionalism is useful if one is flexible enough not to bet on one single method.

Secondly, if we complain about the difficult relations between the European Union and Latin America, we should compare them with other regional relations in the world. If we draw that comparison, we see

that relations between the EU and Latin America are quite good. If we consider, for example, this other hopeful case of interregionalism, as is the relation between the EU and Asia, ASEM, these summits are not really ambitious and nothing truly significant happens. In fact, ASEM gathers all the heads of state, there are constant bilateral meetings and in the end everyone is very satisfied and convinced that the ASEM summit was a great success. If the same happens with Latin America in a more intense way and even with joined results, it is considered as an average success. I have gladly noted this increased flexibility in many speakers here, even in someone that in her prior position had to defend 'the book' and interregionalism.

José Antonio Sanahuja, Complutense University, Madrid

Thank you. I want to further elaborate on what Stephan Sberro has mentioned. During the last years, we have had intense discussions regarding bilateralism versus interregionalism, and I think that by now we reached the healthy conclusion that this was a false dilemma. We have to remember that often when we describe a reality, what we are actually doing is to construct it. It is often said that interregionalism does not work, when actually they do not want it to work, because it would guide social practices, among these foreign policy. There were many actors that wanted to kill interregionalism before it could even develop its full potential.

I would like to mention a fundamental issue which has to be remembered, although it may seem obvious: Interregionalism depends on the existence of regions, and therefore it depends on regions that concert positions and that want to locate their foreign policy, or at least certain segments of it, within that regional frame. We have tried, for example, to reach an agreement with the Andean Community, but it could not be concluded. After many discussions we opted for the bilateral way. We will probably be able to integrate one other country to the Multipart Agreement, for example Ecuador. I think that it was worth a trial to stick to this framework until the end and when it proved to be impossible, to seek other options.

Stephan Sberro mentioned a very interesting issue: the relative benefit that a country like Mexico may obtain within a bilateral framework of a strategic partnership or within the interregional framework. Let us think about an issue that is important for Mexico: drug trafficking. We could talk about it bilaterally, but wouldn't it be convenient to invite the Central American countries to participate in this dialogue? It could even be enlarged by including the United States. It would not be a bad idea to discuss this issue within this triangular relation; among other things because the guns circulating in Mexico are in many cases bought legally in weapon stores in the United States and no US Government wants to confront the National Rifle Association because it will make them lose the elections. So, these are issues in which the bilateral framework is neither the adequate nor the only structure that we can implement. We need more ample frameworks because the problem is of transnational nature, and in this sense we need to combine different dialogue instances in order to be efficient.

Thank you.

Wolf Grabendorff, Friedrich Ebert Foundation, Quito

One thing is obvious: the larger a region, the more diverse its opinions. Within a region with so many different opinions, the existence of common interests is impossible, unless they are common interests at a higher, even global level, like for example human rights or democracy. But which is the specific element of the common interests within the bi-regional relation? I think that it is more beneficial to work within entities in which it is possible to reach a minimum consensus. This seems to be easier in South America, despite the different development models, than to achieve an internal consensus in Latin America. This is another lesson that we need to learn: we cannot expect to have common interests in a region that is so different, not only different to us but also different among itself. I believe that this cannot work, and this is why hopes on both sides have been disappointed.

I want to bring up another aspect that has not been mentioned, which is political culture. Political culture in Latin America is a presidential culture; it is not a culture of small committees where public officials manage topics, and this implies that summits have to do more with the need for projection of a presidential regime than with the search for an interregional consensus. Even the Latin American presidents speak about presidential diplomacy, which is really problematic for the foreign ministers, because obviously presidents want to have voice and vote.

José Antonio García Belaúnde, former Foreign Minister, Peru

I would like to clarify what Wolf Grabendorff said. It is evident that when there are issues that are of utmost importance to a country, then the so-called “presidential diplomacy” is practised – in which I do not believe, by the way. Unless we are talking about messianic leaders that sometimes can be found in Latin America, usually things are managed within in the ministries; I can speak of my country and of several others that I know. The region has also learned how to institutionalize. Thank you.

Jorge Valdez, EU-LAC Foundation

Thank you very much. First and foremost, I would like to thank you all, panellists and participants; I believe that both for GIGA and for the EU-LAC Foundation it has been very satisfying that all of you made the effort to be with us in this event.

This seminar has been very revealing for us in many aspects. Firstly, it has become evident that there is a deep interest in the bilateral relations. I think that the level of attendance we had, not only regarding the quantity of people but also the quality of those who participated and contributed, has made very clear that there exists an interest and that this is an issue which has not at all disappeared from everybody’s minds, despite the fact that Latin America is not in the neighbourhood of the European Union, that it is not a crisis and conflict area or a region characterized by fulfilling the Millennium Goals. Therefore it does not appear on the radar of first priority, but it has not completely disappeared from scene.

There has been a recurring talk about the end of interregionalism, about the commitment of the EU to integration and sometimes it is held that this compromise has ended. I do not think so; I rather be-

lieve in what has been called pragmatism, bilateralism or a flexible approach that allows adjustments and to advance together on those topics in which convergence exists and to advance by groups on others. We are observing the building of conducts and patterns from the basis that can finally lead to strengthen processes of true integration. Unlike what we had so far, which were supporting processes through institutional mechanisms, namely top-down processes, the idea now is to try and promote bottom-up processes.

One of the constant and permanent elements of the relation with the European Union, the factor of integration, is not a factor that has disappeared but which is, on the contrary, very present, although with a different dynamic, a different perspective and with an approach directed towards obtaining results. I think that we have to keep on working on the same issues, aiming for integration but from a different perspective or with a different procedure.

Another element that I would like to highlight is that during all our discussions there has been a big absence: the Caribbean. The Caribbean is part of this bi-regional partnership. On the one hand, this can be an omission from our part, we do not have anybody present in the panels from the Caribbean – I am referring to the Anglophone Caribbean. The Anglophone Caribbean is part of this partnership but its reality often does not coincide with the rest of Latin America. Our characterization concerning economic growth in Latin America is not necessarily valid for the entire Caribbean area. The Dominican Republic is the only country in the region that has maintained growth rates during the years of crisis. All the others suffer decreasing rates and their problems are the same or even more serious than those that might exist in countries within the European Union, with the difference that they do not appear in the news and thus we are not aware of them. Their situation is exceptionally severe, which obliges us all to consider, also within the framework of this relationship, the need of a differentiated agenda not specifically directed towards the Caribbean, but which seeks to create conditions for the Caribbean to fully integrate with total normality in the bi-regional relationship.

Although all the presentations have been very rich in content and it would be difficult to synthetize them I would like to seize those four proposals mentioned by José Antonio Sanahuja in his presentation. First proposal: I think he clearly states that the values on which the bi-regional partnership was built are still valid, but that they need an update, they need reflection and a permanent refreshing because the context has changed from its very basis. Latin America is not what it was, nor is the European Union the same European Union of fifteen states that it was in 1999; today there are twenty-seven and soon there will be twenty-eight member states. All this had an impact on the manifestations and perceptions of these values, and I think it is an element that requires a sustained reflection and comprehension on how it was made, because those values are actually a valuable pillar on which this relation should continue to be imagined and built.

Secondly, José Antonio Sanahuja suggested using global governance as an agglutinating element and I fully agree on this. However, we must start from the premise that this includes the development of a common global vision between both regions, and this is an element that has been absent throughout the entire process. Perhaps this has been an absent element because we started from the premise that we could reach this in a universal manner, which will be impossible. There are areas in which both re-

gions can easily find convergences; for example, there has been a high degree of convergence regarding climate change. These are the fields that should define the political dialogue between both regions because this is where we can find degrees of convergence, but we also have to be aware that not all of us will always be present; rather there always will be different constellations. But hopefully in most of the cases we will all be together. Therefore, this is not about a universal agenda trying to enclose all the topics, but about identifying those aspects in which both regions can converge, and about letting these aspects be the ones that serve as an agenda for our political dialogue. Otherwise the dialogue will fall into this ritual formalism of repetition each time it takes place, but the results will be scarce.

Thirdly, José Antonio Sanahuja spoke about an association for development, and I believe this is a key issue. All the presentations from this morning – the one by German Ríos, by Mario Pezzini and the other ones in the panel – all coincided in the existence of an agenda of issues that we need to tackle. I fully agree that the biggest challenge for Latin America is productivity. Social and economic indicators might change with the economic cycles, even indicators on income distribution change, but indicators on productivity are the only ones who do not. And the productivity gap is even larger in the case of SMEs. This is an aspect of utmost importance, because the challenge for both regions is, eventually, the creation of jobs. We have to find a solution to this dilemma, because this is where a large complementarity between both regions arises: although on the one side there is productive capacity and resources, on the other side there is technology and innovative capacity. We have to try and break this persisting relation of client and provider, of regarding the other party as a potential market, and start thinking about what we can produce together in order to reach third markets in the most efficient and competitive way.

Lastly, an association for thematic cooperation was mentioned. Laurence Whitehead brought up a challenge speaking about the case of Haiti. Could we do something efficient in solving Haiti's essential problems, which up to this moment have not found a solution yet despite of many efforts? Along with the case of Haiti we also have to talk about the small insular states of the Eastern Caribbean whose situation is severe. There was a hurricane in Grenada, which eliminated the amount of four years of its GDP and we cannot ignore this. We have to consider the great vulnerability of these states and it is in situations like these where we can prove our efficiency.

I would like to talk about how we perceive all this from within the EU-LAC Foundation. I think these four topics must inspire the Foundation's work. The Foundation is only starting its labour, in fact this is the first event in which we directly participate, in association with GIGA, and it has been a very rewarding experience.

The EU-LAC Foundation is starting to walk in four pragmatic directions: the first one is related to opening a space for reflection about all these topics we have been discussing and about other issues of interest for the bi-regional relation and where a debate must be generated and promoted. I would like to reply to some of the comments which have been made this morning, for example Tomás Duplá who mentioned that one task for the Foundation should be to link civil societies, or the call issued by Alejandro Salas. Yes indeed, this is one of our tasks, to open this process so that civil society with its different forms of organisation may find ways to articulate and to relate with this bi-regional process,

and to stop it being a purely inter-governmental process. It is true that it will continue to be a governmental process, but we have to seek its nourishment from perspectives and visions that emerge out of diverse social sectors.

Our second task is to become a network of networks. There is a pattern of activities between both regions of which we are not aware of because it is too dense. Only in Germany there are about fifty events every year related to the relations with Latin America. If we look at the sixty countries in this partnership, we will find that the density is pretty much the same. A lot is being done and a lot is happening, but we have to stimulate the creation of links between all this. I do believe that the linking capacity that we offer can generate and contribute considerable value to the whole process. Thus, our task is to be a network of networks in the most effective manner. This is not about asking the networks to accommodate to our agenda; they do what they have to do. Our task is to consider, based on their activity, which additional benefit could be obtained by linking or inserting it within the overall activity.

Our third important field of work is related to the economic dimension of the relation. This is not only about spreading opportunities that are opened by the advancing trading regimes, but also in contributing to opening spaces so that they might emerge everywhere, but above all we have to work on the agenda with relation to the improvement of productivity in SMEs. I am very pleased about our strategic partnership with the Lombardy region that has wide experiences relating to SMEs, and also about future collaboration possibilities with the OECD Centre for Development, with ECLAC, and with many more institutions.

The fourth aspect that is evidently part of our responsibility, of our task and goals, is to grant visibility to the bi-regional relations. In this sense the level of attendance, participation and interest we witnessed today, is encouraging and inspiring for us because it provides us the certainty that working with you and through you all we shall accomplish this goal.

I would like to express very special thanks to CAF for supporting us in a very significant manner. Benita Ferrero-Waldner mentioned it yesterday during the inauguration: the contribution of CAF has been decisive, and the commitment, both from its president Enrique García and from Germán Jaramillo, who has been the Director of the European Office until some days ago, has been decisive in order to carry out this event. My acknowledgements also go to GIGA and to the City of Hamburg for the collaboration, and to all of you for your interest and your attendance.

Thank you very much.

Beyond “EU-LAC relations”

Bert Hoffmann*

Why another book on Europe-Latin American relations? Why another conference? Haven't we read, haven't we heard it all before? Well, not quite. Many contributions in this volume reflect on how much the world was a different place when in 1999 heads of state gathered for the first EU-LAC summit in Rio de Janeiro. If today we hear “financial crisis”, we think of Greece, Portugal or the Eurozone as a whole, not of Argentina's default or Latin America's “lost decade”. Economic growth is on the LAC rather than the EU side of the Atlantic. And Latin American supra-national arrangements from Unasur to CELAC have emerged as new actors in international politics, whereas the word “EU” to many rings more like “crisis” than “promise”.

Participants of the conference have sought to shape the contours of EU-LAC relations in the second decade of the 21st century, to address common goals and shared interests, and hopefully to chart viable courses for future action. Indeed, the upcoming agenda is challenging. If for decades Europe had seen itself as the more successful, more democratic, more this and more that, on the Latin American and Caribbean side this not seldomly was perceived as arrogance. Now, with an economic boom in South America and stagnation or worse in much of Europe, at times temptation is high to repay this with attitudes of condescendence and some dose of *schadenfreude*.

However, one conclusion from the contributions in this volume is that we may have to raise a note of caution when we speak of “EU-LAC” relations. This is not merely to repeat the old truths about the social and cultural diversity that lies behind these regional labels, as much in Europe as in Latin America. The bigger problem is the hyphen in “EU-LAC” that neatly puts the “EU” on one side, and “LAC” on the other, as if they were two separate and in themselves cohesive entities.

In the current processes of growth and crisis this is ever less the case. Most of the Caribbean island states don't share any of the commodity-driven boom of the South American nations but have instead suffered from the implications of the financial crisis in North America and Europe, reducing tourism as well as financial and business operations. While Brazil's political leaders rejoice as global players, Brazilian companies are strong investors in Africa and Asia, and a rising middle class is driving up consumption levels, much of Central America remains dependent on migrant remittances and donor money.

If South and Central America are drifting apart, the picture in Europe is even more drastic. Three decades ago the ascension of Greece, Spain and Portugal began a path that considerably narrowed the economic gap between the Mediterranean countries and those in Northern and Central Europe. The recent financial crisis seems bound to revert much of these accomplishments. The political fallout of the Euro crisis is endangering not only the common currency, but also the very fundamentals of European integration – and certainly the idealistic vision of consistently moving towards an “ever closer union”.

* Bert Hoffmann, a political scientist, is Acting Director of the GIGA Institute of Latin American Studies in Hamburg.

When in 2004 the European Union promoted “social cohesion” as a leitmotif in EU-LAC relations, most had in mind that Latin America figured as the world’s most unequal continent – and that by contrast, Europe could take pride in being the cradle of the modern social welfare state. Less than a decade later Latin America is the only world region in which the GINI coefficient measuring the distribution of wealth is improving, while in considerable parts of Europe unemployment and poverty have skyrocketed and financial pressures are doing away with state-run social provisions at high speed.

So for one there is a trend of convergence between both regions as a result of the rise of South America and the relative decline of Europe. This goes parallel to increasing divergence within the regions. Taken together, both these trends undermine a perspective on bi-regional relations whose dominant paradigm has been that of the hyphen: that is, linking two partners, the EU on one side, and LAC on the other. (The popular metaphors of Europe and Latin America as bride and groom or as an aged couple only underscore this approach.) The underlying assumption is the relative community of interests of each of the two.

In the past, the LAC side certainly was less emphatic in its embrace of such an approach. Many countries rather prioritized their individual relations with EU countries over inter-regionalist approaches. The EU, however, tended to see inter-regionalism as the superior mode of relations, looking at integration schemes such as the Mercosur as hopeful homologue institutions, seeking negotiations from one trade bloc to the other. It was only when EU- Mercosur negotiations remained inconclusive, that the EU began to flank these with more country-focused approaches as the EU-Brazil strategic partnership launched in 2007. Nevertheless, the EU’s ideal remained that of “speaking with one voice” in foreign policy and it continued to invest much effort in this.

There is some analogy with the ambitious project of a common currency, introduced despite heterogeneous economic structures, uneven fiscal conditions and different economic and social policy provisions in the Eurozone countries. Also in politics, the one-voice approach has a price to it when such forceful homogenization of articulation is built on top of not so homogenous interests. The EU’s “common position” – the first of its kind – on Cuba exemplifies the pitfalls. In a specific context in 1996 all EU member states agreed on a policy statement putting human rights and the goal of transition to a pluralist democracy high up on the agenda in relations with Cuba. Not only has Havana expectedly rejected this as interventionist, but the “common position” also became a contentious issue among EU member states. The corset proved resilient: More than one and a half decades later, the common position is still in place. Its practical relevance, however, has been eroded. The EU’s more dialogue-oriented member states, unable to undo or change the common position, turned to emphasize their individual bilateral relations with Havana over those in the EU context. The initial idea of an “ever closer union”, in which promoting common policy statements would take integration to a higher level, eventually ended up in an ambivalent situation where the stepped-up common rhetoric became an incentive for members to by-pass the common EU framework and “go it alone”.

Zooming up this miniature example, it is arguable that the uncertain profile of the European Union’s High Representative for Foreign Affairs and Security Policy has less to do with leadership than with the ambivalent base on which common EU foreign policy is built. In a situation where Athens and Berlin,

Rome, Paris and Warszawa are at odds about the fundamental issues of the European economies – and where Britain is hotly debating its very membership in the EU –: how much priority should it have to speak with one voice on how best to advance human rights in a Caribbean island of 11 million people (or any similar issue)?

But beyond the question of priorities, the issue of divergence of interests within each of the two regions pops up. To take the Assange case: It is unclear why all EU states should side with the British position, nor why all Latin American ones should align with Ecuador's. More structurally, when speaking of social cohesion and the policy imperatives derived from it, Europe's Mediterranean countries might find better allies in Latin America than in Germany, Belgium or Finland. In turn, for taking a stance on the protection of media liberties in Venezuela or Nicaragua, many in the EU could find Chile or Costa Rica more convincing partners than a Berlusconi or an Orbán government.

Of course, the EU should not throw the baby out with the bath water. Much has been achieved at the level of coordinated EU foreign policy that remains valuable and valid, and there evidently are key norms, values and positions the EU should continue to stand for as a whole. However, caution might be advised against over-stretching the homogenization of foreign policy if the basis on which it is built, is increasingly less homogenous. In such a situation, less can be more. Broadening the umbrella to accommodate for diversity can serve the common cause better than seeking unanimity.

Europe and Latin America and the Caribbean have much in common, for all the historical, demographic, cultural, economic, and political reasons many of the contributions in this volume have underscored. However, they also have conflicts. To resolve or manage these conflicts, it is often not helpful to conceive of the EU and LAC as unitary actors, as this tends to pit them more into two camps than they actually are. The hyphen in EU-LAC relations is a connection, but also a separation. It links both regions, but it also puts the EU on one side, and LAC on the other. For some issues, this is adequate. However, convergence between the two regions and increasing divergence within them means that for others it is not. It would be a sign of maturity in their relations, if "EU-LAC" eventually was read not as a hyphenated link between two regions, but as a mere shorthand for a flexible, variable geometry of mutually beneficial interaction between the various states and societies in Europe and in Latin America and the Caribbean.

EU-LAC Foundation 2012