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EUROPE'S RELATIONS WITH LATIN AMERICA: TOWARDS A BIREGIONAL AGENDA FOR THE TWENTY-FIRST CENTURY

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INTRODUCTION

The Rio summit, coinciding as it does with the end of the millennium, offers a special opportunity not only to reflect on the evolution of European-Latin American relations in recent decades, but also to speculate on the relationship's possible future. At the end of the 1990s, it is evident that much has happened in both Europe and Latin America that would have been barely conceivable at the beginning of the 1980s. Beyond 2000, as the international system continues in flux, it can be assumed that much will happen in both regions that is barely conceivable now. The elaboration of projections is therefore to be undertaken with caution, and with an awareness that neither stark pessimism nor bland optimism are likely to be constructive contributions to a discussion of future biregional relations.

The dangers inherent in discussing the future are taken very much into account in this paper. So too is the risk of distortion attendant on a review of broad themes in "Latin America" or in "Europe" without making national or sub-regional distinctions. The following might therefore be read more as an identification of certain trends in regional and biregional development than as an attempt at outright prediction. However, taking past and present trends into account, some general and specific scenarios can be posited regarding those issues of the biregional agenda that seem to demand frank and realistic discussion. That is the aim of this paper. It represents part of IRELA's contribution to the debate on European-Latin American relations, their determinants and possible future. The paper rests on several premises:

- Changes in the international system during the past decade, and the momentum of the European integration process, oblige the EU to strive to establish itself as a single, coherent, political actor on the world stage.
- The strategies that the EU adopts to pursue that goal, in terms of both its international political partnerships and its foreign economic policy, will be pivotal in determining the future of what used to be called the West, and therefore in shaping the international system.
- The EU and Latin America constitute the bulk of the West, and the ways in which they work *together* will therefore help decide the role of each of them on the international stage.
- For more than two decades, European-Latin American relations have been nourished by a particular discourse that has stressed the two regions' unique cultural affinities and common values. This has been a valid approach, but it might be insufficient to sustain a solid partnership in the new global context of the twenty-first century.
- In that context, there is some danger that the political capital accruing to Europe – as a result of the EU's political and aid-related engagement with Latin America – might be offset by a failure to begin making corresponding commitments in the commercial sphere.
- If the political dimension of biregional relations is balanced by more innovative trade strategies, the two regions can find common cause in building a real biregional agenda for the twenty-first century.

In exploring these premises, this paper is divided into three sections. The first addresses the political dimension of European-Latin American relations, the nature of European political interests in Latin America and the main policy determinants. The second examines biregional economic relations and the future of EU-Latin America commercial links. Finally, the third section makes some recommendations on a biregional agenda for action in the early years of the next century.

I. THE POLITICAL DIMENSION

A Global Role for Europe

When the Cold War ended a decade ago, the European Community (EC) automatically acquired unsought but substantial responsibilities that could not be ignored. In political terms, victory in Europe for the western view of liberal democracy suggested that in future the EC would have less cause for concern about perceived excesses in superpower security policy. On the other hand, if such excesses did recur, the collapse of one of the superpowers posed the danger that there would be fewer constraints on the excesses of the other. In economic terms, the victory of western capitalism raised the prospect of greater global well-being. On the other hand, for many in Europe, it prompted the risk of perceived excesses in "Anglo-Saxon" neo-liberalism. The apparent victory of the West highlighted the fact that the West itself was not monolithic in its international interests and outlook, and that a new international system dominated excessively by the wishes and policies of one hegemon might not, over the long term, be in Europe's best interest. Hence the end of the Cold War, which seemed to mark an irreversible victory for the West, simultaneously raised the stakes in the process of determining what kind of West, and therefore what kind of world, there would be.

Additionally, the end of the Cold War coincided with developments of historical significance in Western Europe. The "Eurosclerosis" and "Europessimism" that characterized much of the 1980s was dissipating by the later years of the decade. By 1987, a complex series of amendments to the Treaty of Rome were embodied in the Single European Act (SEA), the most important element of which was a commitment to create a single European market by 1993. The SEA signalled a fundamental change in the international standing of the EC. In setting a target for the completion of a single market, and in laying the foundations for economic and monetary union, it suggested that in future the Community would be very different from what it had been in the past, with potentially far-reaching consequences for its place in the international system and for its international partners. In 1992, with the Maastricht Treaty, the EC evolved again into the EU.

Furthermore, the fundamental shifts in the international system during the past decade have highlighted a series of trends that were already developing before the end of the Cold War, but which were constrained by the persistence of that confrontation. Taken together, those trends are often referred to as "globalization". In general terms, the phenomenon concerns the spread of economic activities at a global level, and the political and cultural adjustments which accompany that expansion. The economic activities themselves relate to the freer movement of goods, capital, services, people, skills, and knowledge across geographic borders. Fostered by

rapid technological change, and characterized by a dilution of the control of national governments, globalization assumed ideological connotations. Some observers welcomed it as offering opportunities to be exploited; others have seen it as a force to be resisted since it might have grave social and political consequences; still others accept it as inevitable, but are concerned that there should be some counter-balancing forces to avert globalization's potentially harmful effects.

The changes in the international system during the past decade, therefore, and the momentum of the European integration process, virtually oblige the EU to strive to establish itself as a single, coherent, political actor on the world stage. The strength of the alliance between Europe and the United States is not to be doubted, nor is the basic consensus on that alliance's "western values". In the new international environment, however, it seems appropriate for the EU to continue to stress a sub-set of "European values" to which other countries and regions of the world might subscribe. This effort should not be viewed as an abstract attempt to raise the EU's political profile. On the contrary, it should be seen as a concrete and strategic exercise in alliance-building, an effort to ensure that an international order still in flux will eventually coalesce into something that is conducive to the pursuit of European interests. Implicit in this approach to external relations is that the EU is engaged in a relatively cordial contest with other centres of political and economic power.

With regard to Latin America, this strategy has found expression in a policy of contrasts. The EU's formal and reiterated acceptance of the notion of "co-responsibility" in the drugs field is contrasted with the US "war on drugs"; EU support for integration in Latin America is contrasted with a traditional US reticence towards intra-regional cooperation and integration; the EU's relative generosity as a donor of official development assistance (ODA) is contrasted with the marked US reluctance to provide similar levels of funding; the EU's encouragement of Cuba's reinsertion into the hemispheric community is contrasted with a continuing US policy of hostility and isolation. In broad terms, the EU's stress on "interdependence" and "mutual benefit" in its relations with Latin America is contrasted with what has been broadly perceived in Europe as Washington's exclusive pursuit of national interest in the region. That the EU might have concrete interests to pursue, "supra-national" interests, is an issue not often explored.

The EC/EU has traditionally found it difficult to express its foreign policies (or at least its actions in the developing world) in terms of self-interest. That clearly owes much to the tragic nature of the events that led to the founding of the Community. In fact, one of the most notable features of much of the general discussion on European-Latin American relations has been its sheer insistence on the cultural dimension of the relationship: the common values said to be shared by the two regions, their historical links and similar political traditions, the heritage of immigration and, in general, their "cultural affinities". This is at least partly a valid approach, in as much as Europe does indeed share some cultural linkages with Latin America that it does not share with, for example, the Middle East or Asia.

It is notable, however, that insistence on this issue is largely absent from the general US debate on inter-American relations, despite the fact that the over-arching cultural affinities are common to all three sides of the "Atlantic Triangle". What is also striking, moreover, is the extent to which the commentators on European-Latin American relations have tended to argue so much

of their case on this basis. There has seemed to be, in many of the analytical overviews, a reluctance to address in any concrete manner such functional issues as trade flows and market access. Often, the difficulties for biregional relations that arise in such problematic areas are noted simply in order to be dismissed, or subordinated to the broader abstractions of a biregional partnership based on a common cultural heritage.

It is unclear whether this approach to European-Latin American relations (an approach developed during the Cold War, when international relations were conditioned less by commercial considerations than by ideological and military determinants) can prove enduring in the new global context. It is an approach that makes no provision for one fundamental consideration: perhaps the single most significant policy determinant for most Latin American countries in the past decade has been their pursuit of reinsertion into the world economy. That goal requires easier access to industrialized markets in the future, more than reflections on a shared cultural past.

In a world in which the capacity to project weapons or military force abroad is no longer such an overriding determinant of political leverage, influence over international affairs and global development is more directly conditioned by other factors. Economic considerations are central in this regard. Other, non-commercial elements are also vital. The latter are more difficult to quantify than the forces of hard economics, but they undoubtedly affect the scope and intensity of international alliances between countries and regions. They will, like the forces of trade or capital, influence the nature of international relations in the next millennium. For the most part, they are intangibles: considerations of prestige, of national and regional pride, of social ideals, and of perceptions as to how certain international problems should be addressed.

With regard to the latter consideration, the EU and Latin America can undoubtedly find common ground on a wide range of issues. It should be acknowledged at the outset, however, that there are some constraints. The EU's common agricultural policy (CAP) springs most readily to mind in that regard. It is worth noting that the modification of the CAP agreed at the Berlin summit on 24-25 March 1999 was probably the most radical reform in the policy's history. It should also be pointed out that the EU is the world's largest importer of food and agricultural goods. However, as Agriculture Commissioner Franz Fischler explained in March, "the multifunctional aspect of the EU's agricultural policy ... is not up for negotiation and we have no intention of sacrificing it on the altar of free trade".

Hence, an approach to Latin America that officially expresses itself in terms of "interdependence", and that has striven assiduously to distinguish itself from a US approach perceived to be driven only by considerations of national interest, is hard put to explain such a radically "realist" policy as the hugely expensive protection of European agriculture (about \$42 billion in 1997) to the detriment of producers in the developing world. This too is an arena for EU-US competition over Latin America. On 3 June 1999, less than four weeks before the Rio summit, the US special envoy for trade negotiations, Peter Scher, was in Argentina, Brazil and Uruguay. He was arguing that MERCOSUR should resist any EU attempt to exclude discussion of agriculture from the summit, and stressing that the United States and MERCOSUR have common interests on trade issues. In this context, some questions should therefore be posed bluntly: What, realistically, are the EU's interests in Latin America? What goals is Europe pursuing?

And how far will it go to attain those goals? The most immediate responses arise from the fact that the global transformations of the past decade, obliging the EU to establish a single, coherent political profile, make plain the need for a common European foreign policy.

Building a Common Foreign Policy

The Treaty on European Union, signed at Maastricht on 7 February 1992, committed the Member States of the EU to define and implement a common foreign and security policy (CFSP). The aims, as specifically set out in the Treaty, are “to preserve peace and international security” and “to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms”. There are clear difficulties in implementing a common foreign policy among fifteen countries which on some issues, not least the matter of trade liberalization, simply have different interests. Their governments are subject to diverse influences, as are EU’s common political and administrative bodies, from industrial and agricultural interests, trades unions, non-governmental organizations and other pressure groups. Such influences might sometimes be exerted in opposing directions. Bureaucratic interests within Europe’s common institutions might favour certain policy initiatives over others, or greater attention to particular countries or regions. Reconciling the various interests born of transnational and cross-institutional alliances can be a slow process, and complicates the formulation and application of a common policy.

It should be stressed that, in this regard, Latin America is an unusually promising partner for Europe. Unlike any other part of the developing world, Latin America offers the EU an easily-affordable means of international projection in pursuit of a common European policy that has a reasonable assurance of success. The region is unusually susceptible to European activism. It is the only region of the developing world that has displayed a broadly and predominantly “western” outlook in the post-war period. Long-standing biregional links at the sub-state level – through the labour movement, NGOs, political parties and other groups – established a transnational basis for policy at the supra-national level. EU Member States, moreover, have no major interests directly at stake in Latin America and, importantly, none of them has a dominant position relative to the others. Policy coherence is therefore much easier, and the prospects for successful application of a CFSP are correspondingly greater in areas such as democracy, human rights, sustainable development, integration, security, and cooperation on transnational problems such as crime and environmental degradation.

Significantly, such a demonstration of the potential of the CFSP, and of those “European values” mentioned above, can be made at precisely the time when Europe faces the major internal challenges of economic and monetary union (EMU) and enlargement to the east – which carry implicit dangers of a period of European introspection. Successful application of the CFSP in one area of the world serves to demonstrate, first, that the EU as a single actor is an international *political* force to be reckoned with; and second, that the Union is not solely concerned with the enormous challenges of deepening and widening its own integration process.

In the political sphere, therefore, a key underlying incentive for closer European engagement with Latin America should be to devise and apply a common policy that, while promoting a general “western” orientation, is manifestly distinct from that of the United States. Pursuit of

this goal is in the interests of constructing a European political identity, with a view to longer-term alliance-building. It is not clear when such alliances might prove useful (perhaps in UN votes, or WTO negotiations, or simply in building international pressure in favour of actions that the EU perceives to be in Europe's interest). Neither is it clear when such alliances would give rise to specific outcomes that are favourable for the EU. Nevertheless, an effort has to be made to build them. In the case of Latin America, these efforts in this regard can offer mutual benefit to the EU and Latin America in the areas of social justice, democratic stability, human rights, integration, and security.

Social Justice, Democratic Stability and Growth

In these fields, the motive for European action that first comes to mind is the basic question of morality. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), 36% of Latin America's population lives in poverty. That includes the 17% of the population who live in "extreme poverty". These proportions are higher than those for East Asia, the Middle East or Central and Eastern Europe. Because of population growth, moreover, the absolute numbers of people living in poverty is higher than ever. The total increased from 136 million in 1980 to 204 million in 1997. The problem is not simply one of poverty; it is also one of inequality. Latin America as a whole is the world's most unequal region. The seven countries with the most concentrated land-owning patterns in the world are all in Latin America.

Unalleviated, the problems attendant on widespread poverty and inequality will continue to have negative repercussions on levels of health, productivity and employment. Official data suggest that unemployment for the region as a whole now stands at about 8%. This compares favourably with industrialized countries, but it masks the large numbers of people who are under-employed, as well as the high percentage of workers in the informal sector. According to the International Labour Organization (ILO), about 57% of those working in Latin America do so in the informal sector. This share has increased from 52% in 1990. Over the period 1990-1995, 84% of all new jobs were created in the non-taxpaying informal sector – the least protected and least integrated sector of the economy. Moreover, the rate of new job-creation in Latin America has slowed to 2.8% a year, lower than the rate in the "lost decade" of the 1980s. Creating jobs that contribute actively to national development will demand growth. However, growth strategies beyond 2000 must take account of the existing demographic trends.

Latin America's population, now about 484 million, will rise to 620 million in 2015 and to about 800 million by 2050. The population of Central America, according to UN projections, is likely to double over the next fifty years. The problem is not the population growth rate, which has generally been declining throughout Latin America. The difficulty arises from the fact that very large numbers of people were born during the previous period of high fertility rates. Consequently, some 33% of Latin America's population is now under the age of 15 (in the EU, the proportion is 17%). Over the next two decades, therefore, a huge "population bulge" of more than 160 million people (equivalent to the current *combined* populations of Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela) will be entering the school systems and the labour markets. GDP growth rates of about 7% might absorb increases in the labour force,

but even higher growth would probably be needed to make any significant headway against under- and unemployment. Such growth rates are not even a medium-term prospect.

Furthermore, when that population bulge reaches old age, it will triple the proportion of Latin Americans who are now over the age of 65. Aging populations will be a problem elsewhere, notably in Europe and Japan. But resource-rich countries with stable institutions and extensive networks of (public or private) social provision should be able to mitigate the difficulties. The phenomenon is likely to be more problematic in Latin America. As a share of the region's total population, the working-age population will be almost the same in 2050 (63%) as in 1995 (61.5%). But the proportion of the population over the age of 65 will increase from 5% to 17% during the same period. To maintain large elderly populations in conditions of social and economic adequacy will require substantial transfers from the productive output of younger people. These transfers will only be possible if high rates of economic growth are achieved and maintained, to provide the necessary political legitimation for tax and benefit transfers on a very large scale.

Relative to other donors, the EU is by far the most significant source of ODA for Latin America. In 1997, the last year for which complete figures are available, 55% of Latin America's total aid inflows came from the EU Member States and the European Commission. This amounted to a record \$2.53 billion. The constant increase in European aid to the region between 1990 and 1996 has dispelled, at least for now, fears that aid flows would slowly shift towards the EU's new partners in Eastern Europe, Africa and the Mediterranean Basin. The growth of European assistance is in sharp contrast to the decline in US aid. Between 1991 and 1996, ODA from the United States to its southern neighbours fell by more than 70%. Hence US aid as a percentage of total ODA to the region fell from 29% in 1991 to just 9.4% in 1996. The drastic reduction in US aid to Latin America that year contrasted with a 24.8% increase in its total ODA, suggesting that US aid flows shifted from Latin America to sub-Saharan Africa and Asia. The much higher level of European ODA has been directed at a huge range of projects, from basic humanitarian assistance and food security to environmental protection, democratization and institution-building.

In the field of ODA, one issue of fundamental significance for the future is the question of coordination. It would be in Latin America's interest if the EU were able to apply a common European cooperation policy, or at least to establish greater coordination among the Member States in this field. EU aid policies are still largely characterized by bilateralism, which can produce a duplication of efforts, incompatible strategies and a sub-optimal use of financial resources. Despite the expressed aim of improving intra-EU collaboration on aid (most notably in the Maastricht Treaty), only some European countries have attained greater coordination of their bilateral policies, which limits the effectiveness (and visibility) of EU policy as a whole. As modernization processes in Latin America move on to a new generation of reforms aimed at judicial systems and public administration, more effective coordination of European aid policies would better equip both regions to meet the scale of the requirements and to address the complexity of the tasks involved.

This issue is directly related to the question of democratic stability. Over the long term, democratic consolidation will depend on the success of efforts to provide an adequate quality of

life for most voters. The majority will then have some stake in the continuation of the existing (democratic) political order. They will not be disposed to support military intervention or guerrilla insurgency. Neither will they be inclined to vote for populist or authoritarian alternatives in which the prospect of short-term economic relief assumes more importance than pluralist democratic principles.

The EU needs stability in Latin America. Democracy, like respect for human rights and for the rule of law, are not only moral imperatives. They are also basic preconditions for the stability (both national and international) which is a prerequisite for economic growth and social development. By constraining channels for political representation, weak or incomplete democracies live under the constant threat of social and political unrest which is incompatible with a healthy economic climate. Political instability hinders economic stability, discourages investment, undermines public finances, prevents the modernization of financial markets and impedes the upgrading of infrastructure. It is therefore in Europe's concrete interest to support the consolidation of stable and open political systems in Latin America which are capable of generating a lasting consensus on the basic principles of the social and economic order. Most specifically, sustaining the rule of law – particularly an independent and efficient judicial system – is essential both to ensure respect for civil liberties and as a precondition for successful private enterprise. Transparency and accountability are vital for sustained economic growth and development. At the same time, EU support for this dimension of the rule of law in Latin America will be mutually beneficial, since it reinforces the development of the region's economies as reliable business partners.

Integration and Political Leverage

The consolidation of democracy within Latin American states and societies has been paralleled by the growing integration *between* them. Indeed, the depth and scope of the integration processes in Europe and Latin America distinguishes them from other regions, and sets their relations apart from the links that each maintains with other parts of the world. Hence a central pillar of European policy towards Latin America has been (and should continue to be) support for integration in the region. To date, this impulse has shaped both the form of relations (through the EU's preference for establishing dialogue with country groupings) and their content – as evidenced by the substantial financial and technical assistance offered by the EU to the various integration bodies in Latin America.

EU endeavours in this field will continue to be in Europe's interest. On the one hand, such efforts advance broader goals such as the promotion of economic and political stability, and the creation of new opportunities for trade and investment. Europe also sees integration as the best first step towards conflict reduction. On the other, they serve the more immediate objective of reinforcing the EU's role as a model for regional and sub-regional integration elsewhere. At the same time, the encouragement given to regional integration initiatives has strengthened the Union's political leverage in Latin America, and can help to counterbalance US influence. Successful backing for political and economic integration serves to bolster the prestige and authority of the "West European" model, thereby indirectly reinforcing the Union's international political influence.

From a Latin American perspective, some elements of the success of the European model might be a useful point of reference for similar processes in Latin America, especially if accompanied by the transfer of technical expertise. On the external front, the EU provides an example of how a region, comprising many and sometimes varying interests, can negotiate as a coherent group at the international level. On the domestic front, the European model is an example of how unity with diversity might be achieved. With regard to the internal arrangements of integration schemes exchange of know-how could be particularly beneficial. As the processes in Latin America advance beyond the "trade stage", an increasing number of policy areas might eventually be included: coordination of macroeconomic policies, harmonization of standards and legislation, the environment, social policy and, perhaps, the creation of supra-national institutions with decision-making powers. The latter is a sensitive issue in many parts of Latin America, but it is unlikely that the issue can be ignored indefinitely. Programmes to help transmit European experiences in such fields could make an effective contribution to further progress in Latin American integration.

Regional Security

Europe has a broad interest in averting conflicts that might threaten regional or international stability. It is worth noting that the first major European initiative in Latin America – support for pacification in Central America during the 1980s – was largely inspired by fears of the possible international repercussions of the conflicts in the isthmus. An overall goal of EU relations with the region should therefore be to ensure that Latin America remains a reliable partner which shares with Europe common positions on crucial security issues such as the non-proliferation of nuclear and other weapons of mass destruction.

Security matters will probably become an increasingly important dimension of biregional relations. For Europe, one of the objectives of the CFSP will be the extension and consolidation of arms control and non-proliferation initiatives. The long-term preservation of stability will remain another key EU objective. Within Latin America, progress on integration should favour the development of closer cooperation on defence, and the implementation of confidence-building measures – a field in which Europe already has considerable experience.

Europe's immediate security interests in Latin America primarily involve the Falkland Islands/Malvinas, Britain's dependencies in the Caribbean, and France's overseas departments. These do not figure directly on the biregional agenda, since these are issues in which the Member States retain full sovereignty. However, the rapprochement between Europe and Latin America at the *regional* level, and the climate of cooperation that has developed over the last decade, have provided a favourable framework for *bilateral* relations, thereby helping to ease tensions between individual EU Member States and Latin American countries. The more bilateral relations are framed by biregional understanding and mutually binding agreements, the less likely it is that potential sources of bilateral tension will lead to disputes. For both partners, therefore, biregional dialogue and cooperation serve to sustain conditions that will limit the risk of disputes in the future.

Such, in very broad terms, are some of the EU's political (or, perhaps more precisely, "non-commercial") interests in Latin America. In the matter of alliance-building, the EU's focus has tended to be on the "political" or "developmental" aspects of the biregional relationship, largely because of the inherent constraints on such an effort in the economic sphere. The year-long delay in approving a negotiating mandate for the European Commission to begin talks on trade liberalization with MERCOSUR and Chile reflects the difficulties involved. Europe is a generous aid donor and a non-domineering political partner intent on demonstrating its cultural affinities with Latin America (it is hard to imagine the EU adopting a policy such as certification), but its regional economic and agricultural arrangements can limit its capacity to respond effectively to the region's central aim of economic reinsertion. While the question of *whether* to negotiate with MERCOSUR has been debated in the EU, MERCOSUR has continued to prepare negotiations with the United States and the other countries of the western hemisphere on the establishment of the Free Trade Area of the Americas (FTAA).

The issue was echoed recently by Brazilian President Fernando Henrique Cardoso on his official visit to Europe in April 1999: "Has the EU the conditions to rethink its agricultural problems? If it wants to have a role in the world it must. If it does not want to, all is well; we will talk to the USA – with which we get on very well, I stress very well – with NAFTA." What is the value, in such circumstances, of European spokespersons urging Latin American resistance to the remorseless spread of "Anglo-Saxon" influence?

Hence, to reiterate, the difficulties arising from biregional economic relations cannot be noted simply in order to be dismissed, or perpetually subordinated to the "common values" of the political dialogue and development aid. On the contrary, those difficulties should be central to the analysis, because so much else in the future of European-Latin American relations could come to be determined by them. Last year, EU trade with the value of the whole of Latin America and the Caribbean (population: 484 million) was less than the value of European trade with Switzerland (population: 7.2 million). This at a time when the US trade representative, Charlene Barshefsky, is predicting that, by 2010, US exports to Latin America will exceed US sales to the EU and Japan *combined*.

Nobody really knows how US trade with Latin America, the EU and Japan might evolve by the end of the next decade. But even if Ms. Barshefsky is only partly right about absolute levels of US trade with Latin America, some questions remain: what if the present discouraging trends in European-Latin American commerce are simply allowed to continue? What might happen to Europe's political and cultural presence in Latin America if an ever-increasing share of the products bought there are made in the USA? Can the frameworks for political dialogue between the EU and Latin America sustain a broader European presence? Can aid policy, at a time when levels of cooperation are falling? Such questions move beyond concerns about the political and aid area to the economic dimension of European-Latin American relations.

II. BIREGIONAL ECONOMIC RELATIONS

The economic dimension of European-Latin American relations has tended to be substantially less harmonious than the political dialogue. Indeed, the notion of a special relationship born of innate cultural affinities is virtually absent in this sphere. Many Member States of the EU clearly have concrete economic interests in Latin America. It is a large region consisting mostly of middle-income countries with significant demand potential. In recent years it has been one of the most dynamic markets in the world for European exports. The drive for integration throughout the region, with its attendant expansion of markets, further enhances its attractiveness. The opportunities have been recognized in Europe. Ten EU heads of state or government have visited Latin America in the past three years, some of them more than once, and most of them have been accompanied by business delegations. This is an unusual level of economic attention. However, it should be noted that throughout the 1990s, the importance to Latin America of its commercial relationship with Europe has fallen relative to the region's links with other partners. Between 1990 and 1997, Latin America's exports to Europe fell dramatically as a share of total foreign sales: from 24% to 13.5%. European exports to the region, moreover, are increasingly concentrated. At the start of this decade, MERCOSUR accounted for about a third of EU sales to Latin America; by 1997 such exports accounted for over half of European sales.

Inter-regional trade has grown substantially in absolute terms, but the overall expansion is very largely due to the increase in Latin American imports from Europe: 164% accumulated growth in this decade. That, in turn, seems to be largely due to unilateral trade opening on the part of the countries of the region. By contrast, Latin American exports to the EU have grown by just 29% in the 1990s. That is in sharp counterpoint to the 128% increase in the region's sales to the rest of the world. Western Europe and East Asia have gained at Latin America's expense in the European import market. In the Latin American market, the EU lost out to Asia and the United States: the proportion of Latin American imports originating in Europe has fallen from 21% to 16% over the decade. Asia's share grew from 9% to 15%. The US share increased from 38% to 43%. One determinant of the EU's loss of share was the development of US trade with Mexico. Between 1990 and 1997, the US share of Mexican imports climbed from 66% to almost 75%. Simultaneously the EU share was almost halved, from 17% to 9%.

The conclusion of NAFTA therefore seems to have had a diversion effect on European trade with Mexico. In that context, the possibility that all the countries of the hemisphere will conclude an FTAA by 2005 raises serious questions about the future of Europe's economic links with Latin America. Does NAFTA presage the future? Will an FTAA prompt corresponding trade diversion to the detriment of EU commerce with the rest of Latin America?

There remains some uncertainty about whether the FTAA deadline can be met, and even if the entire process will prove enduring. In the United States, President Clinton has failed to secure the fast track negotiating authority he needs to sign a broad agreement that would not be unravelled in congressional ratification procedures. The FTAA process, however, is moving forward; the negotiating groups continue to meet; and it is quite possible that the next US president will secure some form of fast-track authority.

Trends in the western hemisphere have been paralleled by three trans-Atlantic agreements: the December 1995 framework cooperation agreement with MERCOSUR; the June 1996 agreement on economic association, political dialogue and cooperation with Chile; and the December 1997 agreement on economic association, political dialogue and cooperation with Mexico. Among other things, all these accords contemplate later agreements on progressive and reciprocal trade liberalization. Negotiations with Mexico began in November 1998 and have advanced quite swiftly. Starting talks with MERCOSUR and Chile, however, has thus far proved more problematical.

If it is true that the EU and the United States are “competing” for Latin America in the commercial sphere, it raises the possibility of a gradual but fundamental shift in European policy towards the region as a whole. It is possible that the new global economic context will oblige the EU to act on the international economic stage more like a nation state than like a loose conglomeration of such states. Hence the traditional European approach to Latin America (exemplified by the rhetoric of inter-dependence and cultural affinity) might be replaced in the future by a strategy that is more overtly self-interested. In the coming years, Latin America – and especially South America – could prove to be an interesting case study of that transformation.

Future Trade Challenges

By the time of the Rio summit, the EU and Mexico will have held six rounds of a technical negotiating process that began in Mexico City in November 1998. The talks aim to liberalize trade in goods and services, to ease restrictions on capital flows, to open up government procurement, and to regulate competition and intellectual property rights. When the agreement is signed, tariffs will be gradually eliminated over the following ten years. It currently seems likely that an agreement might be concluded before the presidential elections in Mexico next year.

In the agricultural sector, only about 7% of Mexican exports to the EU are farm goods, and many of those are not sensitive for Europe. Mexico’s weak farm sector makes the country a net importer of agricultural products, in which it has had a trade deficit with the EU for several years. The CAP therefore poses few obstacles to the liberalization of farm trade. With regard to industrial goods, only a very small share of Mexican exports to Europe are probably sensitive. Again in contrast to some sectors in MERCOSUR, Mexico is unlikely to become significantly competitive in high technology even in the medium term. No plausible degree of liberalization of industrial trade would allow Mexico to make major inroads in the EU’s import market for manufactures. The final agreement should therefore cover more than 90% of trade in manufactures. As to services, telecommunications, financial services, civil aviation and shipping should all be liberalized.

While the negotiation of an agreement should be relatively smooth, however, neither the trade gains nor the losses are likely to be major for either side. Commercial gains from the agreement for the EU, at least, will be moderate. It is unlikely that there will be any great degree of trade creation. Mexico’s average tariff of 13% is already fairly low, and the sheer geographic distance

between the two sides suggests that the accord will bring relatively fewer benefits than the trade deals that the EU has recently signed with closer neighbours. In trade terms, the main advantage of the EU-Mexico agreement will probably be to help offset the worst diversion effects of free trade in North America, and to bring each side's share of the other's markets back towards pre-NAFTA levels. This will to some extent counteract Mexico's increasing commercial dependence on the United States.

The most marked consequence of the agreement will probably be in terms of investment than in trade. About 3,000 European firms are active in Mexico, and almost a fifth of all flows of foreign direct investment (FDI) to the country come from the EU. Despite a drop in FDI flows in 1996 compared to 1995, the underlying trend is of growing European investment. Much of it is associated with the manufacture and assembly of goods for sale in the United States. Lower Mexican tariffs on imported inputs, coupled to the liberalization of capital flows, could stimulate intra-firm trade and encourage further investment by European companies interested in using Mexico as an export platform to the US market, as long as NAFTA's rules of origin are complied with.

Three and a half years after the signing of the framework accord with MERCOSUR, the European Commission still lacks a mandate to start real negotiations. There has been much hope in MERCOSUR, expressed formally at the group's presidential meetings, that the start of talks could be formally announced at the Rio summit. The background to European deliberations has been inauspicious. The EU's attention has been distracted on the external front by the war against Serbia, and on the domestic front by the need to institute a new executive body, as well as to implement the financial and institutional reform of the Union that is necessary for eastward enlargement.

The General Affairs Council of EU foreign ministers on 30-31 May 1999 took no decision on the matter of a negotiating mandate and referred the issue to the Cologne Summit of heads of state and government on 3-4 June. There is little consensus in the EU on the future accords with MERCOSUR and Chile. France, in particular, has shown reluctance to open up the agricultural sector. The United Kingdom has argued that the outcome of the new WTO round should be known before negotiations are completed with MERCOSUR. The European agricultural lobby estimates that a free trade agreement with MERCOSUR would generate additional costs of 5.3-14.3 billion euros a year, the sum needed to compensate European farmers for the losses caused by competition from the Southern Cone. At present, agricultural and fishery products account for 40% of all MERCOSUR exports to the EU. In both sectors, the EU has a sizeable trade deficit with the sub-region, which contrasts with a large surplus in other areas of the economy.

Chile also faces problems. The agricultural issue should in principle be much less problematic in Chile's case. Some 75% of all Chilean exports to Europe enter the market duty-free or with low tariffs (an average tariff of 3.4%). According to official Chilean sources, sensitive agricultural products currently account for just 7% of all trade, half the percentage of MERCOSUR and less than the 10% which, according to WTO rules, can be temporarily excluded from free trade agreements. However, the EU Council's delay in approving a negotiating mandate for talks with MERCOSUR also affects Chile, since the two processes are moving in parallel within the EU.

The issue is something of a test case for European-Latin American relations, since its outcome will be indicative of the price that the EU is willing to pay for a qualitative leap in its links with the region. The issue is commercial but the message is political. If the EU arrives empty-handed at Rio, or if some commitment to discuss trade liberalization is not made shortly after the summit, the political signal being sent could undermine much of the effort that Europe has put into alliance-building in the political and cooperation-related dimensions of the relationship.

In the absence of such a commitment, the prospects for a broad and enduring European-Latin American alliance do not seem encouraging. There can be little doubt that, overall, the EU would benefit if the agreements with MERCOSUR and Chile were concluded (the accord with Mexico is virtually guaranteed). The question therefore arises as to how strong the vaunted trans-Atlantic partnership can be if the two sides have markedly distinct goals in this area, and if such goals are seen as fundamental to both of them: for Latin America, export-led growth in the interests of international economic insertion; for the EU, defence of an exceptional "European model" of agriculture. The future seems likely to be dictated as much by political sensibilities as by economic logic. It is precisely because the CAP is perhaps the single most emotive issue in European-Latin American relations that biregional commercial links must be given substantial consideration in any general evaluation of the relationship. The question posed by Fernando Henrique Cardoso, mentioned above, bears repeating: "Has the EU the conditions to rethink its agricultural problems? If it wants to have a role in the world, it must".

The danger for Europe, from the perspective of policy-making and alliance-building, is that the substantial gains accruing to the EU from its "political" and "developmental" initiatives in Latin America might be offset by a failure to make corresponding progress on the biregional economic agenda, and particularly in the trade sphere. It is striking, in the approach to the Rio summit (an historic event, even if it proves only to have been of symbolic significance), that there have been suggestions that MERCOSUR, plus Bolivia and Chile, should join forces with the United States *against* the EU in the forthcoming round of multilateral trade talks. Continued conflict in this area must to some degree weaken the prospect that the EU can really promote "European values" to which other countries and regions of the world might subscribe, rather than to the US variant. Over the long term, failure to establish such an alliance seems likely to entail opportunity costs for both regions in the twenty-first century. Other aspects of globalization are moving swiftly, in ways whose outcome is often difficult to predict. In many areas, the attendant challenges will be faced more effectively if Europe and Latin America can establish a concrete agenda for action.

III. TOWARDS A BIREGIONAL AGENDA FOR ACTION IN THE TWENTY-FIRST CENTURY

Global Governance and Institution-building

It seems probable that early in the next century there will be a more widespread reconsideration of the instruments and institutions of global governance, prompted by continuing shifts in the distribution of international power and the need to respond to humanitarian or security crises in a changed global security context. Political power is not wielded in the same way as it was when the United Nations was established. Neither does the international economy work in the

way it did at the times of the Bretton Woods agreement. Currently, the debate is largely restricted to proposals for reforming the United Nations – specifically, the structure of the UN’s Security Council. Such relatively minor changes might prove to be insufficient over the longer term. As illustrated by the financial crises of 1997 and 1998, market volatility and investor reactions can have global repercussions which are both economic and political. More than a minor modification of the institutional structure of one international organization might be demanded if this and other aspects of globalization are to be effectively addressed.

If sufficient, coordinated attention is not paid to this matter, economic globalization could further outpace policy responses in the early decades of the next century. That would be an unwelcome scenario, because if the pending issues of global regulation are not resolved soon, the international economic system might become increasingly unmanageable. That could prompt frictions, particularly commercial disputes, between countries and regions. A regression to a “regionalist” bias in international relations would undermine much of the effort that Europe and Latin America have already put into expanding their international links over the past decade. Under such a scenario, Latin America would be absorbed more closely into a US orbit, while the EU would focus on its internal consolidation and enlargement, and latent instability on its external borders. Disillusionment with the traditional mechanisms of the multilateral system – if those mechanisms prove inadequate to the challenges of globalization – would negatively affect European-Latin American relations.

The two regions therefore share a significant interest in seeking a biregional consensus on how such mechanisms should be strengthened or reformed. The long history of institutionalized dialogue between Europe and Latin America – including consultations in the context of the UN General Assembly meetings – provides a solid basis for future cooperation. Under a more positive scenario, the United Nations seems likely to be called on to play an even more central role in coordinating the international community’s responses to global challenges – world poverty, peace-keeping, environmental deterioration, transnational crime – which individual states can no longer address alone. In such a case, joint European-Latin American approaches could help ensure that the declared principles of their relationship (consensus, multilateralism, co-responsibility) are effectively translated into concrete action by international bodies addressing global problems.

The Emergence of an Inter-regional Civil Society

Under both a positive and a negative scenario for the emerging global system, it is likely that sub-state actors will gain greater weight in international decision-making. The communications revolution is prompting NGOs, research institutions and special interest groups to find new means of transnational cooperation, as they acquire greater influence on policy-making with the waning of the ideological determinants of international relations.

Most particularly, if the multilateral regime begins to display increasing failings because states are unable to establish effective coordination, NGOs are likely to increase efforts to seek effective national and international action on issues of common concern. No two regions in the world currently have such close and long-standing relations between sub-state and non-governmental

actors as the EU and Latin America. The potential for enhanced European-Latin American activism in this field is therefore substantial. Progress on constructing biregional civil society links could be encouraged in certain specific areas:

- **Inter-party and inter-parliamentary relations.** If regional integration world-wide continues to develop as at present, characterized in Europe and Latin America by cross-border political alliances between parties, then the protection and promotion of citizens' rights will increasingly depend on democratic representation at the supra-national level. Those rights (and obligations) which are seen as common to Europe and Latin America will therefore be fostered by effective inter-parliamentary relations, established to promote a shared vision of how current and emerging issues can be addressed.
- **Cultural and development-related NGO links.** The NGOs of Europe and Latin America are particularly well-placed to help shape the policy responses to the challenges of the future. They can also promote the progressive convergence of understanding between peoples as to their democratic rights and obligations in a globalized world. In fact, in the absence of strong linkages in this area, cultural divisions might in fact widen in the future if the internationalization of economic activity imposes intolerable strains on the international institutional infrastructure of global governance.
- **Academic links.** These could prove to be decisive for long-term engagement between Europe and Latin America. If current economic patterns do tend towards an intensified regionalization, the current preference of Latin American post-graduates to study in the United States rather than in Europe would probably intensify such trends. If an ever-increasing proportion of the region's policy-makers and opinion-formers are educated in the United States, that process will over the long term erode the common values that are said to underpin EU-Latin American relations.
- **Business and labour partnerships.** As the private sector acquires greater protagonism in the integration processes underway in Europe and Latin America, and as concerns rise about labour rights and standards in free trade arrangements, further engagement between the business sectors and labour organizations of the two regions could help consolidate a European-Latin American strategic partnership. The business fora which parallel the inter-American trade ministerial meetings could be a point of reference. Moreover, the MERCOSUR-EU Business Forum (MEBF), which held its first meeting on 22-23 February 1999 in Rio de Janeiro, could evolve into a model for the future.

New Security Challenges

The security challenges of the early twenty-first century are likely to prove complicated, as non-military threats such as organized transnational crime assume greater significance. The globalization of economic activity, involving the freer movement of capital and people, as well as virtual communication via electronic media, carries inherent dangers of the globalization of crime. This could entail not only the visible symptoms of gangsterism and organized violence, but also problems such as widespread corruption which can undermine the political and

institutional fabric of states. Such difficulties, as post-Communist Russia has vividly illustrated, can reach alarming levels.

In the field of European-Latin American relations, the most immediate challenge in this regard is drugs trafficking. Inter-regional cooperation in this area is unlikely to be without difficulties, since it is linked to potentially sensitive questions of state sovereignty and the asymmetry of North-South relations. The fight against drug trafficking and illegal cultivation touches on matters of internal security, territorial integrity and human rights, and is often associated with complex social and political conflicts.

At the same time, however, European-Latin American collaboration in this area enjoys some comparative advantages. Such cooperation is based on the view that both regions share common perceptions of the nature of the problem, and of the ways to confront it. They have both recognized that the issue must be addressed in terms that include the reduction of both supply and demand. On this basis, EU-Latin American anti-drug cooperation has been extended in recent years, largely by incorporating the issue into the various institutionalized dialogues and by establishing new fora. The latter include the special dialogue with the Andean countries, and the EU-Latin American High Level Meeting on Coordination and Cooperation in the Fight against Drugs, whose first meeting was held on 23-24 March 1998. The biregional meeting on 8 April 1999 in Panama discussed a new anti-drug Action Plan for the EU, Latin America and the Caribbean.

There are possibilities for enhanced cooperation in this field, although it should be acknowledged that cooperation might face a number of constraints. First, given the broadening of the Union's geographic priorities, support for anti-drug measures in areas closer to Europe suggests that Latin America will not be the EU's main focus in the fight against drugs. Secondly, financial resources for cooperation will continue to be limited. In that context, European-Latin American cooperation could usefully focus on initiatives to strengthen producer countries' legislation, and on the harmonization of legal codes (as, for example, in the agreements to prevent money laundering and the illicit trade in precursors).

Over the longer term, biregional efforts might usefully involve more direct law enforcement cooperation, to the extent that the Union's authority in the fields of justice and home affairs is progressively broadened. Finally, note should be taken of the stated goal of the EU and the United States in the context of the New Transatlantic Agenda, to extend their anti-drug cooperation to Latin America and the Caribbean. Despite the often stressed differences between EU and US anti-drug strategies, triangular cooperation initiatives will be fundamental to confront the challenges raised by the drug trade.

Environmental Cooperation

Even if the most pessimistic predictions on environmental deterioration prove to be exaggerated, pressure on the environment will remain a matter of concern over the coming decades. The effects of global warming, in terms of desertification and rising sea levels, are clearly long-term

in nature, and the global climate seems likely to be more erratic than in the past. Recently, this has had disastrous consequences for countries in central America and the Caribbean.

As with cooperation on drugs, European-Latin American activism on the environment – and, more broadly, on sustainable development – could face constraints. The adoption of binding commitments to protect the environment and natural resources are sometimes seen as disguised protectionism, or as obstacles to the realization of the developing countries' legitimate aspirations for industrialization and economic growth. Again, however, inter-regional cooperation begins with some comparative advantages.

The EU has defined the environment as one of the great “horizontal” themes of its cooperation with Latin America, and environmental concerns are considered in all European activities in the region. Since resources for the EU's external cooperation programmes will probably not increase greatly over the coming years, effective initiatives in this sphere could be geared towards multilateral efforts to curb the deterioration of the environment and foster sustainable development. The follow-up to the Kyoto Protocol on Climate Change of 11 December 1997, and joint undertakings to ensure compliance with obligations on reducing greenhouse gas emissions, are areas where intensified European-Latin American cooperation seems appropriate. Another area (albeit with greater potential for revealing a conflict of interests) concerns initiatives to incorporate internationally-binding environmental standards in the multilateral regimes regulating world trade, as a means of making trade liberalization compatible with the protection of natural resources.

Military Security

Even under the most positive scenario of global collective security – in which international actors increasingly base their global role on economic and technological performance rather than on the traditional military features of state power – there is still substantial room for enhanced EU-Latin American cooperation in the area of defence. In fact, if broader international acceptance of collective security is to become a reality, it will have to be based on a new system of intra- and inter-regional security alliances.

As the Kosovo crisis illustrated, this is an area where biregional efforts can be made. The Rio Group criticized NATO's bombardment of Serbia, viewing it as excessive intervention in the affairs of a sovereign state. The question of intervention is probably the most emotive in the history of inter-American relations, and the danger that it might become divisive in trans-Atlantic relations is one that should be addressed. Despite the many differences between them, Europe and Latin America share some characteristics in terms of their international security positions: both have based their security and defence policies on an alliance with the United States; both aspire to a regional integration model which goes beyond trade liberalization, and in which the prevention of conflict is a central goal; and both are engaged in a debate over the new regional and international strategic environment, the identification of new security threats, and the ways to address these changes.

Within Latin America, much of the debate centers on institutional reforms to address current security threats in a more effective manner than can be done via institutions of the inter-American system, such as the Inter-American Treaty of Reciprocal Assistance (ITRA) and the Inter-American Defence Board (IADB). The debate has prompted efforts to establish confidence and security building measures (CSBMs) as a means of preventing conflict and heightening transparency. Progress on regional and sub-regional integration – which in some cases has led to the institutionalization of cooperative security arrangements and improved military-to-military relations – has clearly favoured such trends.

In this field, the European experience seems particularly useful for Latin America. Indeed, Europe's security conditions over the last 30 years have been decisively influenced by the systematic application of CSBMs. Several European institutions have vast experience in the formulation and implementation of a broad range of such measures, from prior notification of military exercises to the protection of ethnic minorities. Much of this experience might be of interest for further Latin American efforts to promote the use of CSBMs, and to transform them into mechanisms for crisis prevention.

Europe and Latin America also share common views on disarmament and arms control. All countries from both regions have signed the main international agreement on non-proliferation of biological, chemical and nuclear weapons. With the entry into force of the Tlatelolco Treaty (following Brazil's ratification on 30 May 1994), Latin America faces no identifiable risk of proliferation of arms of mass destruction. With the re-emergence of nuclear proliferation as an international policy issue – in the wake of India's and Pakistan's nuclear tests in May 1998 – Latin American countries' contribution to international stability in this field is even more evident.

The risk of proliferation is not limited to weapons of mass destruction. It is increasingly linked to the spread of conventional arms and light weapons – a problem in some Latin American countries which have recently experienced a surge in common delinquency. Initiatives in both regions have addressed this problem. The Inter-American Convention against the Production and Trafficking of Illegal Firearms, Explosives, and Other Related Materials was adopted on 17 October 1997 against a background of repeated calls by the Rio Group for a regional commitment to fight organized crime, terrorism and violence. In the EU, the European Council meeting in Amsterdam on 16-17 June 1997 called for a concerted international effort to apply coherent policies on arms exports. The call was followed by the adoption, on 25 May 1998, of an EU Code of Conduct on the Arms Trade. Further inter-regional cooperation in this field, possibly with the goal of reaching a European-Latin American code of conduct for the arms trade, would be in harmony with each region's need to confront new security threats.

Managing Globalization: An Alliance for Global Equity

Discussions of international equity sometimes give rise to utopian rhetoric that is of little use in determining which steps might be taken to pursue that goal. As is evident from the 1998 World Development Report of the United Nations Development Programme (UNDP), the world has a long way to go on this issue. However, since it is quite possible that the situation could worsen

before it improves, a frank dialogue between the EU, the world's biggest market, and Latin America, where almost 40% of the population lives in poverty, seems a promising way of helping to define effective steps to be taken.

As suggested above, if the international institutional framework proves unable to foster effective multilateral cooperation on sustainable development, global inequalities will persist. And if Latin America's economic growth continues to fail to improve living standards, the consequent multiplication of negative environmental and social effects will not be without costs to Europe. Precisely because it is increasingly difficult in an age of globalization for individual countries or regions to insulate themselves against developments elsewhere, it is unlikely that the countries of the EU can, over the long term, somehow remain islands of prosperous democracy while other parts of the world sharing the same values and goals fail to develop adequately.

Managing globalization is not limited to the formidable task of mitigating the negative repercussions of sudden changes in flows of capital or commerce. It embraces all of those issues on which Europe and Latin America have already established a fruitful dialogue. It also encompasses other issues in which an effective inter-regional association can be realistically pursued. In the simple terms of numbers of people, Europe and Latin America constitute the bulk of what used to be considered the "West". If the two regions really do share values that are unusually common to both of them, they have a clear interest in collaborating to shape global developments according to those values.

Hence the desirability that they find ways of working together in the areas outlined above – global governance and international institution-building, sub-state transnational cooperation, joint action on traditional and new security challenges, and protecting their common environment. This approach might help overcome the North-South divide by identifying the common interests of both regions in the international system. Indeed, in the absence of global networks in such fields, there will be less transfer of expertise and technology, less awareness of problems, and less attention to their possible solutions. A relative loss of understanding and interest will prompt a loss of momentum for biregional engagement. Regionalism would then take primacy, to the detriment of both Latin America and Europe in the next millennium.

CONCLUSION

As Europe and Latin America reach the end of the twentieth century, their relations are changing. This has been prompted by the major developments in both regions since the start of the 1990s, and by the shifts in the international context within which inter-regional links operate. When the European-Latin American dialogue was institutionalized by the Rome Declaration of 1990, MERCOSUR did not exist, nor NAFTA, nor the "European Union". There was no sign that the Uruguay Round of GATT might end soon, nor even that it would end in any agreement. Total trade between Europe and Latin America was then only two thirds of what it is now. Capital flows between the two regions were just a quarter of what they are now. Cooperation flows stood at just 66% of their current level. Issues such as drugs, the environment and sustainable development did not feature so prominently on the biregional agenda. As both regions prepare to enter the twenty-first century, what kind of agenda might they devise to meet the challenges of

the new millennium? Continued dialogue appears to be vital, since attention must be paid now to many questions that will acquire heightened significance in the future.

- **Trade issues.** Given the existing commercial patterns at inter-regional and inter-American levels, there is a strong, mutual interest in frank debate of commerce. The EU's relative decline in Latin America's import trade, and the reversal of Latin America's traditional trade surplus with Europe into a deficit, are trends that both regions will wish to curb. However, structural difficulties and persistent commercial barriers on both sides must be overcome if far-reaching trade liberalization is to occur. In particular, if agricultural trade is to be freer, Europe will have to deal effectively with reform of the CAP.
- **Private sector links.** The aim of intensifying trade and investment relations would be helped by consolidating stronger links between the business sectors of Europe and Latin America. Business trends at the global level underline the need for concerted efforts: the internationalization of firms and industries, accelerating technological progress, an ever-larger services sector, regional integration and unhindered capital movements. The active promotion of cooperation between European and Latin American SMEs would be of clear benefit to the economies of both regions. In Latin America particularly, where SMEs provide a large proportion of the jobs, greater cooperation in this area could help mitigate the unemployment problems that might be prompted by ongoing demographic trends.
- **Technology.** Securing the maximum benefit from business links requires further attention to the key area of technology. Dynamic efficiency – the speed with which an economy develops and uses new technologies – is vital in economic performance. Increasingly important components of biregional relations, therefore, are technology transfer and the dissemination of technical knowledge. Much of this will accompany flows of European direct investment to Latin America, but there is scope for specific public programmes to foster the private initiatives. In this context, the ways in which Europe and Latin America can work together on education is perhaps the most important issue to address.
- **Education.** Variations in educational attainment make some of the greatest contributions to income inequalities. Limited education constrains productivity, thereby hampering international competitiveness. However, there are relatively few EU programmes to support basic and secondary education in Latin America, the sector most in need of attention. Collaborative efforts in the field of education would also be of mutual benefit. From the European perspective, strengthening education and training links could be an important component of a strategy to raise the cultural profile of the EU in the region over the long term. This would help to consolidate the existing social and cultural affinities which foster biregional collaboration in other areas.
- **Development assistance.** The IDB has recently confirmed that Latin America is the world's most unequal region. Economic growth in the 1990s has had little effect on poverty rates. The concerns raised by this are underscored by demographic trends in some countries, and particularly by the age profile of their populations. An increase in demands – for education, health care, housing and general social provision – seems likely over the coming decades. If aid resources are unlikely to rise in line with the growth of

demand, existing resources might at least be used more effectively. Some degree of greater coordination between donors would help eliminate duplication of efforts and the risk of incompatible aid strategies, thereby increasing the effectiveness (and the visibility) of European assistance.

- **Security.** Security issues seem likely to assume greater prominence on the biregional agenda – both traditional defence security and safeguarding against new security threats. For Europe, an important objective of the CFSP will be the extension and consolidation of arms control and non-proliferation initiatives. The long-term preservation of stability obviously remains a key EU aim. For Latin America, progress on economic integration makes more feasible some degree of military integration and the implementation of confidence-building measures – fields in which the EU has significant experience. For both partners, in a context of peace, a basic objective of biregional diplomacy will be not to settle conflict, but to continuously sustain conditions that will prevent future conflicts.
- **Global developments: a strategic partnership.** Beyond the issues of their own relationship, Europe and Latin America have much to discuss in terms of broader developments at the global level. What kind of players do they want to be on the international stage? How can they, working together, promote their own interests? Recent developments – the Asian financial crisis, the Russian moratorium, events in Kosovo and the Persian Gulf, nuclear weapons testing in Asia, threats of unilateral trade sanctions – suggest that some of the architecture of global governance (political, economic, financial and military) has to be re-addressed in the next century. For both Europe and Latin America, the whole issue of managing globalization is likely to be more effectively resolved if the two regions which constitute the bulk of what was once called “the West” can reach some consensus on how the international system should be ordered.

If the two regions are unable to establish some form of strategic partnership, and if economic trends move the world towards a more explicitly “regionalist” stage, Europe and Latin America will both incur opportunity costs. In such a case, two or three decades from now, it might seem that the 1980s and the 1990s were the “golden age” of European-Latin American relations. In some fields, in fact, this might be inevitable. Perhaps the abrupt removal of the predictable Cold War rules has made some international issues too complicated to be dealt with on a biregional basis. In other areas, however, this is clearly not the case. Both Europe and Latin America derive benefits from addressing some matters biregionally. Neither of them can view with indifference the prospect that their relationship might be undermined. As the biregional relationship goes beyond the year 2000, the continuation of the benefits will be conditioned by how Europe and Latin America act in pursuit of common interests.

ABBREVIATIONS

ACP	African, Caribbean and Pacific countries
APEC	Asia-Pacific Economic Cooperation
CAP	Common Agricultural Policy
CFSP	common foreign and security policy
CSBMs	confidence and security building measures
ECIP	European Community Investment Partners
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EMU	economic and monetary union
FTAA	Free Trade Area of the Americas
GSP	Generalized System of Preferences
IADB	Inter-American Defence Board
IDB	Inter-American Development Bank
ILO	International Labour Organization
IRELA	Institute for European-Latin American Relations
ITRA	Inter-American Treaty of Reciprocal Assistance
MFN	most favoured nation
NGOs	non-governmental organizations
NICs	newly industrialized countries
OECD	Organization for Economic Cooperation and Development
SMEs	small and medium enterprises
UNDP	United Nations Development Programme
WTO	World Trade Organization

