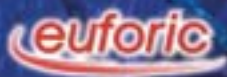


DEVELOPMENT COOPERATION

European Union
Latin America

Overview and Prospects



Development Cooperation European Union Latin America

Overview and Prospects

Mariano Valderrama León
Editor



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Development Cooperation between the European Union and Latin America: Evaluation and Prospects

Mariano Valderrama¹

Introduction

A political dialogue was initiated in the 1980s between the European Union and Latin America that aimed at consolidating foreign, economic, commercial and cultural relations between the two regions. The initial dialogues of San José and with the Group of Rio were oriented toward the consolidation of peace and democracy in Latin America. These were followed by the Summits of Heads of State and Government of both regions, and progress in interregional dialogues with MERCOSUR, the Andean Community and Central America in addition to specific association agreements with Mexico and Chile. Growing European investment in Latin America and the consolidation of democracy and peace in Latin America are factors that are invigorating the relations between the two regions.

However, an examination of relations between Latin America and the European Union shows that Latin America is relatively marginal in the economic, trade and even geopolitical priorities of Europe. Distinct factors work against more dynamic relations between Europe and Latin America. Among these are, in the first place, the fact that Latin America forms part (or is seen as such) of the immediate sphere of influence of the United States. Secondly, the opening of Europe towards Central and Eastern European markets, including the recent entrance into the EU of several of them, presents European countries a series of challenges and prospects of enormous dimensions. Furthermore, these countries are geographically and culturally much closer to European capitals than to El Salvador and Peru. Third, certain global dynamics overlie general understandings and bi-regional arrangements established

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among some Latin American countries and the European Union. Fourth, although the EU is Latin America's second largest trading partner, its presence has declined compared to the rest of the world. Representing one-fourth of LAC imports and exports in 1990, the EU has decreased to 16% of the region's imports and 12% of its exports.

These trends should be reversed. The historical ties and similar cultures, the common legacy of respect for democracy, human rights and public liberties, the economic complementarities and common global perspectives can serve to support a substantial and productive dialogue to this end.

The Interchurch Organization for Development Cooperation of the Netherlands (ICCO), the European Forum on International Cooperation (EUFORIC) and the Society for International Development (SID), with the collaboration of the Latin American Center for Rural Development (RIMISP), and the Chorlavi Group have proposed to further involve Latin America in the debate on EU development cooperation policies. The purpose of this is to influence the relations between the two regions in favorable terms for Latin America, taking advantage of the opportunity presented by the Dutch presidency of the EU and the International Conference "The European Union and the South: A New Era" that took place in The Hague in September 2004.²

In April and May 2004, a first electronic forum brought together almost thirty authorities from Latin America and European experts on Latin America. A synthesis of the principles proposed was presented at the annual conference of EUFORIC, held in The Netherlands in June. Afterwards, ICCO and RIMISP decided to continue the dialogue, requesting that a group of experts prepare papers exploring some priority aspects in relations between EU and Latin America. These papers were discussed and enriched by means of an electronic interchange, and thus the present publication was elaborated, bringing together contributions by Latin American experts on five major subjects:

1. Political dialogue and multilateralism (democracy, peace and security, environmental protection and the anti-drug struggle).
2. New architecture of development.

² The conference falls within the context of the Multi-annual Program for European Development Cooperation 2010 and is organized by the *Society for International Development, European Association of Development Research and Training Institutes (EADI)* and EUFORIC.

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3. Trade, partnership agreements, investment and development.
 4. Policies and practices for development cooperation.
 5. Role of civil society in bi-regional association.

1. Political Dialogue and Multilateralism

The experts agree that the strengthening of multilateralism has a fundamental importance as a point of convergence in the political dialogue between the EU and Latin America. It facilitates lines of joint action in specific areas such as democracy and human rights, security, disarmament and the struggle against nuclear proliferation, protection of the environment and the struggle against illicit drugs.

The Guadalajara Declaration shows the variety and depth of the common focuses in the subject of multilateralism. The declaration ratifies the principles of sovereignty, non intervention and the sovereign equality of all States, with a reminder of the obligations of the governments regarding human rights and democracy. It confirms the central role of the United Nations (UN), with a commitment to improve its efficiency, supporting its actions in the prevention of conflicts, the peaceful resolution of controversies, crisis management and operations related to peace, security, the protection of human rights, support of the International Criminal Court, the struggle against illicit drugs and environmental protection.³

Previous deliberations, however, have reflected divergences with respect to outside interventions that are justified on humanitarian grounds, in which Latin America has shown reticence, especially in the absence of a UN mandate. A legal vacuum in the UN Charter on subjects related to the illicit and collective use of force becomes a fundamental consideration for future international policy regarding humanitarian intervention and terrorism. As the international community is responsible for adopting measures to impede massive and systematic human rights abuses and crimes against humanity in the internal jurisdiction of the States, it is necessary to develop a conceptualization based on consensus to legitimize collective UN actions under its governing principles.

³ The Declaration of Guadalajara is, tacitly, an argument against the unilateralism of the United States and its way of conducting the "war on terrorism". But special care has been taken not to include an explicit reference to this country with reference to peace and international security, or in other issues such as the International Criminal Court, land mines or the Kyoto Protocol.

Within the issue of Security, the UN, the EU and Latin America should broaden the conception to include non-military factors such as the political capacities of governance, the creative dynamism of their societies, the convergence of democratic values and ideals within the diversity of their cultures, the reversal of the process of deterioration of the environment, the elimination of inequalities in world development and the consequences of social disruption created by poverty.

Progress is needed on a number of issues concerning foreign relations between the EU and Latin America, such as:

- a. With respect to **democracy and human rights**, the strengthening and full enforcement of the Inter-American Democratic Charter must be safeguarded, and human rights organizations within the inter-American system such as the Inter-American Court of Human Rights must be invigorated, while the International Criminal Court must also be strengthened.
- b. Regarding **security, disarmament and the struggle against nuclear proliferation**, the processes of mediation, negotiation and reconciliation must be strengthened and promoted. A perspective to restrict defense spending must be constructed so that spending can be reoriented towards social needs, and shared policies established that are oriented toward the reciprocal reduction of acquisitions and sales of sophisticated military equipment. In Latin America, the ban on the deployment, manufacturing, transportation and use of nuclear, biological and chemical weapons must be confirmed in conformance with the Tlatelolco Treaty and the international conventions on chemical, biological and toxic weapons. Tangible results must be achieved in the proscription of all kinds of nuclear tests, the eradication of land mines and the ban on the development, manufacturing, ownership, deployment and use of all types of weapons of mass destruction, while multilateral courts and related international instruments must be strengthened.
- c. **Environmental protection** initiatives should aim at world-wide adoption of the Kyoto Protocol. Specific measures must be promoted to mitigate climatic change.
- d. As for the **struggle against illicit drugs**, the joint responsibility and the multifaceted nature of the problem must be confirmed, while maintaining or increasing access of products from Latin American countries particularly affected by the production and traffic of illegal drugs, under the General System of Preferences to the EU market. Joint initiatives in dealing with the WTO for this purpose are appropriate.
- e. In the area of **science and technology**, professional training and the development of scientific and technological capacities should be promoted through the creation of a EU - Latin America Fund for the promotion of science and technology.

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- f. Regarding **migration**, Latin American citizens and those from southern Europe should be afforded equal treatment, while the entry regulations and the rights and conditions of the people admitted are made more flexible and their treatment improved while promoting their integration.

2. New Architecture of Development

It is very important to make more progress in the reform of the UN as a fundamental area in the perspective of the common interests of Europe and Latin America. It is evident that in the complete reform of the UN, one of the objectives should be the democratization of the composition of the Security Council and of its decision-making process for the use of force. Likewise, the main organizations of the UN should have greater responsibility in the promotion of and demand for economic and social rights, as has already occurred with civil and political rights.

In the areas of reform of the international institutional framework, Latin America has traditionally defined some basic principles about the international architecture of development, including the need to provide general public goods, the correction of the asymmetry that characterizes the international system and the promotion of an agenda based on the rights of individuals. This is similar to the opinions of the UN as well as many NGO'S, and the European countries have expressed similar positions.

The international architecture for the development that took place following World War II was based on two systems: that of the organizations associated with the UN (the General Assembly, ECOSOC, UNCTAD, FAO, ILO, UNESCO, etc.) and those linked to Bretton Woods (the IMF, World Bank and in practice, the GATT and WTO). During their first decades, these institutions waged a conceptual and theoretical struggle over the approach to development. Within the framework of the major World Summits during the 1990s, the alliance among the southern countries and European countries permitted a thorough discussion of neo-liberal ideas about development, and laying the foundations for a new multilateralism.

Within this framework, a change in the international institutional architecture is imperative. There is a proposal to reform the Bretton Woods organizations, giving developing countries more participation in multilateral economic organizations such as the World Bank and the IMF. It is essential to amend the make-up of these organizations' boards of directors, as well as their voting structure, their representation and their transparency. It is also necessary that the minutes of their sessions be made available to the public.

It is also proposed that the EU have a greater role in coordinating the macroeconomic policies of the industrialized countries. This should increase the participation of the developing countries.

3. Trade, Partnership Agreements, Investment and Development

3.1. Trade

The EU and Latin America should form an association to promote rules of the game for the world economy in the global political dialogue. The governments of Latin America and Europe should become leaders in this development. In spite of their different positions in the world economic scene, basic points of agreement should be promoted in decisive spaces such as the World Trade Organization (WTO). Without a distinct treatment of the WTO's agricultural subsidies, everything that is done in favor of social cohesion by means of development cooperation will be irrelevant.

The current levels of protection continue to be an important factor in the distortion of trade and the reduction of world prices of agricultural products. This protection mainly benefits large companies and affects low-income consumers.

In 2003, the EU spent 121 billion dollars subsidizing its agriculture, equivalent to 40% of the value of the sector's production. The bulk of European subsidies correspond to those that cause the most distortion in agricultural trade: subsidies on the market price and those linked to production and inputs. Worldwide, the greatest subsidy to producers is in the EU (36%), followed by Japan (24%) and the United States (20%).

On July 31 in Geneva, the negotiators of the WTO came to a Framework Agreement that could overcome the lack of progress that followed the ministerial meeting in Cancun. This agreement defines the means of negotiation in agriculture and the general guidelines that define goals and rules to liberalize trade in the agriculture and livestock sectors. Responding to the pressure of the Group of 20, the wealthy countries agreed to greater reductions in subsidies that distort trade, including the commitment to reduce the internal subsidies 20% and eliminate all the subsidies on exports the year following the end of the Doha Round. Additionally, the Geneva agreements make commitments to substantial reductions in tariffs by all but the very poorest countries.

The agreement benefits the developing countries, especially the poorest ones, as it eliminates export subsidies, reduces agricultural subsidies and provides the possibility of protecting

sensitive agricultural products. An energetic call has been made by the poorest countries for the elimination of import duties and quotas, and the reinforcement of the special, differentiated treatment in agricultural and industrial tariffs has been proposed.

The Latin American experts emphasize the need to proceed with the reform of the institutional architecture for trade, beginning with the WTO. It has demonstrated an incapability to achieve any significant consensus among the diverse countries, mainly among those that provide enormous subsidies to their agriculture that has led to greater support for the proposal to change the decision-making and operational structure of the WTO.

The WTO has an institutional architecture based on the principles of one country-one vote, and decision-making based on consensus. But limitations keep it from being an open organization, since small groups of countries set the agenda or do so in small ministerial meetings. Additionally, the discussion almost always take place behind closed doors, and the commitments and negotiations lack transparency, while less developed countries lack permanent representation or are not represented equitably.

Some precise recommendations are formulated in the area of trade:

- a. Real commitments by the northern countries and the EU are essential in order to reduce distortional subsidies, eliminate export subsidies and implement antidumping policies.
- b. Establish precise dates and amounts for commitments assumed in Geneva, so that they are in place for the Hong Kong meeting in December of 2005, assuring that protection measures aren't replicated for agricultural products, textiles and clothing.
- c. The EU should foment proposals that permit the free access of Latin American agricultural and livestock products to their market and eliminate export subsidies and other distortional assistance. As long as there is no agreement on the subject of agriculture and livestock, no additional trade tax-cutting measures with developing countries should be adopted.
- d. Collaborate with the less developed countries of the region to overcome the cost, technical and human infrastructure limitations for the implementation of standards on good practices in agricultural manufacturing and hygiene, as well as HACCP regulations⁴.

⁴ Hazard Analysis Critical Control Point (HACCP) is a scientifically designed program that identifies the critical steps in food preparation where contamination is most likely to occur and then puts in place preventive measures. It is a regulation binding the seafood industry.

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- e. Measures should be taken at the international level to reduce the power of the agricultural conglomerates in the markets.
 - f. The reports of the meetings should be made public, and the smaller countries should be strengthened so that they participate in the negotiations.

3.2. Partnership Agreements

The subject of the partnership agreements between the European Union and the sub-regions and countries of Latin America comes up in relation to the topic of trade. There is general agreement that progress is very slow in making the negotiation of these partnership agreements include free trade.

While the agreements with Mexico (2000) and Chile (2002) are already in force, the agenda of the bi-regional relations is marked, in large measure, by demands that the EU sign the partnership agreements pending with MERCOSUR, the Andean Community and the Central American countries. The position adopted by the EU at the Madrid Summit was that these agreements would have to – and this is new – be based on a “sufficient level” of regional economic integration and await the end of the Doha Round, initially planned for December of 2004.

The following recommendations are with respect to the partnership agreements:

- a. Accelerate the steps for the partnership agreements that include free trade and, in general, for the mutual opening of markets with adequate compensatory mechanisms that take the existing economic and social asymmetry into account.
- b. Include a political, social, labor and cultural dimension in all agreements between the EU and countries and LAC regions, in addition to a “balanced treatment of all trade aspects”, including the promotion and strengthening of the social organizations and the participation of organized civil society.

3.3. Investment

Investment is another important area in the relation between Latin America and the European Union. Starting in 1995, the flow of direct European investment to Latin America has grown exponentially. Of the sales of the 100 largest foreign companies in the region, the Europeans have reached 50%, compared with 43% for the United States. Ten percent of the largest transnational companies were European, as well as five of the ten major banks, accounting for 62% of the transnational bank assets.

One of the characteristics of European investment is its having been channeled through fusions with and acquisitions of existing companies, but little through new investment projects, compared to the North American investment. The bulk of the European investment is concentrated in services and petroleum, taking advantage of privatization, especially in the Southern Cone. Europe has come to be the principal investor in Brazil, Argentina, Chile, Bolivia and Colombia. In terms of the origin of the investments, 65% came from Spain, 15% from the United Kingdom and the rest from Portugal, Germany, France and Italy.

The following specific recommendations are made with respect to EU investment in Latin America:

- a. Associate with local companies that have the advantage of a greater internalization of technical knowledge and its dissemination to the small and medium enterprises.
- b. Contribute to the creation of competitive advantages in sectors with dynamic markets in the EU countries.
- c. Establish rules of conduct in environmental, labor and tax areas.
- d. Develop information mechanisms on the conditions for investment and trade.
- e. Increased European investment in Latin America requires prioritizing efforts in economic sectors - such as agriculture, livestock and energy - that can produce products with value added that are oriented toward the European market.
- f. Emphasis (although certainly not exclusivity) should be given to the role of small and medium-size companies.

4. Development Cooperation and Social Cohesion

4.1. Development Cooperation

In spite of the fact that contributions of the EU (European Commission and member States) in official developmental assistance to Latin America only account for a reduced percentage of its total aid, this constituted the main source of external aid for the region during the 1990s and the beginning of the current decade, representing 41.2 % of the total external assistance received by the region during that period.

However, one must consider that Latin America isn't an area of concentration for EU development cooperation (the sum of bi-lateral and multilateral cooperation). The percentage of the Official Development Assistance (ODA) that flows toward the region represents only

9% of the total and is less than that destined for other regions, such as Sub Saharan Africa (37%). An analysis of the evolution of the EU external assistance shows a considerable increase in the aid to the less developed European countries, which was insignificant until the end of the eighties. In the nineties, that aid increased and, as can be seen in the year 2002, the aid from the EU to Europe has come to be greater than that received by Latin America, a situation that had never occurred before.

The volume of European development assistance toward Latin America has varied throughout the nineties. The flow of official European aid to the region decreased 10.6% in real terms between 1990 and 2000 (from US\$ 2,343 million to US\$ 2,095 million), with an increase in 2000-2001, and then a decline in 2002.

As for the relative importance of the contributions of the different State members, it is worth noting some tendencies:

- a. The European Commission has become the principal source of aid to the region, surpassing the individual cooperating members of the EU.
- b. In spite of the decrease in aid from Germany starting in 1997, this country was still the greatest donor among the European countries in last decade.
- c. Dramatic cases of reduction in aid to the region are those of Italy and The Netherlands.
- d. There is a tendency for European development cooperation to favor Central America and the Andean region (Peru and Bolivia), and offer reduced levels of assistance to the more developed countries (MERCOSUR, Chile and Mexico), which are privileged with another type of development cooperation (trade agreements, scientific cooperation and technology).
- e. In the area of bilateral cooperation, Bolivia, Peru, Nicaragua, El Salvador and Brazil are favored in that order. One third of the total multilateral European development cooperation related to Latin American countries is concentrated in Brazil.

In the experts' discussion about cooperation between the EU and Latin America, a problem that was brought up was the difference between the official discourse on European cooperation and the reality. The general perception is that the bilateral cooperation programs are inadequate in face of the real demands of the States and the Latin American population, and even less so in the case of the extremely poor or the socially marginalized. Moreover, they even draw attention away from the central problems that interest the local development organizations.

On this subject, some points stand out:

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- a. The country strategy documents are basically prepared by European teams, with little or no participation by their governmental counterparts in the Latin American countries or by civil society.
 - b. The technical missions, which together with the representatives of European cooperation in the country define the approach and *modus operandi* of the projects, play a decisive role in the precise definition of the programs and projects. In these cases, the experts don't always have the necessary qualifications, while in many others, they know little about the reality of the countries and regions where the projects are carried out.
 - c. The inefficiency, bureaucracy, slowness and lack of professionalism in the management of resources for developmental aid programs of the EU in Brussels are alarming. EU personnel are not familiar with Latin America, its history or idiosyncrasy; on the contrary, their approach is «Eurocentric».
 - d. In the process of consultations with their local counterparts, local protagonist is limited and there is a lack of transparency. So-called participatory workshops are organized in which no real decision-making authority is given to the participants and they validate the proposals of the external consultants. In these events, adequate information about the projected budget is rarely disseminated, nor are options discussed.

In 1999-2000, the Council of Ministers of the Development Cooperation discussed a critical report about the Community's cooperation programs. Among the most noteworthy problems analyzed by the Council, those that stood out were the lack of clear priorities and specific objectives, the absence of sectoral policies, bureaucracy and the complexity of the administrative procedures, the restrictions of the Commission with regard to professional profiles, and the fact that the development cooperation programs of the European Commission and the member States do not complement one another. The consequences of some of this inefficiency were reflected in a wide gap between the funds committed and the funds actually spent.

Since the beginning of this decade, the operations of the European Community cooperation are being restructured, with the goal of improving the quality of its foreign assistance. In the Declaration of the Council and of the Commission on the Development Policy of the European Community of November 10, 2000, a set of basic guidelines was defined to reorient community cooperation, which can be summarized as follows:

- a. The aid should focus in key sectors, avoiding the proliferation of projects in a set of unrelated areas.
- b. It is necessary to improve coordination with other community policies and the activities of member States.

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- c. A better division of work among the Community and member States must be established through the reinforcement of complementary programming.

At the same time, an internal reform process has been implemented, which began with the creation of a new international European cooperation agency (Europe Aid) in January 2000, and later included a process for administrative simplification and decentralization, oriented toward strengthening the role of the delegations. This process coincides with similar decisions adopted by different country members.

In the EU-Latin American and the Caribbean forum for NGOs, some progress can be seen in the management of European development cooperation. For example, the decentralization process was considered important, which should help establish better country strategies, with better knowledge of local realities. Problems persist, however, including the following:

- a. Progress is still scarce in the decentralization of assistance, transferring decision-making and negotiating authority to representatives of the cooperation entities located in the countries of the South.
- b. The processes are too slow. The European development cooperation programs take several years to be designed and carried out. Formal administrative and bureaucratic aspects are preeminent over substantive aspects.
- c. The evaluations have often been purely formal and bureaucratic, and at best, have been dedicated to accounting for the use of funds and little to gaining practical lessons that improve the effectiveness of assistance.
- d. The cost of the European cooperation programs is very high. A large part of the resources is oriented toward administrative expenses, professional fees and contracting European companies, advisors and consultants, rather than being destined to development itself.
- e. The websites of the European cooperation entities inform people about the policies and profiles of the projects, but not to its implementation and spending levels.

Another problem which affects European cooperation and was noted by several experts is the lack of coordination among the European cooperation entities. In some cases, there is little coordination even among the different projects and programs of the same cooperating country. In some countries and sub-regions of Latin America, mechanisms for the exchange of information have been established, but little progress has been made in defining common strategies and programs, even in some areas in which several European entities concentrate their attention, such as the creation of jobs, the war on poverty,

education, health, food security, the environment or democracy. This impedes the generation of synergies and a more rational use of resources, as each entity has its own style of cooperation.

The development cooperation of the European Commission, rather than being an element to help the cooperation initiatives of member countries complement one another more, becomes one more instrument.

An important subject is that **of untying aid with strings attached**, thus freeing the receiving country from the obligation to purchase goods and services from suppliers in the donor countries. Aid with strings attached increases the acquisition cost of goods by as much as 20%. In November 2002, the European Commission presented the communiqué *Untying aid in order to increase its effectiveness*, in which it recognizes the limited progress achieved in this area and proposes taking firmer steps to remove conditions for receiving aid, extending the commitment to other areas, such as food assistance. A study conducted by Ayuda en Acción and Action Aid has the purpose of evaluating the impact of the recommendation on the practices of Spain, France, Italy and the United States, and shows that the progress to date is limited.

In relation to the proposal to remove conditions for aid, the subject of **technical assistance** is mentioned. The basic premise is that the objective is to transfer specialized knowledge and international experiences. However, in many cases, there are more highly qualified experts in the recipient countries who have better knowledge of the country's reality and could carry out the work to be done better and at a much lower cost. Additionally, a problem discussed is that the experts and technical missions in charge of the design of the programs tend to impose their own agendas and approaches over the requirements and points of view of their counterparts in the recipient countries.

The importance that **the strategies of development and local governability have acquired in European international cooperation** during the last decade is evident. The strengthening of local spaces has become a factor in the democratization of political life and the economic development of Latin America. New spaces have been opened for the exercise of citizenship, especially for vast sectors of the rural population. The possibilities for participation in and for vigilance over the socioeconomic development programs are greater at the local level than at the departmental or national levels. An analysis of the experiences of Bolivia and Peru shows the advantages of this type of cooperation, which tends to be more effective than that directed at national-level programs. It is worth noting the pioneering role of private development cooperation organizations, which for more than

three decades have given increasing attention to local development, promoting active citizen participation in the process.

Also gaining importance is **decentralized cooperation**, which is channeled from governments of the regions, autonomous communities or provinces and municipalities or European communities. The activities of the German *länder*, the Belgian linguistic-cultural communities, the autonomous Spanish communities and, more recently, the regional governments of Italy and France, stand out in this modality of development cooperation.

The role played by the European and Latin American NGOs in pacification, the recuperation and strengthening of democracy, and in the defense of the economic and social rights of the low-income population is well-known. However, it should be noted that the cooperative relations that linked the NGOs of Europe and Latin America in recent decades have suffered profound changes. These are part of processes such as economic, social and cultural globalization; the rise of neo-liberal policies; the decline of nationalistic development plans and the loss of the States role as protagonists; as well as the decrease in resources dedicated to foreign aid. Therefore, it shouldn't be surprising that the agendas and ties developed between many European and Latin American NGOs that were committed to development and social change in the seventies show visible signs of wear today, when new challenges arise, and they are proposing innovative areas and modalities of intervention.

The European NGOs that channeled financing to the south and their counterparts, the Latin American NGOs, now face the challenge of defining a new common agenda and proposing different modalities of interaction. The traditional forms of interlocution and association (partnership being the form used the most) are severely questioned in today's reality and have been replaced by other more pragmatic ties with less content.

Some recommendations on how to improve the development cooperation policies of the EU in Latin America are as follows:

- a. Change the current system of financing by project and by donor country, with the aim of achieving joint implementation of the programs of different EU countries. This should be carried out around certain central themes and geographic areas in accordance with public policies decided upon democratically, agreed upon by States and civil societies in Latin American, and with a perspective of equity and social cohesion.
- b. Implement an effective coordination of foreign aid from the European Commission and the member countries by countries and sectors. The development cooperation of the European Commission should be designed as a means of helping the programs of

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- the cooperating entities of the member countries complement one another, so that it is not simply one more source of assistance.
- c. Propose a systematic participation of the Latin American countries in the definition of development cooperation policies and programs to be implemented in the region and in the formulation of country strategies, including the governments and civil society organizations in this process. The effect of this will be that these policies and programs will fit better with the development needs of Latin American countries.
 - d. Replant the *modus operandi* of the technical missions, seeking mechanisms of institutional exchange with their local counterparts and establishing equitable channels to discuss the reports and proposals that emanate from these missions.
 - e. In the interest of greater transparency, precise guidelines should be given that commit the cooperating entities to providing specific information about project implementation and budgetary expenses. Likewise, propose an independent evaluation of the activities of European development cooperation in Latin America. Reinforce the participation of civil society and the mechanisms for the public to oversee the European development cooperation programs.
 - f. Continue and strengthen the work of European cooperation in the area of decentralization and local development, strengthening the dimension of citizen participation. The budgets for decentralized cooperation and the subsidies for NGOs should also be increased. Reformulate the EUROsociAL program to make it an instrument of decentralized and participatory cooperation.
 - g. Establish a dialogue among the European and Latin American NGOs to redefine their roles and redesign the common agenda, adjusting to the changes that have occurred in the Latin American context.

4.1. Social Cohesion

A central theme to consider in developmental cooperation is social cohesion. The reduction of poverty has repeatedly been proclaimed as a central objective of the international cooperation activities, of public policy, and of the NGOs. The coherence between statements and reality must also be examined, nonetheless. The latest United Nations Development Programme (UNDP) reports on human development point out that the gap between the rich and the poor is increasing in the world.

The subject of poverty came to be one of the central motives for foreign assistance. Different temporary and compensatory programs were generalized in the face of the effects of structural adjustment and economic stabilization, as encouraged by multilateral banks, which aimed for temporary achievements before processes of change in the conditions that generate poverty, assuring a certain sustainability of involvement. Today it is thought that international

cooperation has overevaluated the possibility of changing a very complex situation through specific projects with limited resources.

The EU suggested the subject of social cohesion as the subject of central concern in organizing the dialogue with Latin America at the Guadalajara Summit. The proposal was accepted more enthusiastically by civil society organizations than by the Latin American governments.

Civil society organizations have demanded an agenda of concrete actions to achieve greater social cohesion in Latin America. They consider it necessary to focus actions on the most vulnerable sectors and demand full compliance from the economic, social and cultural rights (ESCR). The integration and the negotiation of partnership agreements should advocate the eradication of extreme poverty and joblessness in a precise and measurable way. It requires the creation of good jobs, with unrestricted respect for the rights of individuals. To the extent that inequality is a fundamental dimension of the social problems in Latin America (it is the region with the most inequitable distribution of income), they call for tax reforms with social criteria as a means to make progress in the redistribution of wealth. It also must be taken into consideration that the weight of the external debt repayment impedes the financing of policies for economic and social development, and deserves priority treatment in the political dialogue between the EU and the Latin America.

However, on the subject of social cohesion and in development cooperation, there is an evident breach between the ambitious objectives of the bi-regional "strategic partnership" and the scarcity of means available to achieve it. From Rio to Guadalajara Summits not one additional euro has been assigned to finance the goals agreed upon, due to budgetary restrictions resulting from the growth of the EU, and the spending priorities related to the objectives of security and stability in the Balkans, the Middle East and Eastern Europe.

As a result, Guadalajara Summit reached only very limited results in the field of social cohesion, a fact that is among the main frustrations of the Summit. Together with the usual calls to the Latin American countries to adopt effective policies in the war on poverty, the declaration is limited to proposing a regional dialogue to exchange experiences in this area. The only concrete initiative in this area was the launching of the EUROsociAL program, with its meager funding of 30 million euros assigned for the Regional Strategy for Latin America 2002-2006 of the European Commission. On the other hand, this program will not finance direct actions in the war on poverty, and will be oriented toward the design of social policies and the training of high Latin American government officials in European practices for the promotion of social cohesion. Finally, the systematic absence of any reference to the relation between partnership agreements (understood as free trade) and social cohesion should be noted.

5. The Role of Civil Society in the Bi-Regional Partnership

In spite of the vitality of the preparatory process for the III Summit in Guadalajara, during which a great number of nongovernmental actors participated, the proposals in the Final Declaration received only limited acceptance. Civil society did not receive due recognition for its participation, nor for its prior contributions or its role in the strengthening of bi-regional relations.

There are several reasons that explain the limited acceptance of the proposals made by civil society:

- a. In spite of the willingness shown by some levels of the Mexican government and the European Commission, the foreign offices in the majority of the Latin American and European governments distanced themselves from these efforts.
- b. The inexistence of recognized institutional forums to channel these proposals into the dynamic of the Summits.
- c. The diversity of the topics and the heterogeneity of the scope of many of the proposals.
- d. The generic nature of the declaration, which includes practically all the topics of the previous events (although with some noteworthy exceptions, such as the Colombian conflict and the embargo against Cuba), but making concrete or binding commitments in almost none of them.

The strategic association is not based only on the Summit and the official institutions, but also on the actions and proposals of the diverse sectors of the respective societies. To strengthen the presence of the Euro-Latin American-Caribbean Civil Society in the dynamics of bi-regional relations, a set of actions is suggested:

- a. Participate actively and jointly in a series of dialogues set forth in the existing agreements, or agreements about to be entered into, between the EU countries and regions of Latin America
- b. Follow-up on the agreements of the recent Summit and other decisions through monitoring activities.
- c. Prepare a diagram of the existing institutional spaces for dialogue and consultation with civil society in both regions, at the level of the existing agreements and those about to be entered into by the EU and countries and regions of LAC, and at the level of the countries and the different institutional levels (European Commission, Joint Commissions, Committees, etc.).

Beyond these specific actions, there is a need to work on the formulation of an explicit, joint

strategy among the Latin American and European social organizations regarding the future that we want for the Bi-regional Strategic Partnership.

Finally, it is also proposed to achieve this goal to intensify human relations, the networks of civil society and intercultural dialogue, as well as scientific, cultural and political dialogue. Bi-regional civil society forums (scientists, NGOs, etc.) should also be promoted as spaces for dialogue about the trends in Latin America and the EU, the common challenges and the areas of bi-regional cooperation, as should student, academic and scientific exchange.

From Words to Action: the Guadalajara Summit and the Proposals from Latin American, Caribbean and European Civil Society

Jorge Balbis¹

1. Background

1.1. Events prior to the III LAC-EU Summit. Several Latin American governments and the European Commission supported a number of meetings prior to the summit involving civil society to "enrich and provide contents to the bi-regional strategic association." This meant renewing a practice established at the I Summit (Rio de Janeiro, 1999), which led to an increasing number of events parallel to each subsequent summit (participants at these events have become increasingly numerous and diverse and include representatives civil society, labour unions, NGOs, business, academe, parliament, local governments, etc.). The meetings prior to the III Summit were organised in different formats, took place in various countries and were related to a range of conditions, topics and priorities set by the strategic EU-LAC Association, and, in particular, the agenda for the Guadalajara meeting. According to the Mexican organisers of the meetings, the recommendations will be included as supporting documentation for the Summit preparations.

The preparatory events included several meetings on social cohesion between the European Commission and the Inter-American Development Bank (IADB); the meeting of LAC-EU university networks; the meeting of parliamentarians; bi-regional (official) meetings on migration; an URBAL Programme conference to determine the conclusions and perspectives of decentralised cooperation among local European Union and Latin American organisations in the field of urban policymaking; the II Civil Society Euro-Latin American-Caribbean Forum; a meeting of ECSA associations in Latin America

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and the Caribbean (LAC); a seminar on cultural industries; the III Meeting of Organised Civil Society from Europe, Latin America and the Caribbean; the II EU-LAC Summit².

- 1.2. This practice is in line with the European Commission's policy to "involve non-governmental actors" (in particular, from Europe) in the debate and implementation of strategies, procedures, initiatives, and events, both within the European Union and internationally.

With respect to LAC, the role played by the European Economic and Social Committee (EESC) in prior summits (EESC called three meetings of organised civil society from Europe, Latin America and the Caribbean for a like number of Summits); the negotiations and implementation of association agreements (with Mexico, Chile and MERCOSUR); the conferences with or by civil society organisations of Mexico and Central America; and in consultations with civil society, academe and business with respect to the European Union, MERCOSUR and Chile negotiations, etc.

- 1.3. Normally, initiatives for this type of meeting come from European organisations/institutions with financial support and recognition from European Union authorities (from the Commission in particular). Civil society from Latin America and the Caribbean is invited to join these initiatives. Nevertheless, some Latin American organisations/institutions are increasingly proposing initiatives. They include the case of ALOP at the Alcobendas Fora in Spain (2002) and the Pátzcuaro, Mexico meeting (in 2004), as well as the Latin American Centre for Relations with Europe (CELARE) seminar on political and congressional contributions to the III EU-LAC Summit that took place in Santiago, Chile in January 2004. In these cases:
 - a. Most of the funding for the events is provided directly or indirectly by European institutions (the Commission and/or the Parliament) while Latin American funding is comparably small.
 - b. Latin American governments find it difficult to recognise the value of these efforts; moreover, their foreign affairs ministries often do not appreciate or show interest in these manifestations of civil society participation in what they believe is their exclusive domain.

² For a complete list of preparatory events, see www.alcue.org/alcue/web/cumbre1.php and in www.europa.eu.int/comm/world/lac-guadal/00_index.htm.

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- 1.1. Summit preparatory activities that receive official recognition have special status among European authorities. However, Latin American authorities must be reminded of this fact every time these meetings are called. An exception was during the last summit, when Mexican authorities competed with the European Commission to sponsor (and even partially fund) several events prior to the Guadalajara Summit. In addition, for the first time in the history of EU-LAC summits, the host-country government agreed to present and promote the results of the preparatory meetings before the top officials charged with preparing the final Summit Declaration. The meeting's results were presented to the foreign affairs ministers in Guadalajara.³
 - 1.2. Outside of the official Summit circuit, other events, which official meeting organisers referred to as peripheral or parallel were alternatives to or against the official meeting's objectives and contents (in particular, concerning their limitations). The contributions of these initiatives are unlikely to be taken into account (or even of being heard and/or accepted) by the authorities. At the time they took place (parallel to the Summit) their largely critical tone clearly prevented their inclusion in the official meetings, although this was not necessarily the objective or desired goal of their organisers.⁴
 - 1.3. The Summit's agenda was the subject of a lengthy debate among the European delegation (represented by the European Commission and the Irish EU Chairmanship) and the Latin American and Caribbean delegation (Mexico, as the meeting's host country and the Mexican ambassador before the EU played a leading role, together with Latin American government representatives in Brussels). The European Commission decided to focus the Summit on the issue of social cohesion to avoid the fragmented nature of previous meetings' agendas, and as an attempt to reach some concrete results in four related areas (education, health, fiscal reform and justice). However, the Mexican ambassador and some Latin American representatives in Europe—in particular from Brazil—were not enthusiastic about limiting the agenda. On June 23, in

³ Although this was a first such event, the way in which it was organised made it a public relations exercise instead of an event from which concrete results could be expected. Clearly, the possibility of *conveying* the message from these events to include them in the Declaration disappeared long before the actual summit date. Top officials completed the draft declaration by April 27, so the Guadalajara initiative had a number of other meanings: to "officially accept" the results of the events, to demonstrate the efforts of Mexican authorities, etc.

⁴ The most evident case in this respect was the Linking Alternatives Forum, called among other organisations by RMALC and the Continental Social Alliance that took place in Guadalajara parallel to the Summit.

an effort to encourage Latin American governments to accept its proposed agenda, the Commission, together with the IADB and ECLAC, organised a seminar on social cohesion. The seminar focussed on some issues unpopular with Latin American governments, because they considered the Commission's approach to the problems of poverty and inequality in the seminar to the Summit "reductionist" and "Eurocentric". After the seminar, which was held in Brussels in June 2003, a follow up group was created, including representatives from the Commission, UNDP, ECLAC and some European and Latin American governments. This group prepared a document that was included as an additional input for the meeting (however, it was not an official document for the meeting to be included as an annex to the Final Declaration, as Commission authorities had requested).⁵

For their part, Latin American governments made a counterproposal for the agenda, including the issue of social cohesion from the perspective of the three components of relations with the European Union (political dialogue, trade and development cooperation). The discussion of each of these topics was broken down into a number of sub-issues, including international peace and security, democratic governments (interdependence between democracy and economic and social development), the struggle against poverty, migration, sub-regional integration, foreign debt, international financial architecture, the multilateral trade system, the scientific and technological gap, building human capital to eradicate poverty, etc. Annex I includes an outline of the draft agenda prepared by Latin American and Caribbean governments for the Summit.

Lastly, the agenda included two main topics: social cohesion and multilateralism. Each of these was broken down into a number of sub-themes, including regional integration, democratic governance, international financial architecture, cooperation for development in science, education, technology and culture, etc. These were used to prepare a long list of recommendations for the Summit, from varying perspectives.⁶

- 1.4. However, the impact of these contributions to the Summit Declaration may be regarded as modest. The reasons include:

⁵ See: http://europa.eu.int/comm/external_relations/la/sc/index.htm

⁶ The corresponding documents may be seen at www.alcuel.org/alcue/web/cumbre1.php.

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- a. As mentioned earlier, the Latin American foreign offices were not involved in these efforts, despite the willingness of the Mexican government to participate in the preparations for this Summit. In most cases, this was also true for the European foreign affairs officials, who discussed the contents of the Summit agreements with their Latin American and Caribbean colleagues. Regardless of the goodwill shown by the European Commission toward these practices, the political and bureaucratic barriers erected by EU member states largely impeded their potential impact on the results of the bi-regional meetings.
 - b. The lack of recognised institutional channels to present these proposals for the summits limits the likelihood of obtaining support from the organisers of official meetings, who may help to convey the proposals or achieve this goal through relationships or in circumstances outside of the summit context.⁷
 - c. The wide range of topics and the diversity of scope of many proposals originating from these preparatory events make it difficult to include them in the summit documents.
 - d. The generic nature of the Declaration includes practically every issue proposed at the previous events (excluding some notorious omissions, such as the Colombian conflict and the Cuba embargo). Nevertheless, it does not include any concrete and/or binding commitments to address these issues.

2. Civil Society Proposals for the Guadalajara Meeting

- 2.1. Before describing the proposals made by civil society to the III EU-LAC Summit, we should review the diverse proposals, objectives, approaches resulting from the 15

⁷ This is the case of EESC, which as an official European organisation, has a certain capacity to impact community authorities in the absence of other actors involved in initiatives resulting from the summit. The results of the III Meeting of Organised Civil Society from Europe-LAC were consequently included in the talks by top officials since debate participants were involved as members of the European delegation that discussed the draft Guadalajara Declaration with their LAC counterparts in Brussels. The Mexican civil society had the opportunity to send two representatives (one from Mexican unions and another from NGOs) as members of the official Mexican government delegation to the Summit. In this way, several events (e.g. the Union Summit and the Pátzcuaro Forum) included representatives within the Summit who conveyed some ideas through the Mexican delegation. This was the exception to the rule. No other official delegation to the Summit included civil society representatives.

previous events (although they did not all include civil society representatives), such as those organised in preparation for Guadalajara.⁸

There are obvious differences in perspectives and emphasis among the proposals, as well as significant information gaps on politically sensitive issues (the cases of Colombia and Cuba for instance, which are not included in the Declaration of the III Organised Civil Society Meeting, called for by EESC). In addition, numerous issues raised by certain sectors (such as debate and consensus building included in the Declaration from the II Trade Union Meeting) were not included in any other event. Moreover, many of the recommendations refer specifically to Latin American governments and therefore cannot be easily discussed in the framework of a bi-regional summit of heads of state and government.

Taking into account these observations, while drafting this paper on the impact of civil society meetings at the III EU-LAC Summit on the Guadalajara Declaration, we paid special attention to the recommendations resulting from the three events and their clearly social character:

- a. The II European-Latin American-Caribbean Civil Society Forum, organised by ALOP and several civil society organisations and networks from Latin America, Mexico and Europe (Pátzcuaro, March 24-26);
- b. The III European, Latin American and Caribbean Civil Society Meeting organised by EESC, the European Commission and the Mexican Ministry of Foreign Affairs (Mexico, April 13-15);
- c. The II EU-LAC Trade Union Meeting organised by European and Latin American trade union federations (Mexico, April 16).

2.1. An analysis of the Final Declarations presented at these three events reveal a number of recurring topics and recommendations for the III Summit, in particular:

⁸ For instance, the III Meeting of Organised Civil Society from Europe, Latin America and the Caribbean called by EESC brought together members from the corporate, labour, consumer and cooperative communities (a third-sector community perhaps); the Pátzcuaro forum brought together NGOs and some representatives from social movements; the III Labour Union Summit involved participants from labour; the Linking Options forum involved social organisations and movements close to the Global Labour Union Forum, etc.

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- a. **Multilateralism:** The EU-LAC alliance could contribute to fostering multilateralism, particularly in the political arena, as well as promoting sustainable development supported by economic, social and environmental underpinnings. This alliance should promote good governance based on the consensus of nations and respect for international law and commitments supporting the planet's environmental and social balance (Monterrey Consensus, Johannesburg, etc.). It is also appropriate to promote transparent and democratic mechanisms in negotiations and decision-making, both at the WTO and in international financial negotiations. To make further progress in this area, it is crucial for countries to ratify the International Criminal Court.
 - b. **Democracy:** The EU and LAC countries must support the consolidation of democratic processes; an end to political violence; and the eradication of corruption and impunity. Institutionalised corruption and illegality undermine the basic ethical, regulatory and community links required for social coexistence. Consequently, more severe penalties should be proposed for officials guilty of corruption.
 - c. **Social cohesion:** To achieve greater social cohesion in LAC countries, an agenda of concrete actions is required, with the participation of civil society in its drafting, development and implementation. Initiatives should focus on the most vulnerable sectors (women, children, young people, senior citizens, the disabled, as well as indigenous and Afro populations). Comprehensive compliance with, and enforcement and legal protection of, economic, social and cultural rights is required. In this regard, the current integration processes or talks to enter association agreements should include well-defined, measurable goals, including the reduction of poverty, hunger, mortality and malnutrition, unemployment and precarious jobs. In addition, the pressure on weak social security and social programmes must be alleviated.
 - d. **Dignified work and employment:** A key aspect in promoting social cohesion is the creation of dignified work and employment. To this end, agreements concerning human rights, including the labour rights comprised in the ILO agreements, must be respected. Multinational corporations, in particular European ones, should play a major role, beyond current regulations in LAC countries, to promote respect for labour and environmental rights through voluntary initiatives in the area of their social responsibility. Thus, a relationship between the EU and LAC countries could contribute to developing a structured labour market, providing decent employment and including institutional arrangements to promote negotiations between social actors.
 - e. **Fiscal reform:** Inequality is a major factor of social problems in LAC, for which reason tax reforms must be made based on social criteria that will contribute to redistributing wealth. These reforms should substantially modify the existing tax

and spending structures and should be directed at levying higher taxes on higher income groups.

- f. **Foreign debt:** Foreign debt payments impede the financing of economic and social development policies. This issue should be a top priority on the political agenda between the European Union and LAC countries. The legitimacy of each case should be determined with a view toward rescheduling or condoning the debt. The people's right to development should take precedence over debt repayments.
- g. **Regional integration:** This is recognised as a key element in creating a bi-regional relationship that will further social cohesion. Regional integration can foster integrated and articulated economic development that takes into account national and regional disparities by promoting efficient and effective economies and introducing measures to lure foreign investment. Pursuant to the objective of promoting social cohesion, a call is made for integration that will not be exclusively economic but that will also promote "convergence between and within countries."
- h. **Association agreements:** These negotiations between the European Union and MERCOSUR should conclude in the coming months. Besides promoting a balanced trade treatment, they should include political, social, labour and cultural dimensions. There should be a significant, balanced and reciprocal market opening (both bi- and intra-regional). Some even stress the need to redesign existing agreements to address those disparities, and to include clauses on preferential and differentiated treatment, exclusion of sensitive economic sectors and compensation funds. Efforts should be made to promote similar talks between the European Union, the Andean Community of Nations (CAN) and Central America. Likewise, negotiations should begin in the framework of the Cotonou Agreement concerning association pacts between the European Union and Caribbean countries. Finally, all past and future agreements between the European Union and LAC countries and regions should "emphasis the social dimension, promote and strengthen social organisations and participatory bodies, as well as consultations with organised civil society."
- i. **Cooperation:** European countries should continue to provide current levels of cooperation funds to LAC and to ensure greater efficiency in their use. Moreover, the European Union should comply with its commitment to allocate 0.7% of its GDP for cooperation within a clearly specified implementation period, while simultaneously seeking new forms of revenue distribution in national and international spheres, including social compensation funds, taxes on capital transfers and funds derived from international common goods. There is support for the creation a Bi-regional Solidarity Fund (which the European Parliament approved but which the Commission has yet to fund). In addition, there should be improved

coordination between the European Commission and EU member states. Given that all association agreements include a cooperation component, they should be redrafted for greater consistency with the objective of promoting social cohesion. Finally, with regard to the so-called social initiative (currently EUROSociAL), a request was made to take into account regional characteristics and to promote effective involvement of civil society and resources in accordance with its scope.

- j. **Migration:** The issue of migration should be included as a matter of joint responsibility on the EU-LAC agenda. The individual rights of the migrants should be respected and their dignity and cultural contribution should be recognised. An effective stand should be taken against organised human trafficking, and foreign citizenry laws should be standardised to provide the greatest possible protection.
- k. **Civil society:** All declarations recognised and confirmed the important role of civil society in EU-LAC relationships and requested the inclusion of civil society's effective involvement in integration processes, present and future association agreements and the summits themselves. To this end, a call is made for greater access to information, realisation of consultations and the creation of opportunities to participate in decision-making processes.
- l. **Colombia:** Political negotiation is the best way to resolve the conflict. All parties should halt armed activity.
- m. **Cuba:** The Summit Declaration should urge the United States to lift the embargo against Cuba and to foster a renewed political dialogue that will conclude in a cooperation agreement between the European Union and Cuba.

3. Summit Results

According to some analysts, the Guadalajara Summit underscored the vitality of EU-LAC relations, in part through a preparatory process that involved a large number of actors, both governmental and non-governmental, and from civil society in particular, despite the fact that civil society is not granted due recognition. However, judging from the Summit's Final Declaration, the balance is less optimistic. This is even more evident if we compare its contents with the ambitious list of aspirations expressed by civil society. Nevertheless, it did address some questions of major interest that were largely ignored in prior civil society events.⁹

⁹ See www.alcuel.org/alcue/web/doctos/Declaracion_Final_REESTRUCTURADA.pdf.

The final section of this analysis will present a comparative analysis based on the review of the Declaration prepared by José A. Sanahuja (currently in press).¹⁰

According to Sanahuja, the contents of the Guadalajara Declaration may be interpreted as follows:

- a. Regarding **the commitment to multilateralism and the principles of the UN Charter**: It ratifies the principles of sovereignty, non-intervention and sovereign equality among states, and reiterates the governments' obligations concerning human rights and democracy (point 3 of the Declaration). It confirms the central role of the United States and commits to improving its efficiency, supporting its reform (points 12 and 13) and contributing to regional organisations in the areas of international peace and security (points 8 and 11). However, in a previous discussion, some disagreements emerged concerning humanitarian interventions. Latin American countries were particularly reticent to these interventions, particularly since no UN mandate supports them. This same multilateral approach proposed the threat of the proliferation of weapons of mass destruction, to which Latin American concern about small arms was added (point 16).
- b. Concerning **the role of the United States**: The Guadalajara Declaration implies, without explicitly mentioning it, an argument against unilateralism in the "war against terror." The Guadalajara Summit suggested that the Bush Administration is isolated and faces a legitimacy crisis. However, care was taken to avoid express reference to the United States in the Declaration, and it was not specifically mentioned in the sections on international peace and security or other issues, such as the International Criminal Court (point 18), personal mines (point 20), or the Kyoto Protocol (point 31). The European Union vetoed a specific mention of the United States in the harsh paragraph in which participants expressed their abhorrence to the torture in Iraqi jails (point 19). The Declaration even exculpates the Bush Administration and awards it a vote of confidence by recognising its commitment to bringing to justice the individuals responsible for the abuses while ensuring compliance with international humanitarian law.¹¹

¹⁰ José A. Sanahuja: "La Cumbre de Guadalajara: consensos y divergencias en las relaciones Unión Europea-América Latina y el Caribe". In press. Quórum, Universidad de Alcalá de Henares, September 2004.

¹¹ This was among the most hotly debated issues since several Latin American countries, especially Cuba and Venezuela, demanded an explicit mention of Guantánamo and the US government's responsibilities.

Cuba requested that the Declaration harshly condemn the unilateral and extraterritorial enforcement of laws in violation of international law, a reference to the Helms-Burton Act. However, its attempt failed to prosper and the Cuban representative accepted the less explicit European counterproposal. This omission is significant because the Madrid Declaration condemned the Act at the II Summit in May 2002, for which reason the result may be interpreted as a show of Cuba's isolation and its confrontation with the European Union.

- c. The Guadalajara Declaration omits all references to **the Colombian conflict**, ignoring the debate and the meeting documents. This may be considered as an achievement of the Uribe Administration, however, it may also be construed as an attempt by some EU member states to prevent new confrontations with Washington, after the crises created by the Iraqi War and the lack of consensus on Colombia within the European Union.
- d. **Social cohesion** was one of the key Summit issues; nevertheless, as with the issue of development, it underscores the gap between the ambitious goals of the bi-regional strategic partnerships and the lack of available means. Since Rio de Janeiro, not a single additional euro has been allocated to finance the goals agreed upon because of budget restrictions created by an expanding European Union and spending priorities related to the objectives of security and stability in the Balkans, the Near East and Eastern Europe. Social cohesion was also addressed in technical meetings between the IADB, the Commission, UNDP and ECLAC. The documents drafted by these organisations reiterated the vicious cycles linking poverty, inequality, slow economic growth and the government crises that besiege Latin American democracies. Measures were proposed to improve democratic governance, social policy, public finance, fiscal reforms and foreign funding (points 41 to 46). The group also helped design the main proposal of the Commission in this respect, the EUROsociAL, the new name for the social initiative. Two and a half years ago in Madrid, it was announced that the initiative would be launched in Guadalajara (point 49).

For all of these reasons, the Guadalajara results regarding social cohesion were limited and are among the Summit's weakest points. After listing the usual reasons why Latin American countries do not adopt effective poverty reduction policies, the Declaration simply proposes a regional dialogue to exchange experiences in this area.

The only concrete initiative in this respect was the launching of the EUROsociAL programme described above, which received a meagre 30 million euros, which were allocated in the framework of the 2002-2006 European Commission's Regional Latin American Strategy. This programme will not finance direct initiatives to fight poverty but instead will design social policies and provide

high level training for Latin American government officials in European practices for promoting social cohesion. Lastly, there was a systematic absence of all references to the relationship between association agreements (i.e. free trade) and social cohesion, in other words, to the lack of mechanisms to promote social cohesion in cooperation agreements. The Guadalajara Summit brought no new developments in this regard.

- e. The Commission's proposals for the 2002-2006 period concerning **cooperation for development** (points 84 to 93) had already been presented during the Madrid Summit (and were included in the Regional Strategy for Latin America mentioned above). Consequently, this Summit brought no news although a mechanism was created to submit bi-regional projects. Still, reading between the lines, the Declaration criticises community cooperation. Criticisms were made of the insufficient resources (point 86); decision making marked by EU unilateralism; disappointing coverage, such as in the case of the Alban scholarship programme, although this was the main initiative of the Madrid Summit (point 87); and weak cooperation in science and technology, a long-standing complaint of the region's most advanced nations, including Mexico and Chile (point 93).
- f. With regard to **association agreements**, the Declaration mentions that the agreements between the European Union and various countries and sub-regions, whether already signed or under negotiation, "will allow us to continue to build on our bi-regional strategic partnership" (point 51). With agreements with Mexico (2000) and Chile (2002) already in place, the agenda of bi-regional relationships is largely determined by the demands for the European Union to sign pending association agreements with MERCOSUR, CAN and Central American countries.¹² The position adopted by the European Union at the Madrid Summit was that these agreements will have to wait until the Doha Round, initially planned for December 2004. Since then, events at the WTO (besides the stagnation of the FTAA project, the new US sub-regional negotiation strategy, and difficulties with the SPG-DRUGS) were reflected in

¹² The political dialogue and cooperation agreements signed in December 2003 between the EU, the CAN and Central American countries do not include the trade component (free trade zone) between the parties, and therefore they are not similar to the association agreement signed with Mexico and Chile or the agreement under negotiation with MERCOSUR. When they were signed, the agreements with CAN and the Central American countries were announced as a step to or the basis for negotiations of association agreements with the EU.

the Guadalajara Declaration. The European Union does not want to abandon its multilateral option but has reactivated sub-regional mechanisms. On the one hand, the language includes a generic commitment to move forward in the framework of WTO (point 66), although without reference to the major disagreements between the regions that arose at the Cancun Conference. On the other, the Declaration includes a mutual commitment to reach a “balanced and ambitious” agreement between the European Union and MERCOSUR by October 2004, before the present mandate of the European Commission expires in November (point 54).

However, this option was not proposed for the Andean and Central American countries. Compared with the Madrid Summit, the Guadalajara Summit places more demands on these two groups of countries since it imposes two prior conditions for beginning negotiations (point 53). These negotiations are subject to the conclusion of the Doha Round, with the added requirement that they should start from a “sufficient level” of regional economic integration. To determine whether that level has been reached, a “joint assessment” of integration will be conducted to enable negotiations to begin.¹³

- g. **Civil society contributions** to the Summit were not sufficiently acknowledged in the Declaration. Nor was its role in strengthening bi-regional relations recognised. There is only a reference to “further promote dialogue and consultation with civil society in the context of bi-regional association and partnership processes and the timely access to information for citizens” (point 100). The Declaration does not use the word “participation”, nor does it mention the role of civil society in social cohesion. Civil society is not included as an actor in cooperation for development. Regular dialogue between parliamentarians, local and regional authorities, business communities and organised civil society is viewed simply as an instrument to strengthen bi-regional strategic partnerships (point 102).

¹³ This demand was already included in the European Commission Communication before the Summit. Drafted using an unusually critical language towards Latin American integration processes, it describes an obvious fact. The present state of the CAN or SICA does not guarantee the free circulation of goods and services, and therefore it is possible to negotiate free trade with the EU. However, this demand also exposes the Commission’s frustration as it has funded the strengthening of regional institutions and the organisation of customs units, pursuant to agreements in each group, yet it finds itself powerless to counter systematic failure to honour the integration commitments and schedules adopted by both blocs of nations.

4. Conclusion

After this review and comparing the proposals made during the various civil society events before the Summit and the results of Sanahuja's analysis of the Final Declaration, no analyst can ignore the gap between the ambitious recommendations proposed by LAC-EU civil society and the Guadalajara Summit. However, keeping in mind the limitations inherent in these participatory exercises, civil society organisations should recognise in this debate and advocacy an instrument they need to use and improve upon. These types of international initiatives should be fostered, broadened and enriched, not only to strengthen civil society and social EU-LAC partnerships but also to strengthen and develop bi-regional strategic partnerships that will move beyond official good intentions.

We are convinced that a strategic partnership can be built not only based on the Summit but also on initiatives and proposals from a wide range of community sectors. This requires guaranteeing the participation of organised LAC and EU civil society in various regional events and especially in the summits themselves, even if for now they may remain largely inaccessible.

In this respect, if European-Latin American-Caribbean civil society wishes to gain a stronger presence in the dynamics of bi-regional relations, it must continue to develop and strengthen relationships that fortify its influence on governments, while drafting an agenda for such influence, including—among other elements—a number of short and mid-term initiatives, such as:

- a. A map or inventory of existing institutional events for dialogue and consultation by civil society from both regions, at the level of current and future agreements between EU and LAC countries and regions, at the country level and within the various institutions (European Commission, joint commissions, committees, etc.).
- b. A systematisation of the initiatives developed so far (for instance, since 1999, when the EU-LAC strategic partnership project was launched), gathering information about actors, initiatives, results, etc.
- c. An attempt to link the recent Summit and other decisions with activities to implement monitoring, in particular those that may eventually involve civil society to make them effective and, if appropriate, contribute to their implementation. For instance:
 - Although the EUROsocial programme launched in Guadalajara to promote social cohesion in LAC countries has the main goal of providing training to government officials, its language does not rule out the possibility of involving

civil society in some of its activities (e.g. seminars). There is no proposal to promote this involvement at the official level, for which reason the implementation of this strategy should be monitored to ensure that this option becomes a reality.

- The recent call by the European Commission to launch the Observatory of EU-LA Relations suggests that a number of academic organisations from both continents will begin activities, studies, draft proposals, etc. concerning the future of these relations. Given this fact, it is indispensable for civil society to establish communication with academic organisations whose proposals will have an impact on future official decisions. Undoubtedly, some actors (such as the EESC) will be directly linked to the Observatory; however, it is not clear what the relationship with other organisations will be, such as with the non-governmental organisations not included in that organisation or the Latin American sister organisations.
- d. Active participation in a number of initiatives for dialogue with civil society included in existing or future agreements between the EU and LAC countries and regions, such as:
- Dialogue with civil society from the European Union and MERCOSUR about the future association agreement, planned by the general trade directorate under the European Commission for late September this year.
 - The II Forum for dialogue with civil society in the framework of the Mexico-EU Agreement scheduled for the last quarter of 2004 in Mexico.
 - The dialogue with civil society planned in the framework of the association agreement between the European Union and Chile, which has not yet been scheduled.
 - Promotion and support of civil society participation in debates on future association agreements between the European Union, CAN and Central American countries. Negotiations are scheduled for next year, which will enable civil society proposals from each of these regions to be prepared in advance.
- e. Support civil society participation in a number of mid-level processes and decision-making bodies, which will have an impact on EU-LAC relations. Among other issues that should be taken into account as a likely scenario and target for incidence initiatives, the following should be considered:
- A debate at the level of European organisations regarding the financial perspectives for 2007-2013, with implications on resource allocation for

cooperation with Latin America. This debate should address the possibility of allocating resources to the bi-regional Solidarity Fund created by the European Parliament to support cooperation with Latin America, but which is not funded in the current EU budget.

- A review by the European Commission, Parliament and Council of the regulations for cooperation with Asian and Latin American countries (ALA Regulations).
- Drafting of the new Regional Strategy for Latin America (2007-2010), to be prepared by the Commission and approved by the European Council before the IV LAC-EU Summit, to be held in Vienna in May 2004.
- Drafting of the new Country Strategic Papers for Latin American Countries next year. These are internal European Commission documents that serve as the bases for the Multi-annual Cooperation Plans, which are agreed upon with the governments of the beneficiary countries. The Commission recommended involving civil society from the nations receiving aid in the drafting of the papers, but each Commission delegation is free to implement this policy recommendations it deems appropriate. A coordinated initiative between European and Latin American civil society is required to make this participation a reality to ensure that the papers include their vision in setting cooperation priorities.

These are only a few of the issues that European-Latin American civil society should address and propose initiatives for in order to influence the direction of bi-regional relations. This approach underscores the need to create an explicit and shared strategy among Latin American and European social organisations with regard to their vision for a bi-regional strategic partnership.

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Annex I

**Proposed Agenda for the III Summit of Latin American Governments
(Through their Representatives in Brussels)
Plenary LAC-GTAH Committee
Social Cohesion
Drafting team
July 23, 2003**

TOPICS	GOALS AND OBJECTIVES
Political dialogue	
a) International Peace and Security	<ul style="list-style-type: none"> - Reaching a more equitable and fair international system. - Consensus-building to address global issues: drug trafficking, terrorism and global organised crime.
b) Democratic governance (mutual dependence between democracy, economic and social development, effects on social cohesion and governance)	<ul style="list-style-type: none"> - Dialogue on structural political reform. - Strengthening of democracy, institutions and the rule of law.
c) Reducing poverty	<ul style="list-style-type: none"> - Promotion of economic development and job creation.
d) Migration	<ul style="list-style-type: none"> - Standardisation (controls and regulations) of migration flows among regions.
Economic framework	
a) Bi-regional	
<ul style="list-style-type: none"> • Liberalisation 	<ul style="list-style-type: none"> - Ensuring greater market access and promoting LAC exports.
<ul style="list-style-type: none"> • Sub-regional integration 	<ul style="list-style-type: none"> - Strengthening sub-regional integration processes.
b) Global	
<ul style="list-style-type: none"> • Foreign debt 	<ul style="list-style-type: none"> - Crisis prevention.
<ul style="list-style-type: none"> - International financial architecture 	
<ul style="list-style-type: none"> - Multilateral trade system 	
<ul style="list-style-type: none"> - New financial mechanisms to strengthen democracy 	
Cooperation	
a) Research, science and technology	<ul style="list-style-type: none"> - Closing the existing gap between the regions.
b) Education and culture	<ul style="list-style-type: none"> - Building human capital to eradicate poverty.

The Scope of the III Guadalajara Summit

Laura Becerra Pozos¹⁴

Before the expectations created by the III Summit of Latin American, Caribbean and European Union Presidents and Heads of State, which gathered 58 countries (including the 10 new EU members), participant governments and civil society actors that prioritise EU-LAC relations have been made to analyse its implications and scope. This contribution to these efforts, which reflects the perspective of a Mexican civil society organisation that attended the summit, attempts to summarise the scope and future challenges.

Top government officials began negotiations months before the III Summit in Guadalajara, Mexico in May 2004. They discussed the declaration to be approved by the foreign affairs minister and the heads of state and government.

However, little information was systematised between the second Summit, which took place on May 2002 in Spain, and this Summit. The second Summit ratified a **Strategic Partnership Commitment** that did not lead to joint action. Analysts agree that few concrete actions resulted from the Summit, although relations among some Latin and Caribbean countries and the European Union were strengthened, particularly in the framework of trade agreements and cooperation for security.

Discussing the meaning and scope of summits requires recognising the relatively new bi-regional relation mechanisms (33 Latin American and Caribbean countries and 25 European

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countries). However, these do not help to clarify each country's degree of commitment with the declarations, much less with the follow up actions required to give them continuity and make them effective. Many government representatives believe that there have been few subsequent actions, and that creating follow-up bodies would be very costly.

Problems exist in relations between Latin American, Caribbean and European countries that will not be easily resolved. Most importantly, there are interests that are either above or below bi-regional relations, depending on the perspective. The European Union is interested in trade agreements as a market and investment control strategy and as a counterweight to the United States. In Guadalajara, the Andean and Central American countries made efforts to continue negotiating their respective agreements with the European Union and MERCOSUR. Additionally, Latin American and Caribbean countries have received European cooperation funds that they do not want to lose. In that regard, the debate and possible confrontation between regions is conditioned or determined beforehand by bilateral relations.

The Declaration enjoyed consensus but paradoxically transformed the approval mechanism into limited «commitments.» In the worst of cases, disagreement may lead to the elimination of the strategic proposal for all Latin American and Caribbean countries.

What is more important is the construction, innovation and strengthening of bi-regional relations. There has been little progress in this area in Latin America and the Caribbean. These countries have not taken steps as a region and have not established a strategic partnership for relevant common agendas. By contrast, the European Union has built, planned and progressed toward establishing unity and identity. The European Union has one Parliament, a single currency and has recently approved a constitution.

Meanwhile, poverty and dependence of Latin American and Caribbean countries leads governments to yield before EU conditions and pressures and to avoid any «disobedience» against the United States.

Bolivar's dream of Latin American unity is still not on the horizon. Our pyrrhic democratic progress, together with increasing poverty, the lack of solutions to foreign debt, and the lack of substantial commitment of industrialised countries to promote development, are largely ignored issues.

Our region is experiencing that deep-rooted inequality so often mentioned. Europe does not acknowledge the structural underdevelopment we face or the imposition of structural adjustment measures and the neo-liberal model on our countries, which they have not applied for 20 years. At the same time, the European Union is experiencing the opposite

trend: the increasing loss of its social cohesion. Latin American and Caribbean inequality, or lack of social cohesion, as Europe refers to it, requires greater bi-regional commitments than those proposed in the Summits.

Nevertheless, these meetings are an opportunity for recognition between nations, exchange or even debate that can only occur face-to-face. They are useful for gauging relationships and identifying each country's concerns. Presidents and heads of states have differing views that are not necessarily expressed in the Guadalajara Declaration. Some leaders have a more democratic, horizontal view of the relationship, like the one expressed by the current president of Spain.

Those who followed the prior negotiations closely acknowledge that the declaration did reflect more negotiation, a diversity of issues and the inclusion of current concerns, even taking into account its limitations. Inequality is more clearly recognised, as is the need to forge commitments to overcome it. As one government official said, in spite of their rhetoric, the declarations are a thermometer of concerns and of what is not said.

In any case, a key difficulty is the will to follow up on commitments, which may mean anything from the creation of a specialised ministry or institution to the appointment of a top official to oversee the matter. The fact is that there is no precedent as how to go about it and there is a lack of willingness to assume financial and human costs even if the Mexican President did promise, at the closing ceremony of the Summit, to resolve these issues through a "top level commission."

Several civil society organisations that follow international relations in both regions had issued statements, and advocated for changing the style and scope of negotiations between countries. They also lobbied to influence decision making to discourage inequality; promote respect for human rights within an environment of reciprocity; acknowledge differences; and contribute to development. In an ideal scenario, Latin American countries would design and promote joint strategies between government and civil society in a partnership to change current negotiation conditions.

There is a call to make the strategic partnership concrete to enable it to contribute to the development of poor countries, which implies allocating resources to reducing poverty.

It is necessary to formalise and enact mechanisms for political dialogue to give systematic follow up to the relations and commitments assumed. We should not wait until the next Summit to establish joint measures, agreements and strategies.

In addition, agreements and cooperation between the regions must favour the participation of civil society, through consultation as well as the formalisation of other mechanisms to guarantee dialogue and commitment between government and society. This is why we insist that global processes such as this Summit must establish participation channels for collecting the experience and proposals of civil society.

The European Union's Foreign Relations Policy, Security and Development

Diego García-Sayán¹

1. Latin America and Europe

Current relations between Europe and Latin America are evolving against the background of historical associations, through which both regions have a legacy of respect for the principles of human rights, basic freedoms, democracy, and an environmentally-sensitive market economy.

Democratic governments were elected in Latin American countries, leaving behind the dictatorial cycles of the past. Simultaneously, economic reforms were introduced, including privatisation processes in which private capital from EU countries play an important role.

In the more specific area of inter-regional relations, dialogue has been promoted with three groups of countries: MERCOSUR, the Andean Community and Central America. In addition, there are specific agreements with two other countries, Mexico and Chile.

European Union countries are currently MERCOSUR's main trading partner. This sub-regional bloc may sign an association agreement with the European Union in October 2004, similar to the agreements signed separately with Mexico and Chile. In addition, political dialogue and cooperation agreements were signed in late 2003 between the European Union and the Andean Community, and the European Union and Central America.

Economic relations between Latin America and Europe should not be taken lightly. At present, Latin American exports to the European Union exceed US\$50 billion. European Union exports

¹ Judge of the Inter-American Court of Human Rights, former Peruvian foreign minister and justice minister.

to Latin America approach US\$60 billion. However, these absolute figures are relatively small from a global viewpoint. Considering the approximately 500 million inhabitants in each region, this level of trade is insignificant. In addition, it is lower than the level two decades ago.

In 1980, Latin American imports represented 6.5% of Europe's global imports; in 2001, they represented just 5.0%. In 1980, European imports accounted for 7.0% of Latin American global imports. Twenty years later, the figure had dropped to 5.8%.²

Despite larger European investments in Latin America, in recent years this region has received an average of only 10.0% of total European investments abroad. There is no indication that these trends and figures will change substantially in the short term.

If we add what might be called "human" elements to this trade and financial panorama, the conclusions are no more encouraging. In fact, in the last two decades, the United States has become a more important cultural reference for Latin America than has Europe. At present, the interest of university students and professionals, as well as of legal and illegal migrants, tends to focus on the United States. Interaction with Europe has decreased significantly, even more so in recent years as a consequence of the increasingly restrictive migration policies that—beyond rhetoric—actually discourage contacts with, studies in and even tourism to Europe.

Several factors work against stronger relations between Europe and Latin America. Objectively acknowledging their existence is essential when attempting to design realistic options for strengthening the relations between the regions. First, there is a perception of Latin America as an area economically and militarily influenced by US power. Second, the new market economies in Central and Eastern European countries and the recent incorporation of some of those countries into the European Union has created many major challenges and opportunities for European countries. New EU members are geographically and even culturally closer than El Salvador and Peru are, for example. Third, certain global dynamics influence bi-regional understandings and arrangements such as the ones developed between some Latin American countries and the European Union. Thus, in the framework of the World Trade Organisation (WTO), there is debate

² EUROSTAT (COMEXT, CRONOS), IMF (DOTS), WEFA (WMM).

regarding preferential trade arrangements such as the tariff preferences between Europe and some Latin American countries.

As a consequence of the above, Latin America occupies a relatively minor position in European economic, trade and even geopolitical priorities today. It is essential to reverse this trend in all fields. The rebuilding of historical and cultural links, the common legacy of respect for the principles of democracy, human rights and public freedoms, as well as economic complementarity and shared views in the global arena can provide the underpinnings for a substantive bi-regional agenda.

2. Topics for the Shared Agenda

There are several areas that can provide a framework and direction for the multiple and diverse relationships between the European Union and Latin America. Some aspects are essentially of an economic nature while others are of a political and institutional type. Economic aspects focus on development, trade and investment. Political aspects include a number of issues of relevance for both inter-regional and global relations.

These topics can and should permit the creation of stronger, more harmonious relations between these blocs as they articulate joint strategies and initiatives at the global level. Priority topics include democracy and human rights, security, environmental protection, disarmament, the fight against nuclear proliferation, and the war on illicit drugs.

A priority area is development, where basic guidelines should be established to increase **trade** and **investment** between the regions.

Latin America would benefit from increasing trade with and direct investments from Europe. Latin America would be particularly interested in investments that add value and create jobs while protecting the environment. Europe is interested in tapping a Latin American market of almost 500 million potential consumers that can constitute a significant market for European companies. Likewise, the growing EU market is extremely interesting from the Latin American standpoint.

Increasing European investment in Latin America requires focusing efforts on economic sectors that can create products for the European markets based on existing complementarities. In turn, this would be a way to intensify and broaden the scope and trade between the regions. This is particularly true in the case of agricultural products, which are the main Latin American exports to Europe, followed by energy resources.

Europe and Latin America agree on the promotion of investment and the interest in strengthening both regional blocs. A positive aspect is that the scenario for association agreements includes sub-regional groups such as MERCOSUR, the Andean Community and the Central American countries. However, Latin America's relative weakness must be addressed through major political, financial and economic coordination and cooperation on the regional level to stabilise and strengthen the countries' negotiation capabilities. The EU should contribute to promoting and improving the institutional and process initiatives for integrating cooperation within integrated Latin American sub-regions.

In addition, EU and Latin America should jointly contribute to establishing the rules of the game for the world economy as part of the global political dialogue. Latin American and European countries should become joint leaders in this area. Despite their different positions in the global economy, they should promote agreement in key organisations such as World Trade Organisation (WTO). If the WTO does not promote differential treatment for agricultural subsidies, all efforts for social cohesion through cooperation will be irrelevant. In addition, European companies with commitments in Latin America and European labour unions can contribute to the process of establishing global economic guidelines.

3. Investment and Trade

An effort must be made to promote regulatory and institutional conditions that permit the promotion of trade and investment by private actors. This would require a special effort to promote and prioritise increasing the competitiveness of economic sectors across Latin America. Below are some recommendations for achieving this goal.

3.1. Investment Promotion

Direct investment is an effective tool for developing an economy. Besides favourable general conditions, political stability and clear and stable rules for economic policymaking, are essential for promoting foreign investment. Political and economic cooperation between EU and Latin American countries should ensure stability and general long-term economic conditions, further increasing legal security, increasing government efficiency, and improving competitiveness of key economic sectors.

From this perspective, it is crucial to foster and develop information mechanisms regarding investment and trade conditions. Promoting Latin American competitiveness is a complementary effort and cooperation area for the private and public sectors. Specific

agreements reached in this area will be strengthened by association agreements (including free trade agreements) but they should not wait for or be subject to them.

Emphasis, but not exclusivity, should be given to the role of small and medium-sized companies to promote joint investments that can create quality goods and services and that eventually can promote job creation and environmental protection. In this scenario, it is essential to create efficient and transparent information mechanisms that will facilitate access to funding sources, technology transfer and marketing channels.

Agricultural and forestry sectors should be an area of special interest. Measures to improve quality, regulations and environmental protection are not only crucial but are extremely efficient in terms of a cost-benefit analysis. In this context, environmental sanitation and phytosanitary measures are of special relevance.

Energy is another area of common interest and clear complementarity between the European continent, which lacks strategic resources, and Latin America, which has a wealth of non-renewable resources such as oil and gas.

Both regions are interested in promoting the rational development of these resources while strengthening their mutual complementarity. To achieve this goal, they need to develop stronger relationships between basic sectors such as those already mentioned, as well as in hydroelectric and renewable energy sources.

3.2. Science and Technology

Professional training and the development of scientific and technological capacities are fundamental components for economic development, investment and trade in the twenty-first century. Deficiencies in this area are particularly obvious in the fields of medium and small investments in Latin America.

This area should be regarded not just as a field for cooperation but of one in which the joint definition of goals and priorities must involve business as well as the academic and scientific community.

Developing joint scientific and technological research projects is part of convergent Latin American and European interests. To this end, the possibility of creating the EU-Latin American Fund to promote science and technology involving scientists and civil society is a consideration. Areas of special relevance include biotechnologies and patents for indigenous products, in particular those from the Amazon rainforest.

3.3. Facilitating Market Access

The objective of developing trade and investment should be decisively addressed, taking into account their short, medium and long-term impacts. From this perspective, the reciprocal opening of markets is essential because it will permit the expansion of trade and the diversification of Latin American exports. European Union agreements with various Latin American countries and regions serve as a major tool in this respect but they require more decisive negotiation and enforcement.

Also to be taken into account is the obvious albeit varying disparities between Latin American and European countries. In this context, attempts are made to create basic agreements on critical issues, such as WTO negotiations.

Certain Latin American regional blocs are making only limited progress in signing association agreements with the European Union, including free trade agreements. Progress is also slow in reducing European subsidies on several agricultural products.

At the II EU-LAC Summit that took place in Madrid in 2002, participants agreed that the conclusion of the Doha Round would be a requisite for beginning negotiations between the Andean Community of Nations (CAN) and the European Union.

The ambiguous final text did not reflect a full commitment, however. Instead, it left a window open when it stated that an association agreement may be negotiated on the basis of a decision to strengthen cooperation in trade, investment and economic relations, and *"...building on the results of the Doha Work Programme, we have committed to conclude, by the end of 2004 at the latest, viable and mutually beneficial association agreements negotiated by the EU and Central America, and between the EU and the Andean Community, including free trade areas."*

The above may be interpreted as providing for the launching of negotiations between the Andean Community and the European Union to reach an association agreement that builds on the combined progress of Latin American integration processes and progress in the Doha Round.

This relative lack of definition led Andean presidents meeting in Madrid on May 18 to express *"...their serious concerns about the protectionist trends in the matters of trade, and the need to deepen and speed agreements with the European Union that may lead to a new link for political, economic and trade associations with the Andean Community and other regional integration associations, on the basis of the Madrid agreement."*The agreement

reached at the Guadalajara Summit in 2004 represented some progress but still lacked the desirable resolution and clarity. The Madrid agreement was confirmed in the sense that "...the association agreements are our shared strategic goal" (point 52). However, it mentioned that negotiation could only be begun after a joint assessment of integration processes in Central American and Andean countries. "We will spare no effort to ensure that the Doha Round advances as much as possible in 2004 towards its rapid conclusion. Any future Free Trade Agreements shall be built upon the outcome of the Doha Development Agenda and the realisation of a sufficient level of regional economic integration." (point 53)

Consequently, the negotiations for the "post-Doha" stage were postponed, as European parties had originally proposed at the Madrid meeting. The Central American and Andean nations were made responsible for strengthening sub-regional integration processes. This is a positive aspect worth underscoring because the approach taken differs from the current process promoted by the United States through its bilateral negotiations with Latin American countries as part of the so-called "low intensity FTAA."

4. Multilateralism: a Shared Vision

Strengthening multilateralism provides a conceptual and political framework of fundamental importance for convergence. It makes the implementation of joint lines of action more feasible in specific areas such as democracy and human rights; security, disarmament; environmental protection; the struggle against nuclear proliferation; and the fight against illicit drugs.

The modern interstate system was one of the greatest accomplishments of the 1648 Westfalia Peace Accord that put an end to a feudal political organisation of diffuse national loyalties and fuzzy borders. In the twentieth century, the interstate system was complemented by a number of inter-government organisations subject to the general rule of the states that create or constitute them and which in some cases have developed their own independent dynamics. After an eventful evolution and the failure of the League of Nations, the ideals behind multilateralism that revolve around the elimination of the scourge of war finally resulted in the creation of the United Nations and a number of regional organisations.

The establishment of the United Nations (UN) was a qualitative leap in the history of mankind. Particularly noteworthy was the legal ban on the use of force, which was conceived along with a collective security system to ensure peace. These areas are overseen by the Security Council. Ever since, the international system has prohibited the use and threat of force, excepting cases of legitimate defence and for operations authorised by the Security Council.

Thus, the UN created an effective channel for reaching lasting peace “based on economic and technological cooperation and integration, which would place states in a situation of mutual dependency that would make war a prohibitively costly enterprise.”³

The creation of the UN firmly established the difference between the illicit and licit use of force, as defined in the UN Charter. Over time, the UN’s multilateral system has created a number of regulations and enforcement mechanisms in areas as diverse as human rights, security and environmental protection. Along the way, Europe and Latin America have frequently coincided in their approaches.

However, the UN system, and particularly the Security Council, is the only coercive body that still operates using the logic of power, governance and balance that have characterised interstate society since the Second World War. In this context, Latin American and EU countries share an interest in closer coordination for a stronger multilateral strategy.

This a fundamental issue with major implications for global power relations. The goal here is to jointly define the strategic perspectives that strengthen multilateralism as a key component of present and future international relations in these contexts. Consensus-building efforts should focus on developing a shared approach toward multilateralism in a number of specific fields.

The current challenge for multilateralism is to organise global politics and economics in various spaces for international dialogue, decision-making and establishing regulations as part of a common agenda. This agenda should reflect not only the interests of the more powerful states but also those of all states that share concerns and challenges with other transnational actors with respect to the protection and promotion of democracy, human rights, security, environmental protection and international cooperation.

The Guadalajara Declaration is the most recent bi-regional effort to address this topic. It takes into account diversity and depth of shared approaches in the field of multilateralism. It underscores the shared purpose of cooperating within the UN system for conflict prevention, peaceful resolution of controversies, crisis management and peace operations. Security, the protection of human rights, support to the International Criminal Court, the fight against illicit drugs and environmental protection are some of the many issues of common interest

³ McElroy, Robert. «Toward a Theoretical Understanding of the Role of International Moral Norms» p.32.

that were explicitly mentioned in the 30 paragraphs addressing multilateralism in the Declaration.

In this context, we may further view the UN reform as a key area for the shared perspectives and interests of Europe and Latin America. Clearly, a comprehensive UN reform should pursue as one of its objectives creating greater democracy in the composition of and decision-making process in the UN Security Council with regard to the use of force. Likewise, efforts should be made to encourage UN agencies to accept greater responsibility in promoting the enforcement of economic and social rights, as has already occurred in the area of civil and political rights, so that appropriate attention will be given to the integral nature of civil rights and the interdependence of their universal enforcement.

Two topics require a special approach in future international policymaking because they are directly related to the licit and collective use of force: humanitarian interventions and terrorism.

“Humanitarian intervention” is a term not explicitly included in the UN Charter. It is a new issue with implications for the stated objectives and principles of the Charter. NATO’s intervention in Kosovo in 1999 created the need to define “humanitarian interventions,” including specific requirements for their licit implementation, reconciling the apparent contradiction between the principle of non-intervention and the *erga omnes* defence of human rights, in particular the right to life.

Several international analysts agree that there is a legal vacuum in UN Charter concerning this issue. They also point to the existing consensus on the international community’s responsibility to adopt measures that will prevent massive and systematic infringement of human rights and crimes against humanity within the states’ jurisdiction.

The complexity of this issue requires conceptualising a type of consensus that will provide the greatest possible legitimacy to collective UN initiatives in critical cases of mass human rights violations following the organisation’s governing principles. In this regard, a conceptual line exists that may encourage consensus between the two regions. This can be strengthened through political decisions that permit the regions to play a joint pro-active role in the global scene.

Regarding terrorism, global or international terrorist networks have posed many new challenges for world security. Terror as a ubiquitous political weapon and self-destructive expression of ideological fundamentalism introduces even greater ambiguity in the concept of security. Additionally, it creates the risk that legitimate concerns in this field may overshadow basic multilateral issues.

The response to the anarchy and insecurity created by terror does not only depend on the degree or balance of military power and the tools for armed dissuasion. It should be addressed in the context of international law, in particular that referring to multilateral issues. This task is made more complex by the attempt to counter the threats posed by decentralised global terror. The scope of this terror should sound an alarm and prompt us to move quickly from reflection to multilateral initiative. Special attention should be paid to phenomena that may contribute to increasing the activities of growing terrorist networks, such as discrimination and economic and social marginalisation. Strengthening social cohesion, tolerance and development are some of the weapons that should be considered in preventing and confronting global terrorism.

A community of nations represented in the UN system, from the European Union and Latin America, should lead efforts to prevent global terrorism, increase the margins of collective security and social cohesion and should energetically respond to the threat of terrorism. Efforts to recover lost security should include expanding the definition of security to include non-military factors such as political capacities in the fields of governance, the creative dynamism of societies, and convergence of values and democratic ideals with respect to cultural diversity, reversal of environmental deterioration, elimination of inequities in global development and alleviation of the disruptive effects of poverty on societies.

This general framework provides conceptual and geopolitical criteria to more clearly and precisely articulate four components of European Union and Latin American relations that are crucial for concretely promoting multilateralism:

- Democracy and human rights;
- Security, disarmament and the struggle against nuclear proliferation;
- Environmental protection; and
- War on illicit drugs.

4.1. Democracy and Human Rights

Defending and protecting democracy and human rights is an essential area for communication and feedback between the European Union and Latin America. This is also an area where greater and better cooperation can help in making proposals and achieving objectives. More specifically, it is important to support the efforts of Latin American countries to strengthen their besieged democratic institutions.

Special emphasis should be placed on policy, diplomacy and other initiatives to promote the strengthening and full enforcement of the Inter-American Democratic Charter, which is an

international tool of fundamental political and juridical importance for the collective defence of democracy.

Likewise, additional economic and political support from Europe is required for relevant inter-American bodies such as the Inter-American Court of Human Rights. This process may include a component of feedback because developing inter-American jurisprudence, which is largely unknown in Europe, may be used to strengthen the European system for the protection of human rights.

From this perspective, it was significant that the Guadalajara Declaration expressed support for the International Criminal Court "...as an effective means to combat impunity from the most heinous crimes of concern to the international community." (point 18) The Declaration also clearly and firmly denounced torture and other cruel, inhuman and degrading forms of treatment. Pressure on Latin American countries to weaken their commitment to the International Criminal Court makes this convergence between Europe and Latin America even more important.

4.2. Security, Disarmament and the Struggle Against Nuclear Proliferation

The issue of security, disarmament and the struggle against nuclear proliferation is a broad although converging one, despite Europe and Latin America's relatively different positions on the issue. Generally, there is considerable agreement on promoting a general peace policy, including conflict prevention and resolution. From this perspective, migration, negotiation and reconciliation processes should be strengthened and promoted.

In a global context where the hegemonic power sets the regional and global security agenda, it is of utmost importance for the EU and Latin America to share viewpoints. From the Latin American side, the context is favourable because the major world hot spots are not currently in Latin America. Excepting Colombia and, to a lesser extent, Haiti, Latin America is not the scene of wars or internal conflicts and differences among countries do not arise from border tensions or conflicts.

This situation sets the stage for a more frank and decisive security agenda, with an emphasis on sustainable, harmonious development. It should simultaneously set goals to cut expenditures for sophisticated military equipment. Few Latin American countries currently budget significant amounts for military purchases. Exceptions in this respect may be redirected if there is a regional movement against this trend.

An initial and fundamental issue for joint development relates to the intimate relationship between peace and development. On the one hand, in an environment of both global and

domestic peace, appropriate conditions emerge to enable government and private investment to further economic and social progress, and to fight poverty and extreme poverty. Furthermore, achievements in development, social cohesion, poverty reduction, and the satisfaction of social needs become significant variables in sustaining an atmosphere of internal and external peace.

Further progress towards a shared notion of security requires sound foundations in inter-American law. The Charter of the Organisation of American States (OAS) clearly states that one of its objectives is to reduce defence expenditures and redirect them toward the satisfaction of social needs. This goal is over 50 years old. Other provisions and agreements, such as the 1974 Ayacucho Declaration and the successive Declarations of the Rio Group and the Iberian-American Summit, stress that reducing defence expenditures is critical for increasing social resources and using them to fight poverty. These steps should provide the framework for consensus-based policies directed at the reciprocal reduction of purchases and sales of sophisticated military equipment.

From this standpoint, we need further joint efforts to confirm some fundamental principles and concepts—such as the ban on the use or threat of force. Likewise, it is necessary to reiterate the ban on manufacturing, transporting and using nuclear, biological and chemical weapons in Latin America, as set forth in the Tlatelolco Treaty and international conventions on chemical, biological and toxic weapons. Additionally, these perspectives should be included in actions required in Europe in the medium term, although with an emphasis on the short-term ban of all types of nuclear testing and the eradication of landmines, pursuant to the Ottawa Convention, together with the prohibition of the development, manufacture, possession, deployment and use of all types of weapons of mass destruction.

To ensure the peaceful use of nuclear energy, reciprocal efforts should be made to strengthen multilateral agencies, both at the global level, including the International Atomic Energy Organisation, and regionally, such as the Organisation for the Banning of Nuclear Arms in Latin America.

Established in 1957, the International Atomic Energy Organisation was entrusted with the task of ensuring that assistance for the peaceful use of atomic energy under its supervision or control would not be used for military purposes. Subsequently, a significant number of states that do not possess nuclear weapons, including almost all Latin American countries, signed the so called “Broad Safeguards Agreements,” derived from compliance with the obligations set forth in the Nuclear Arms Non-Proliferation Treaty, which went into effect in 1970, as well as the Tlatelolco Treaty and similar regional instruments such as the Bangkok, Rarotonga and Pelindaba treaties.

Non-declared nuclear activities identified in certain countries in recent years, as well as the challenges posed by international terrorism, create the need to improve the verification system for the peaceful use of nuclear materials, science and technology. This need derives from the Additional Safeguards Model Protocol that expanded the types of information provided to the International Atomic Energy Organisation while expanding this organisation's function of complementary access and verification.

Europe and Latin America should strive to achieve the universal ratification of the Additional Safeguards Model Protocol and its full implementation. The prompt signing and ratification of the Additional Safeguards Protocol by all states carrying out nuclear or related activities is absolutely essential to prevent and impede the delivery or unforeseen use of nuclear material or technology for terrorist purposes or objectives that threaten collective security. This is perfectly possible because the Additional Safeguards Protocol includes significant tools that will allow the organisation to gain a better appreciation of any given state's nuclear activities and plans in an effort to ensure that disclosed nuclear materials are not being used illicitly, that no undisclosed nuclear materials are stored and that no nuclear-related activities are implemented.

Finally, specific joint commitments should be promoted to halt the development, manufacture, purchase, storage, conservation or use of biological and toxic weapons, under any circumstances, pursuant to the convention on the 1972 Convention on the Prohibition of the Development, Production and Storage of Bacteriological (Biological) and Toxin Weapons and on their Destruction. Likewise, concerted measures to build trust should be in force, as established in the III Review Conference of the Convention on Bacteriological (Biological) and Toxin Weapons and their Destruction, while coordinating the submission of the corresponding disclosure forms.

4.3. Environmental Protection

Environmental protection is a critical issue that can and should allow for restructuring a common policy. The policy should also take in account that, like in the case of illicit drugs, there is an obvious degree of shared responsibility stemming from the fact that industrialised countries contribute significantly to toxic gas emissions.

Because of its very nature, this is a global issue; in this respect, the ratification of and support for the implementation of multilateral environmental and other international agreements on climate change, biodiversity, desertification and use of chemical products should be promoted.

More specifically, a shared position can and should be developed so that instruments such as the Kyoto Protocol may be more vigorously enforced in an effort to create the conditions to persuade countries that are not yet party to it to sign in the short or medium term. Specific mitigation measures should be promoted to reduce climate change.

Environmental protection is an essential element of sustainable development and the poverty eradication. Generally, strategies and initiatives should be promoted to prevent environmental decline and promote the conservation and sustainable use of natural resources (in particular, biodiversity, mountain ecosystems and genetic resources). Special attention should be paid to promoting environmental education and the active participation of citizens in this area.

In this respect, all initiatives designed to protect the environment in Latin America from the perspective of sustainable development should be strengthened. Likewise, we need to act against factors that may contribute to degrading the global environment. The Amazon region is of special importance and for this reason, a close relationship between the European Union and Amazon Cooperation Treaty countries is especially important.

4.4. War on Illicit Drugs

Concerning the war on illicit drugs, it is necessary to reiterate the thesis of shared responsibility so that European nations will take initiatives in the areas of their responsibility (chemical precursor production, illicit drug abuse, etc.), at the same time that producing and transit countries develop initiatives.

This approach should take account of the multifaceted nature of illicit drug production, trafficking and abuse. As a social and security issue, rather than exclusively or principally as a security or even military matter, as has been emphasised in recent years, our greatest challenge is to create a global approach that will counter the initiatives that have prevailed so far and that have proved largely unsuccessful.

In this respect, the Guadalajara Declaration stated, "*We will ensure a balanced, multilateral, inclusive and non-selective approach to this issue, based on the principles of common and shared responsibility, and subject to national law.*" (point 22) and recognising "*...the need to fully understand the causes of this problem in order to reduce drug consumption and addiction in our societies.*" (point 23)

In this regard, it is essential to preserve and expand the access of Latin American countries that are particularly harmed by illicit drug manufacturing and trafficking under the scheme provided by the EU's Generalised System of Market Preferences. To achieve this goal, joint

strategies should be devised by the WTO. In addition, bi-regional mechanisms should be strengthened, including the Coordination and Cooperation Mechanism for Drug Issues between Latin America, the Caribbean and the European Union.

In view of the economic and social aspects of illicit drugs in “producer” Latin American countries, alternative development should be promoted with involvement of interested communities, along with strategies to prevent new illicit cultivation in the concerned communities, as well as strategies to prevent new illicit crops and their cultivation in environmentally-sensitive areas, and ensuring the effective enforcement of measures to prevent the illicit use and trade of chemical precursors.

In this area, the fight against organised crime is of special significance, as is the strengthening of initiatives to control the trafficking of arms, ammunition and explosives. There should also be close cooperation to prevent money laundering, including appropriate laws and administrative measures, and cooperation in initiatives against related crimes through the enforcement of regulations and mechanisms.

5. The Role of Civil Society

Promoting sustainable development in Latin America and operationalising a strategic partnership between the European Union and the Latin American region requires the active involvement of all stakeholders, principally organised civil society and the private sector.

In the fields of trade and investment, democracy and human rights promotion, peace and security, environmental protection and the war on illicit drugs, a harmonious articulation between governments and representatives from organised civil society is indispensable.

To this end, effective commitments must be promoted, as well as appropriate policy decisions for civil society to actively participate in the policymaking process in each nation and in accordance with the principles of democracy. Likewise, civil society should be informed of all consultations on sector policies, and development and cooperation strategies.

In the specific field of cooperation, civil society can and should be directly involved in receiving and managing financial resources. Generally, much remains to be done in the field of human relations, including setting strategies and specific objectives to start closing the ever-widening gap between Latin American and European societies. In the context of the growing interaction in the international system, globalisation and ever-greater mutual dependence, it is crucial to strengthen human relations, civil society networks, and cross-

cultural dialogue. Scientific, cultural and political dialogue is gaining importance for the constructive management of conflict and for laying the foundation for mutual learning processes.

Closer human relations between civil societies on both sides of the Atlantic should be strengthened. These exchanges should be clearly and actively promoted through initiatives that will undoubtedly change current policies. A more open and productive dialogue is essential in this area. Some specific lines of action may be of particular importance.

In the first place, fair treatment should be provided to Latin American citizens in Europe by introducing more flexible migration regulations, greater respect for the rights and condition of foreign residents, improved treatment for these residents and their increased social integration. The human rights of migrants should be fully respected, regardless of their condition. Violence and discrimination against migrants, especially women and minors, should be prevented. Given the importance of remittances, money transfers should be facilitated and their costs reduced.

Second, student, academic and scientific exchanges should be promoted and facilitated, starting with migration and consular policies that no longer make obtaining a European visa an ordeal for Latin American citizens.

It may not be possible for Europe to reciprocate to Latin Americans the generous help that Latin Americans extended in the past to Europeans who fled poverty, war or genocide. However, it is absolutely essential to change current policies regarding refugees, as well as with regard to Latin Americans who want to visit or study in Europe.

Third, clear and simple policies must be established for standardising and validating school, university and graduate studies in both Europe and Latin America. These policies, some of which were previously in place, should play a crucial role to create stronger human and cultural relations between the regions and to build stronger foundations for future trade and investment. In addition, in the academic field, Latin American studies in Europe should be promoted and facilitated by creating and broadening the scope of studies and professorships in the Spanish and English languages. The European Union should increase the number of scholarships for Latin American students to study in Europe.

Finally, bi-regional civil society conferences (scientific, NGO-related, etc.) should be promoted to encourage discussion of major Latin American and EU trends, their shared challenges and areas for bi-regional cooperation.

6. Conclusions and Recommendations

- a. With a view toward promoting a relationship to build development, trade and investment between the two regions should be increased.
- b. Increasing European investment in Latin America requires prioritising efforts by certain economic sectors that can produce added value goods for the European market, including agricultural products and energy resources.
- c. Political and economic cooperation between the EU and Latin American countries should be aimed at ensuring the stability of general economic conditions in the long term, improving legal stability, increasing the efficiency of government and enhancing the competitiveness of crucial economic sectors.
- d. Regional and sub-regional blocs such as MERCOSUR, CAN and the Central American countries should be strengthened to promote investment and trade, and also to develop rules of the game for the world economy as part of the global political dialogue. Consensus is needed within the WTO to create a more just and balanced trade policy that addresses agricultural subsidies.
- e. Faster progress towards association agreements should be made, including free trade and generally reciprocal market opening with appropriate compensation mechanisms that take into account the current economic and social disparities
- f. Development of more efficient mechanisms for information on investment and trade conditions, with an emphasis on the role of small and medium-sized businesses.
- g. In the field of science and technology, it is necessary to promote professional training and the development of science and technology, and scientific and technological capacity building. A EU-Latin American fund should be created to promote science and technology.
- h. Multilateralism should be jointly strengthened in the global arena and in this regard, both regions should promote reform within the United Nations.
- i. Concerning democracy and human rights, it is important to strengthen and fully enforce the Inter-American Democratic Charter and to invigorate inter-American systems for the protection of human rights, such as the Inter-American Court of Human Rights. At the same time, the International Criminal Court should be strengthened.
- j. With regard to security, disarmament and the fight against nuclear proliferation, it is important to strengthen and promote mediation, negotiation and reconciliation processes. Efforts should be made to adopt policies to restrict defence expenditures and redirect them to the satisfaction of social needs. Simultaneously, concerted policies are required to reduce both the purchase and sale of sophisticated military equipment.
- k. The prohibition of the manufacture, transport and use of nuclear, biological and chemical weapons in Latin America should be strengthened in accordance with the Tlatelolco Treaty and international conventions on chemical, biological and toxic weapons. Simultaneously, specific tangible results should be achieved to ban all types of nuclear

testing, to eradicate personal mines and to prohibit the development, manufacture, possession, deployment and use of all types of weapons of mass destruction, while strengthening the multilateral agencies and international instruments in this field.

- l. With regard to environmental protection, a common position should be adopted for the global implementation of the Kyoto Protocol, while promoting specific measures to mitigate climate change.
- m. In the field of the war on illicit drugs, it is necessary to confirm the shared responsibility of the parties as well as the multifaceted nature of this problem. Access to products from Latin American countries particularly affected by the production and trafficking of illicit drugs should be maintained and expanded within the scope of the European Union's Generalised System of Market Preferences, and to jointly act before the WTO to achieve a similar goal.
- n. Actively involving civil society is crucial in promoting sustainable development and implementing a strategic partnership between the European Union and the Latin American region. Civil society should set the standards for receiving and managing financial resources for cooperation.
- o. Human relations, civil society networks and cross cultural dialogue must be intensified, together with greater scientific, cultural and political dialogue.
- p. Latin American citizens in Europe should be given fair treatment by introducing more flexible admission regulations while fully respecting the rights and condition of accepted individuals, improving the treatment afforded to them and promoting their integration. Student, academic and scientific exchanges should be promoted through, among other mechanisms, migration and consular policies that provide easier access to Latin American citizens. Streamlined policies should be developed for standardising and validating school, university and graduate studies in both Europe and Latin America. Latin American studies in Europe should be promoted and facilitated by creating and broadening the courses and professorships in the Spanish and English languages, as well as by increasing the number of scholarship awards.
- q. Bi-regional civil society events (scientific, non-governmental, etc.) should be promoted to discuss major trends in Latin America and the European Union, their shared challenges and areas for bi-regional cooperation.

Trade and Development: the Links between Latin America and the European Union

Alexander Schejtman¹⁷

Before examining the links between the European Union and Latin America in the fields of trade and development, it seems appropriate to review some facts about the relationships between trade liberalisation, growth and development by qualifying the premises that hold that integration into the world economy can contribute to overcoming underdevelopment. In other words, it is held that reducing tariff and non-tariff barriers to trade and opening up to capital flows and foreign investment would speed economic growth, which in turn would reduce poverty and improve the quality of life for most people.

Although it is true that economic growth can contribute to alleviating poverty, the region's experience with adjustment and opening policies in the 1990s unfortunately shows that the presumed cause-effect relationship between liberalisation and growth, and between growth and equity, did not materialise. This suggests significant institutional barriers both within countries and in the general context that prevent such expectations from materialising.

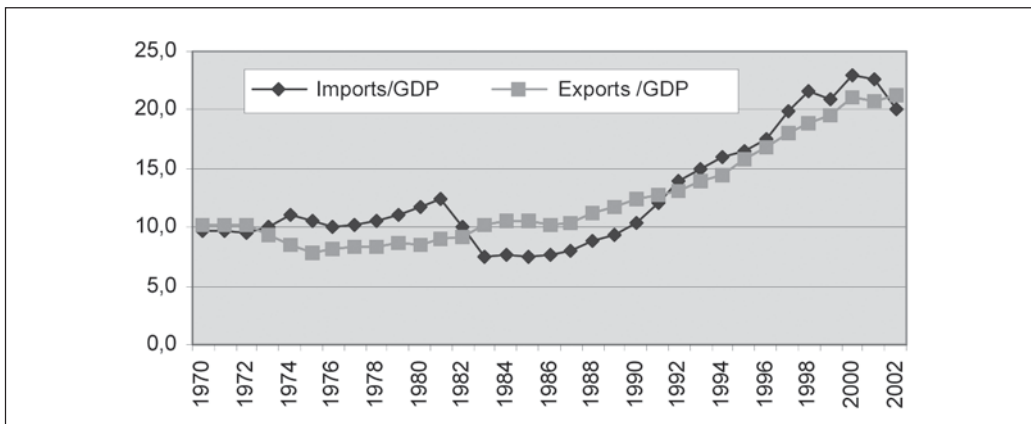
Having mentioned these considerations, let us now turn our attention to the characteristics of the insertion of Latin American economies in international trade to analyse trade relations between the Latin American region and the European Union.

¹ RIMISP principal researcher.

1. Latin America's Insertion in World Trade

Since the mid-1980s, as part of structural adjustment policies, most regional economies began a rather accelerated process to open their economies. Observing the share of exports and imports in these economies' GDPs, we notice a trend of consistent growth, from 10% in the 1970s to almost 25% in recent years (Figure 1).

Figure 1
Trade openness, 1970-2002



Source: ECLAC.²

These opening coefficients reflect the fact that most regional countries chose to turn exports into a major force of economic growth. In qualifying the potential of exports to promote growth, their structure and evolution must be considered since the dynamics of external demand fluctuates for different types of products.

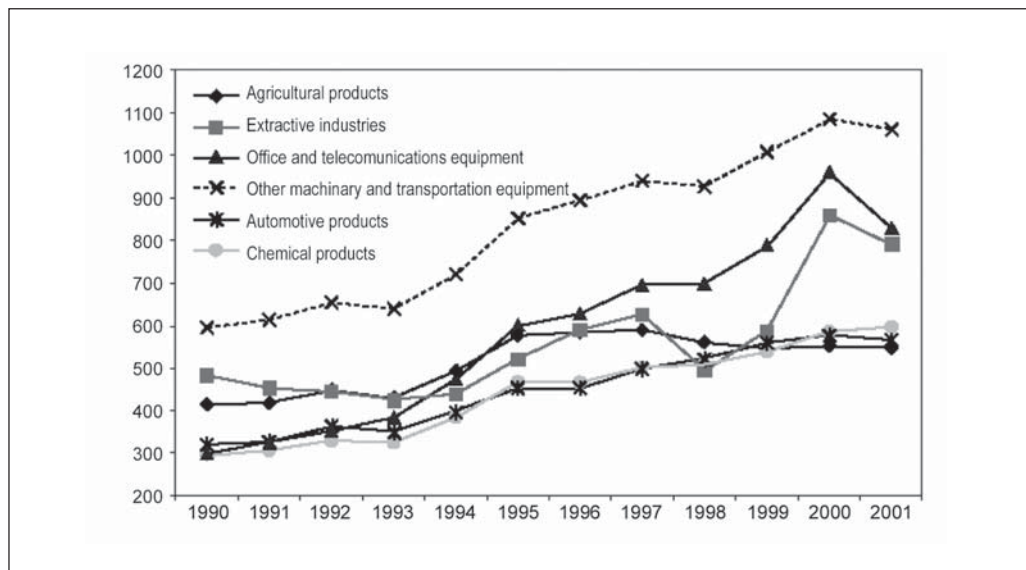
If we classify world trade as commerce in (i) primary products (agricultural and mining); (ii) natural resource-based manufactured goods (agribusiness, wood products, cement, petrol

² <http://www.eclac.cl/Comercio/paninsal/Anexo20022003/NAV/P001.htm>

by-products, glass, etc.); (iii) low technology manufactured goods (mainly textiles, apparel, footwear, steel products, etc.); and (iv) intermediate technology goods (e.g. cars and car parts); and high technology products (synthetic fibres, television sets, precision instruments), we will note a significant difference in world trade (Figure 2).

In fact, while primary product exports grew only by 1.6% on an annual cumulative basis, natural resource-based manufactures grew at a 3.0% rate, and new or knowledge added manufactured goods expanded at a rate of 8.1%.

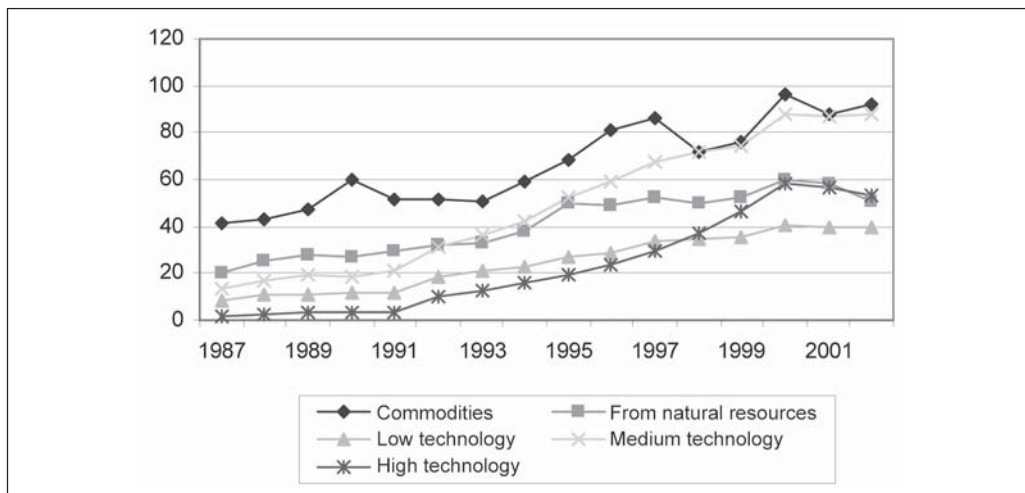
Figure 2
Evolution of world trade by main sectors, 1990-2001
(Billions of dollars)



Source: ECLAC³.

³ Division of International Trade and Integration, based on trade information from UN COMTRADE and WTO. International trade statistics, various years.

Figure 3
Trends in LAC exports according to type of goods, 1987-2002
(Billions of dollars)



Source: ECLAC.⁴

Table 1
Latin American exports by technological levels
(Billions of dollars)

Group of Countries	Commodities		Resource based		Low technology		Intermediate technology		High technology	
	1985-1987	1999-2001	1985-1987	1999-2001	1985-1987	1999-2001	1985-1987	1999-2001	1985-1987	1999-2001
Latin America and the Caribbean	49.4	27.3	24.5	17.5	9.0	12.2	13.6	26.1	3.4	18.9
MERCOSUR	39.0	33.7	23.8	24.7	14.7	11.3	19.1	21.7	3.5	8.6
Brazil	34.3	26.3	23.9	25.6	15.2	11.9	22.6	24.6	4.1	11.6
Andean Community	60.6	58.8	31.6	26.8	4.6	6.4	3.1	7.0	0.2	1.1
México	52.8	11.5	12.0	6.1	6.6	15.6	21.5	38.3	7.1	28.5
Central America ⁵	76.4	36.3	9.9	16.1	7.1	15.4	3.7	11.3	3.0	20.9

Source: ECLAC (2003).

⁴ Prepared by the author based on <http://www.eclac.cl/Comercio/paninsal/Anexo20022003/NAV/P001.htm>

⁵ Costa Rica went from 0.7% to 11.3% in intermediate technology products, and from 2.6% to 36.5% in high technology goods (largely attributable to the installation of Intel). El Salvador went from 5.1% to 6.2% for

The evolution of LAC exports partially reflects this trend, with relatively faster growth in intermediate and high technology goods, notwithstanding a persistent dynamism of primary goods. (Figure 3).

Comparing the averages for 1985-1987 and 1999-2001, a review of the structure of Latin American exports by region shows a substantially slower transformation than in Southeast Asian countries and China, and particularly weak changes in the Andean Community and Central American nations, excepting Costa Rica, which accounts for almost all of the increase in its region.

2. Latin American Trade with the European Union

The European Union is Latin America and the Caribbean's second largest trade partner and MERCOSUR and Chile's largest.

Total trade (exports plus imports) grew from US\$ 48 billion to almost US\$ 3 billion between 1990 and 2002. This resulted mainly from LAC's doubling of imports from Europe while LAC's exports to Europe grew only 30%, turning the region's US\$ 10 billion positive balance in 1990 into a negative balance that in 2002 exceeded US\$ 6 billion.

2.1. Trade Composition and Evolution

Notwithstanding its importance, the European Union's share as a trade partner has declined compared with the rest of the world, from about a fourth of LAC imports and exports in 1990, to 16% of imports and approximately 12% of exports.

The composition of exports and imports has changed relatively little in terms of the categories mentioned given the predominance of primary and resource based goods, which, as mentioned, show the least dynamic global demand.

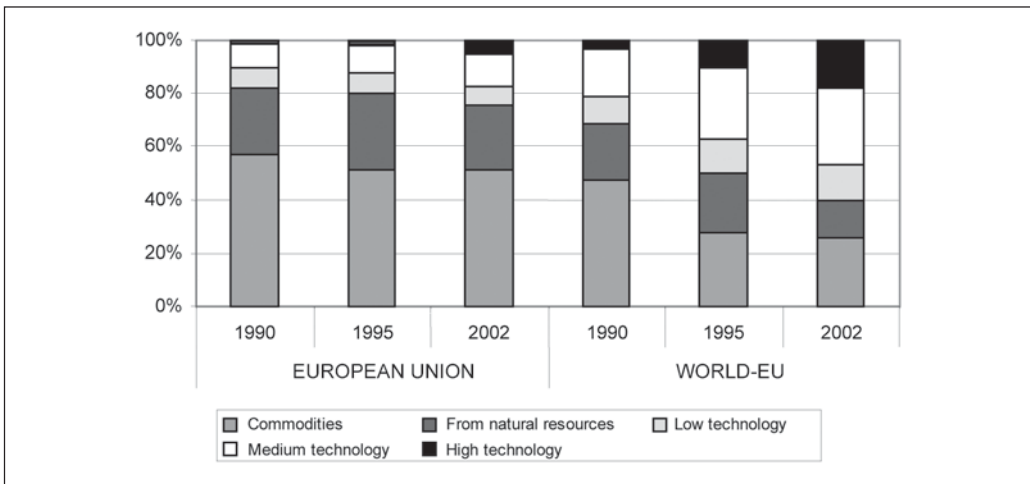
A review of the main EU imports from each country shows oil as the leading import from Mexico and the Andean Community, copper from Chile, livestock feed from MERCOSUR,

high technology goods while Guatemala decreased its percentage from 4.8% to 4%. Honduras increased its percentage from 0.1% to 0.6% and Nicaragua went from 0.3% to 0.4%.

fruits and vegetables from Central America, steel from the Dominican Republic and tobacco from Cuba. The second-leading Mexican import is electric machinery while the second-leading Central American import is office equipment, which is undoubtedly attributed to the *maquila* assembly operations there.

There is a clear contrast between a relatively stable structure of LAC exports to the European Union compared with fluctuating sales to the rest of the world. While LAC exports to the European Union have only very slowly incorporated intermediate and high technology goods, these sales to the rest of the world reach about 40%. In contrast, while primary product exports to the European Union fell from 56% to 50%, these exports to the rest of the world declined almost by half during the same period (Figure 4).

Figure 4
Changes in the composition of LAC exports to the European Union
and the rest of the world
(Structure of product trade by technological levels)



Source: ECLAC.⁶

⁶ Prepared by the author based on <http://www.eclac.cl/Comercio/paninsal/Anexo20022003/NAV/P001.htm>

This contrast may be attributed at least partially to the various types of trade agreements that have proliferated in the past decade and to the increase in intra-regional trade within NAFTA and MERCOSUR. However, the various types of trade distortions and restrictions created by the measures adopted by industrialised countries represent the most important obstacle. These developments were subject to considerable attention and debate and ultimately led to the breakdown of talks at the Cancun Conference.

2.2. Magnitude and Characteristics of Protectionism

Notwithstanding the various factors that contributed to the misunderstandings at Cancun, in 2003 the European Union spent US\$ 121 billion to support its agriculture as part of a range of producer supports⁷ amounting to 40% of the sector's production value, only 3% less than 15 years earlier.⁸ The 40% figure was exceeded only by Japan, South Korea, Iceland, Norway and Switzerland, which provided supports ranging from 60% to as much as 75% of the value of agricultural production.⁹

Producer supports are a complex combination of components, including market price supports,¹⁰ payments based on cultivated areas or herd size, payments for use of inputs, as well as payments for historical entitlements or those derived from restrictions on the use of certain inputs.

Market price supports and those relating to production and consumption create the largest distortions in prices and trade. Others, excepting input restriction supports originating from environmental conservation concerns, may or may not create distortions. In the European Union, most supports are those that create the largest distortions to agricultural trade, even after a reduction in supports from 86% to 57%. European supports are second only to Japan's (Figure 5).

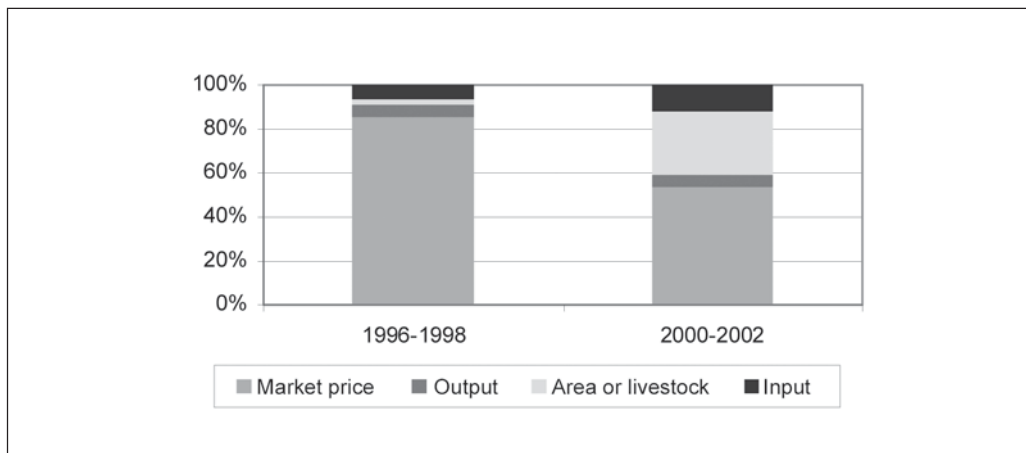
⁷ Producer Support Estimate or PSE is the annual farmgate money value of gross transfers from consumers and taxpayers to farmers, including all farm supports, regardless of their nature.

⁸ The insistence of developing countries in tackling farm issues before addressing other topics favoured by developed countries seems warranted given the unusually slow pace and narrow scope of changes to protectionist measures since the issue was included in the talks after the Uruguay Round in 1986.

⁹ *The Economist*, July 3-9 2004 p. 88.

¹⁰ Equivalent to the gap between domestic prices and border area farmgate prices.

Figure 5
Changes in trade distorting measures in the European Union
1986-1988 and 2000-2002
Relative weights of trade distortion sources of European exports

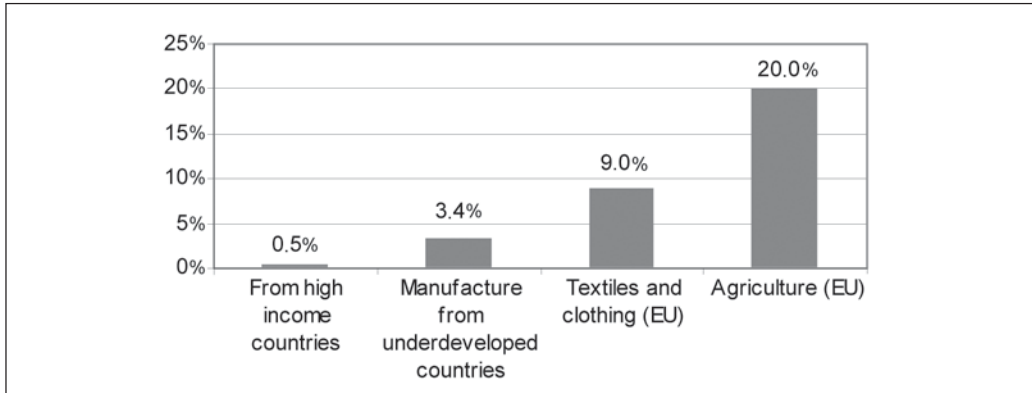


From their beginning in GATT and until the Uruguay Round, most trade talks focused on agreements for the industrial sector in areas of special interest to industrialised countries. Overall, the manufacturing industry, with the notable exception of textiles, apparel and footwear, saw a slow but steady tariff reduction. Agriculture and agricultural input products had significantly higher protection levels compared with manufactured goods. In addition, developing countries' manufactured exports were at a disadvantage compared with exports from developed countries.

As already mentioned, when reviewing Latin American insertion into global trade, there may exist differential dynamics among primary products, natural resource-based manufactured goods, "mature" manufactured goods and new ones, in particular those that require a relatively higher knowledge component. There is a peculiar reverse relationship between tariff and non-tariff barriers and the relative dynamism of exports. Lower protection levels correspond to manufactured goods exported by industrialised countries compared with those by developing countries. Textiles and apparel are levied at higher tariff rates than any other type of manufactured good. Only rates on agricultural products are higher (Figure 6).

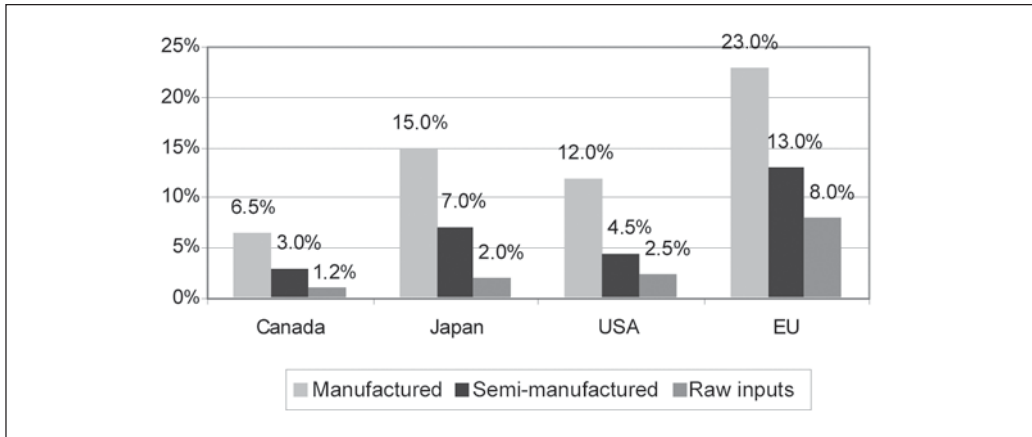
Discrimination by type of manufactured good, clearly biased against developing countries,

Figure 6
Degree of EU protection by type of goods



Source: Prepared by the author based on Oxfam (2002).

Figure 7
Progress tariffs based on processing level



Source: Prepared by the author based on Oxfam (2002).

amounts to a progressive tariff based on the level of processing of primary products. While this is a common practice in most industrialised countries, it is much more widespread in the European Union (Figure 7).

2.3. Who Pays the Bill?

The Total Support Estimate (TSE) measures the total cost to consumers and taxpayers of agricultural policies, including support to producers and others that do not belong to this group but that also benefit from these policies. For all OECD countries, agricultural sector support required transfers from consumers to producers of over US\$185 billion in 1986-1988 and US\$145 billion in 2000-2002, with over half of that amount corresponding to EU consumers.

These absolute costs to consumers and taxpayers are increased by the regressive impact of the distribution of supports or subsidies to producers. On the one hand, lower-income consumers in the EU spend a greater percentage of their revenues on food, compared with other families, and therefore, contribute a larger percentage of transfers from consumers to producers. On the other hand, 25% of large farmers get 75% of total support distributed through subsidies and supports. France shows one of the most concentrated subsidy distribution patterns in the EU: 15% of producers receive 60% of the total support. In the United Kingdom, the top 6% get 25% of the total.¹¹

For each dollar of transfers—presumably aimed at improving producer’s revenues—only 11 cents contribute to household income, plus another 13 cents if they are landowners. The lion’s share of subsidies goes to input suppliers and amortisation for equipment and other fungibles.¹²

3. Winds of Change

On July 31, WTO negotiators reached an agreement at the meeting in Geneva. This accord may contribute to getting the negotiations that suffered after the Cancun ministerial meeting back on track. The agreement (just seven pages long) defines types of agricultural negotiations, which were the source of discord in Cancun. The document sets forth the general guidelines for determining goals and rules for opening up agricultural trade.¹³

¹¹ 870 farms- less than 1% of the total- receive 11% of subsidies and payments exceeding • 200.000 yearly.

¹² OECD in Washington, No. 46 August/September 2003, Subsidies to Agriculture: Why? <http://www.oecdwash.org/NEWS/LOCAL/oecdwash-aug-sept2003.pdf>

¹³ World Trade Organisation, July 31, 2004 WT/GC/W/535.

Responding to pressure from the G-20, the countries agreed to further reductions in trade-distorting subsidies, including a commitment to reduce domestic subsidies by 20% and eliminate all subsidies to exports one year after the end of the Doha Round. In addition, the Geneva agreements commit participants to significant tariff reductions by all countries excepting the poorest nations, and stipulate that the highest tariffs will have to experience the greatest cuts. In addition, they grant extended deadlines for higher-income developing countries.

Some sensitive products, including dietary staples, may also be excluded from tariff reductions. Other sensitive products from developed countries may also get differential treatment. It is hoped that this clause will not be used to create new protectionist mechanisms based on environmental or health¹⁴ concerns, or by intentionally applying the concept of multi-functionality.¹⁵

Less substantial agreements were reached to reduce or open trade of industrial goods, although a framework was established for greater reductions in higher tariffs at the beginning of future negotiations. There was scarcely anything new in the field of service trade, beyond a call for a more ambitious liberalisation and the setting of a new deadline to comply with the agreements.

Some sceptical observers believe the agreement may not provide the Doha Round sufficient political dynamism to reach a final agreement. The original January 2005 deadline to reach this goal has been abandoned, and no new date has been set. A new ministerial meeting

¹⁴ We mean abuse of the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and the Agreement on Technical Barriers to Trade (TBT).

¹⁵ Eveline Herfkens, a member of the World Commission on the Social Dimension of Globalisation (ILO) said: I am extremely worried about the habit in Europe to increase our health and environmental product safety standards that might wipe away benefits of potential market access. Two cases where this is the case were documented by the World Bank. The original suggestion by the European Union to set product standards for aflatoxin in ground nuts that go far beyond what is needed to meet internationally accepted safety levels—so far beyond that if you apply the same risk management standards to the transport sector in Europe, you should ban cars and maybe even bicycles. A second example of these excessive standards is the issue of camel cheese. Europeans set milking standards that are perfectly applicable for cows, but physically impossible if you have to milk camels. We want to be healthy and want to feel safe as European consumers, but we need to be extremely careful and check to what extent these measures are for our safety, or if there is

was planned for December 2005 in Hong Kong. Negotiations are unlikely to conclude before 2007 given the fact that the far less complex Uruguay Round took eight years.

Clearly, there were strong pressures for negotiators to reach some sort of agreement because if the Geneva meeting had failed, the multilateral agreements would have been postponed for several years and doubts would have been raised about WTO's relevance. Some of the concerted exclusions, e.g. counter cyclical agreements for North American producers, are no longer included in the definition of subsidies to producers and, as mentioned above, this leaves the door open for industrialised countries to protect some sensitive products. For example, it may permit Japan to continue protecting rice with a tariff of 490%.

One reading of the details in the new framework agreement suggests that these countries are not ready to pay the price to ensure access to larger and more attractive developing country markets, and that price is the opening of their own agricultural markets. The relative enthusiasm that surrounds these agreements in developing countries is reflected in declarations by some negotiators from the G-20 in Cancun. For instance, the Indian representative said:

The revised texts mentioned some of the greatest concerns of developing countries, particularly with respect to agriculture. We expect that the revised framework will foster the general elimination of trade-distorting subsidies and supports provided by industrialised countries.

The Argentinean representatives said:

The spirit points to a strong commitment to eliminating agricultural trade distortions.

The Brazilian foreign affairs minister who heads the G-20 declared:

We still have to solve some minor problems before the 147 WTO members give their support. We have moved miles ahead compared to Cancun... this is the beginning of the

hidden protectionism. (Herfkens 2004). See also Bramovay, R. Subsidies and Multifunctionality in European Agricultural Policy, *Brazilian Review of Agricultural Economics and Rural Sociology* Vol. 40, apr/jun. Nº2:391-419 – 2002.

end of agricultural subsidies; we have made 20% progress for some products, while we have made 70% for others and 90% for still others. Overall, it is a satisfactory agreement.

In his report dated August 2. Pascal Lamy,¹⁶ the European commissioner before the WTO, summarised the agreement from the EU viewpoint as follows:

For the price of the EU reform of the agricultural policy, we have bought a reform of the US Farm Bill to benefit our farmers. We have also made sure that all trade distorting elements of export credits, food aid or state trading enterprises are eliminated, just like our export subsidies. For industrial products, we have adopted a set of precise guidelines to cut tariffs. For services, we have fixed a date for the new round of negotiations to take place in May 2005: key to give political backing to this negotiation, which is also crucial for EU service companies. We have launched negotiations to simplify customs procedures.

What are the areas where the EU has made concessions? Clearly agriculture: we have agreed to lock in the WTO the reforms of the EU agricultural policy, which we have done in the last years, including export subsidies, a long-standing demand from many developing countries. We regret having dropped three of the four Singapore issues out of the Doha agenda but the time was not right.”¹⁷

This is a good deal for developing countries and in particular the poorest among them because it eliminates all export subsidies, reduces agricultural subsidies and creates the possibility of protecting sensitive and special agricultural products. A strong call was made for duty-free and quota-free treatment for the world’s poorest countries and for strengthening

¹⁶ http://www.eur.ru/en/news_613.htm

¹⁷ Some country delegates mention the need to include four new negotiation issues trailing from the Uruguay Round and which were known as the “Singapore issues”:(i) *the relationship between trade and investment aim at creating a multilateral framework to ensure transparent, stable and foreseeable conditions for long term cross border investments;* (ii) *the interaction between trade and competition policy which among other elements aimed at strengthening technical assistance to create announces and assessment capacities dealing with the consequences of joining multilateral agreements;* (iii) *transparent procurement, focusing on transparency without limiting the countries’ possibility to favour domestic supplies and suppliers;* and finally, (iv) *trade facilitation.*

special and differential treatment for them in agriculture and in industrial tariffs. (Lamy 2004).

Many elements of uncertainty remain in the short term, which may cast a shadow on the expectations created by recent agreements. The US elections and a future Congress less inclined to liberalisation; a president/candidate that may promote a farm act with larger subsidies and a democratic candidate who announced a review of trade bills to address employment and environmental issues; and the end of Pascal Lamy term and a new WTO director general who assumes office in September 2005.¹⁸

Only negotiations based on the conditions determined by this framework and definite dates and amounts will justify the optimism surrounding these resolutions. However, we must bear in mind that the impact of eliminating all tariff and non-tariff restrictions in developed countries would create revenues close to US\$24 billion in developing countries, of which US\$13 billion may be obtained from the elimination of those barriers in the European Union.

An estimate by Anderson et al. of the impact resulting from eliminating by 2005 all trade barriers in place at the time of the Uruguay Round points to gains by both developed and developing countries. Ironically, over 58% of increases in well being would go to developed countries (Table 2).

As the above suggests, only 70% of increased well being stems from measures concerning agriculture and textiles. In other words, liberalising trade of other manufactured products that enjoyed significantly lower barriers than the two aforementioned sectors created an impact of less than 30%. This confirms that developing nations were right in focusing debate on duties for agricultural products and textiles and in refusing to include new and more complex debate topics until these issues were resolved.

¹⁸ "Only with a serious political commitment from the biggest countries can the Doha Round achieve a final trade deal. Such a serious commitment cannot be taken for granted, particularly in America's case. For all his trade team's contributions to the Round, George Bush has shown little interest in confronting powerful domestic interest groups. John Kerry's rhetoric on trade has been disappointing. Far from championing the Doha negotiations, his campaign never mentions them. Whoever is president next year will have to persuade a sceptical Congress to extend his negotiating authority. The painful truth is that, unless America's next president makes reaching a final Doha agreement and getting that deal through Congress a top priority, the Geneva framework will be nothing more than an "historic" breakthrough on a doomed venture" *The Economist*, August 5, 2004.

Table 2
Contribution to increased well-being from the elimination of all trade barriers by all countries
(Billions of dollars)

Liberalising Region	Beneficiaries	Agriculture	Textiles and clothing	Sub total	Total
Developed countries	Developed	110.5	-5.7	104.8	96.6
	Development	11.6	9.0	20.6	43.1
	Total	122.1	3.3	125.4	139.7
Development countries	Developed	11.2	10.5	21.7	49.6
	Development	31.4	3.6	35.0	65.1
	Total	42.6	14.1	56.7	114.7
All countries	Developed	121.7	4.8	126.5	146.2
	Development	43.0	12.6	55.6	108.1
	TOTAL	164.7	17.4	182.1	254.3

Source: Based on Anderson et al. (2001).¹⁹

4. Beyond Trade: Investment and Cooperation

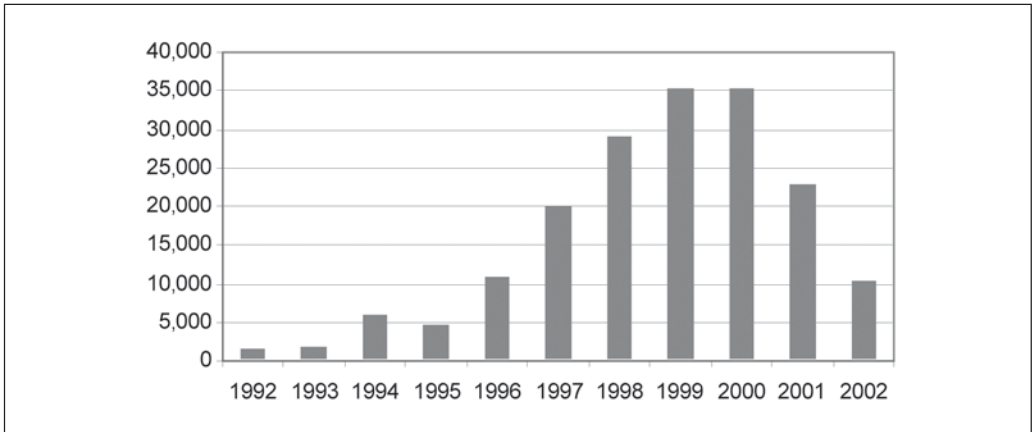
European investment in Latin America and the Caribbean, as well as European cooperation to the region, provide opportunities for strengthening partnerships between the regions. In the first case, by examining the constraints that prevent realising the full potential of those investments, and in the second, by searching for new ways to take advantage of existing lines of cooperation.

4.1. Direct Foreign Investment (DFI)

Since 1995, European investment flows to Latin America have grown exponentially. From representing less than 10% of US investments, Europe went on to match them five years later and then to become the principal source of foreign investment, surpassing US investments by 80% in 2000. European companies account for 50% of sales by the 100 largest foreign

¹⁹ Anerson, K. Dimaran, B. François, J. Hertel, T. Hoekeman, B y Martín, W The cost of rich and poor country protection to developing countries Journal of African Economies 10 (3) 227-57.

Figure 8
Direct investment by the EU in LAC 1992-2002
(Millions of dollars)



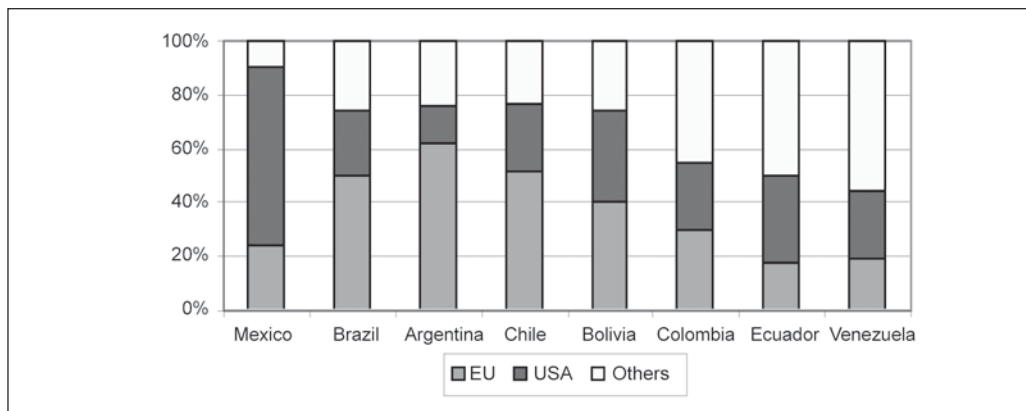
companies in the region, compared with 43% by US companies; 10% of the largest multinationals were European, as well as five of the ten largest banks, which held 62% of multinational banking assets.²⁰

A peculiarity of European investment flows compared with those of the United States is their concentration in mergers and acquisitions of existing companies rather than in new investment projects. Generally, most European investment focused on the service and energy (oil) sectors, through privatisations, particularly in the Southern Cone. Spanish investments targeted telecommunications and banking in particular and have made Spanish investment companies the main South American operator, with banking assets exceeding those of US competitors.

In terms of geographical distribution, at the end of the last decade, 42% of investments went to Argentina, 11% to Chile, 4% to Mexico and the rest to other countries, making Europe the largest investor in Brazil, Argentina, Chile, Bolivia and Colombia.

²⁰ ECLAC: "La Inversión Extranjera en América Latina y el Caribe" Ic/g.226-P May 2004.

Figure 9
Relative distribution of direct foreign investment by source²¹



By source, 65% of investment funds came from Spain (which grew exponentially from 16% in the mid 1990s); 15% from the UK (the main investor in the mid-1990s), and the rest from Portugal, Germany, France and Italy.

Although investments have dropped significantly since 2000, this may not necessarily reflect a trend but rather the consequence of adjustments compared with exceptional flows recorded in the late 1990s, together with the slowing of the global economy.

Given the business plans of some major European multinationals, specialists hold that investment in LAC countries will grow in the medium term as a result of the recovery after a deep recession in recent years; the need for complementary investments to ensure competitiveness in some European-owned strategic sectors; free trade agreements; and the closing of infrastructure gaps in Latin America in coming years.

Without a doubt, DFI may become a major component in development strategies of some LAC countries to the extent that they have identified exports as a key growth promoter.

²¹ Ibid.

However, experience shows that they suffer various constraints in the different sectors to which they have flowed. The DFI in primary product development sectors tends to create enclaves that are poorly integrated to local economies and provide low value added. Meanwhile, they resist paying royalties for extracting non-renewable resources and pay insufficient attention to environmental impacts. Investments aimed at expanding markets are dominated by goods with low international competitive capacity that have a tendency to dislodge local companies. When targeting foreign markets, they resort to static advantages, create few linkages and depend on large amounts of imported inputs. Generally, foreign investors expect tax and infrastructure incentives and, with few exceptions, make a limited contribution to the “trickling down” of technological knowledge to other sectors.²²

Given that the privatisations spurring a significant amount of European investment in the past decade have almost dried up, DFI are expected to shift toward manufactured products, prompted by free trade agreements with the United States (Mexico, Chile, and the progress of FTAA negotiations) and because European investment can contribute to the region’s insertion into the global economy through that mechanism. The region is particularly weak in dynamic products with greater technology content.

4.2. Development Cooperation

Three summits of heads of state from the European Union, Latin America and the Caribbean have taken place: the first one in Rio in 1999, the second in Madrid in 2002 and the most recent one in Guadalajara in May of this year. Each of the summits was preceded by a number of seminars and consultations on various topics. Among the issues analysed before the last summit were those concerning regional integration and social cohesion, immigration, regional cooperation, local associations, access to justice, democracy and governance. In addition, the summits often reviewed cooperation efforts in the intervening period and identified new directions or priorities.²³

The European Union is the largest source of assistance for development to Latin America. Since 1966, it has given the region over €500 million annually, excluding bilateral contributions

²² ECLAC: “La Inversión Extranjera en América Latina y el Caribe” Ic/g.226-P May 2004 Chart 3, p. 16.

²³ Communication by the Commission to the European Parliament and the Council COM (2004) 220 final 07/4/2004.

by individual member states, and €1,104 million in investments as loans for shared interest projects of EU and LAC countries.

The April 2002 Regional Strategy for Latin America includes the 2002-2006 Regional Indicative Programme. It identifies four priorities and additional regional interest initiatives. Briefly stated, the programme is composed of the following:²⁴

- **Priority 1**

Strengthening cooperation among civil society networks, including the following programmes: AL-INVEST programme to prompt European small and medium-sized businesses to invest in updating the technology and management of Latin American companies through technology and technical knowledge transfers; the ALFA programme to promote cooperation between institutions of higher learning in both regions; and the ALBAN programme that provides scholarships for advanced study in the EU.

- **Priority 2**

Reducing social inequalities; defining selected initiatives targeting underprivileged groups; and contributing to reducing inequalities in targeted integration actions. Disadvantaged groups included in policies and initiatives. EUROsocial may be the programme of choice to address this priority.

- **Priority 3**

Strengthening prevention of and preparation for natural disasters and ensuring rapid deployment of rehabilitation and reconstruction efforts would complete and support the natural disaster prevention programme (DIPECHO) launched in 1998 by the EU Humanitarian Office.

- **Priority 4**

Complementary initiatives: an observatory of the relations between the European Union and Latin America financed by the OREAL programme to explore and develop all possibilities of association between the regions.

- **Additional initiatives of sectorial interest**

A network of administrative offices charged with the sustainable management of energy under the ALURE programme to increase efficiency in energy use by government agents.

²⁴ http://europa.eu.int/comm/external_relations/la/rsp/02_06_es.pdf

In addition to these programmes, there are several budget allocations to cover incorporation of a gender perspective; support for ombudsmen's offices; criminal justice reform; eradicating drug abuse and poverty; environmental protection, etc.

Notwithstanding the virtues of this programme and the fact that they are the result of specific initiatives, it is not clear whether they have been subject to a systemic review beyond considerations regarding the results expected from each programme. Change processes underway require systematisation of the lessons learned to improve current practices given the many criticisms of past actions in this field.

An exhaustive analysis of the scope and constraints of EU cooperation in LAC countries is included in the documents prepared for this conference. Constraints include the difficulty in developing beneficiary country programme ownership; the need for better coordination between multilateral and bilateral contributions, with due respect for the leading role of the country involved; the need to streamline paperwork and administrative procedures; the weakness of results assessments; and the need to free assistance from other conditions while reducing costs through local technical recruitment equally or better suited to address local issues, etc.²⁵

An intense process of relevant institutional changes is underway, including the appointment of new officials to the Commission, who will take office in November in areas related to trade and the direction and coordination of development assistance.

Financial perspectives for 2007-2013 are currently being discussed in the European Parliament's Budget Committee. This has required a critical review of recent budgets that resulted in new guideline proposals for the EU's foreign relations.

Along these lines, the European Commission has identified three areas or strategic priorities for the abovementioned period: (a) policy towards neighbours; (b) global, economic, social and environmental governance; and (c) civil and strategic security. Trade and development aid are closely related to the second priority.²⁶

²⁵ Mariano Valderrama: "Políticas y prácticas de la cooperación entre la Unión Europea y América Latina". In "Propuestas para mejorar el contenido y las relaciones en torno a las políticas de cooperación de la Unión Europea con América Latina." August 2004.

²⁶ Lamy, P: "Financial perspectives 2007-2013. Presentation of the 'External relations' part to the European Parliament's Committee on Budget. Brussels, March 16, 2004.

Together with the priorities identified, the proposals seek to provide greater coherence and integration to policies and tools by reducing the almost 100 existing instruments and their vast geographic and topical diversity to only six, including those related to new Union memberships. Two of the new instruments are of special interest to the LAC region: one concerning development assistance and the other related to the promotion of peace and security, which in the post-September 11 context are at risk of merging into a single concern, to the benefit of the latter at the expense of the former. In this respect, an important consideration was to appoint a commissioner charged with developing cooperation that was not dependent on foreign policy in the war against terror.²⁷

With regard to development cooperation, also relevant for LAC countries are policy proposals for pre-access to future Union members.²⁸ This will require moving from a project-based approach to a programme that will link some of the programmes listed above, in particular with initiatives to overcome poverty in general and rural poverty in particular.

4.3. Millennium Development Goals: Trade and Cooperation Convergence

The European Union is in a unique position to contribute to national efforts to promote social cohesion and development issues as it includes “all the global economic governance tools,” because it carries significant economic weight as the producer of 25% of the world’s wealth. It is the world’s largest exporter of goods and services, ranks among the largest foreign investment sources, and contributes 50% of the world’s development assistance.

The European Union has agreed to contribute 0.39% of its GDP for development assistance by 2006. These resources will be augmented to fulfil the Millennium Development Goals (MDG). The MDGs are a point of convergence for modifying trade rules and redirecting development assistance, which in the recent past has been subject to significant criticism and prompted calls for redesign.²⁹

Goal 8, which calls for the direct contribution of developed countries, proposes to “foster a global partnership for development,” and specifically calls for progress toward an open

²⁷ Maxwell, S: “The EU and the Poor: Unfinished Business Opinions”. Overseas Development Institute: May, 2004 16.

²⁸ In particular, the Special Accession Programme for Agriculture and Rural Development (SAPARD).

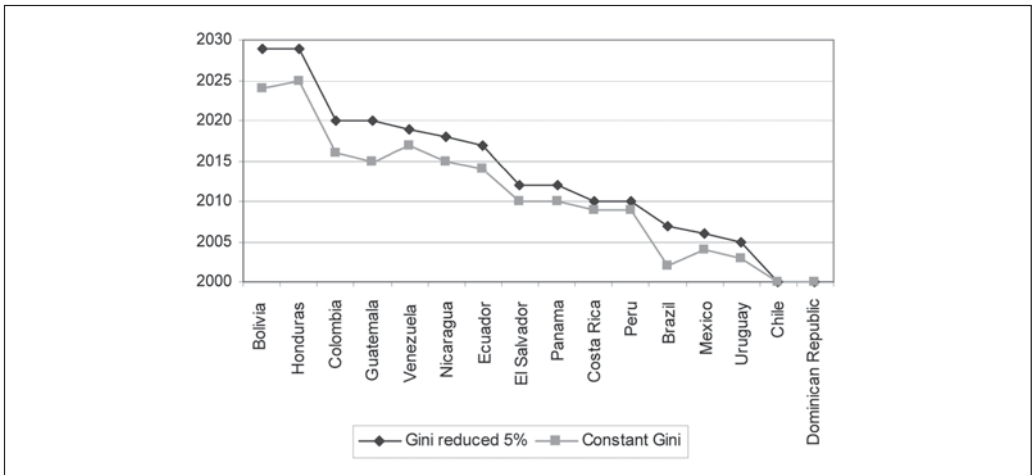
²⁹ See Maxwell, S. op.cit. and the documents cited by Valderrama, M. 2004 op. cit. p. 51.

trading and financial system that is rule-based, predictable and non-discriminatory ... that includes a commitment to good governance, development and poverty reduction—nationally and internationally.”

The first MDG proposes to reduce by half the proportion of people earning less than US\$1 a day and reducing by half the percentage of hungry people by 2015. With respect to the LAC region, 40% of countries will fail to reach that goal given the present distribution of income. A relative improvement in such distribution may reduce the figure to 25%. In addition, a better distribution of revenues would increase from three to five the number of countries that will reach at least one MDG before 2005 (Figure 10).

With few exceptions, countries not reaching the abovementioned goals are also those with large rural populations, which also make up the largest number of poor and indigent people. In those countries, measures to integrate trade of agricultural and certain manufactured goods (in particular textiles and apparel) and labour-intensive agricultural products for which there are no economies of scale, would have the largest impact. Also in those countries, the comprehensive design of some decentralised programmes in specific areas would have the

Figure 10
Years in which Latin American and Caribbean countries will reach the Millennium Development Goals for the elimination of extreme poverty, with or without changes in income distribution



Source: ECLAC Social Development Division.

greatest affect since it would permit profit from synergies. For instance, these include integrating AL-INVEST, URB-AL (for small areas), @lis and ALURE.

Decentralised and participatory cooperation by local governments may provide an alternative model to overcome the obvious constraints in cooperation between central governments. Stronger decentralisation processes are required, together with greater sub-national government responsibilities regarding development issues among LAC countries, with territorial development based on productive and institutional changes for given localities with the necessary strategic framework.³⁰

As Rhi-Sausi said:

"A new cooperation perspective seeking to establish direct relationships with local representative bodies, as well as stimulating the capacity of these organisations to create and execute development projects, with the participation of the involved sectors of the population and taking into account their interests in and viewpoints on development (...) Despite the acknowledged potential of this perspective, European Commission resources devoted to decentralised cooperation are still relatively modest. The ad-hoc budget line for decentralised cooperation was created in 1992 with €2 million. Until 1996, this allocation grew gradually to €6 million. However, funding was cut in 1997 (to €4 million per year) and remained unchanged in 1998 and 1999 ... Consequently, sub-national governments have played a new and larger role in social and productive integration of local forces into global dynamics. The renewed importance of country systems based on functional articulations and a strong coordination between municipal and central governments has become one of the greatest challenges for international cooperation and competition."³¹

The goal should be to overcome the welfare approach that has characterised cooperation based on NGO activities at the local level. Instead, it should be directed to strengthening local business capacities while taking advantage of past experiences and diverse approaches

³⁰ Schejtman, A. and Berdegué, J: "Desarrollo Territorial Rural". In <http://www.rimisp.org/getdoc.php?docid=870> and Valderrama, op.cit. p. 59-60.

³¹ Jose Luis Rhi- Sausi. "La Cooperación Internacional en los procesos de Descentralización y Regionalización de los países Latinoamericanos. La experiencia Italia-Región de Atacama". <http://www.subdere.cl/paginas/programmeas/pugr/paginas/globalizacion/sausi.pdf>

in several regions of EU countries (Basque country, Andalusia, Lombardy, Venice, Emilia-Romagna) as well as lessons learned in the LIEDER programmes.

The EUROsocial programme to promote social cohesion in Latin America could support some pilot projects for poverty eradication in rural areas if its budget is increased and objectives are set for this programme. Such sector-driven projects may become the testing grounds to provide more significant content to training and dissemination activities included in those programmes and thus to supply tools for redesigning activities in the 2007-2013 budget period.³²

5. Implications for Action

The discussion above underscores the need to define and refocus EU relations with LAC countries in each of the areas discussed.

5.1. Trade

- Precise dates and amounts for the Geneva commitments from July 31 must be set and confirmed at the upcoming WTO ministerial meeting, scheduled to take place in Hong Kong in December 2005. Efforts should be made to avoid cloaking the new protectionist formula in new wording that violates the spirit of the agreements, in particular concerning agricultural goods and textiles and apparel.
- The quid pro quo of European concessions should be matched by a reform of the US Farm Bill, scheduled for 2006.
- Cooperation should take place with less developed countries throughout the region to prevent cost, technical infrastructure and human resource constraints for implementing

³² See in this regard Jorge Balbis, De los dichos a los hechos: la cumbre de Guadalajara ante los planteos de la sociedad civil de América Latina, el Caribe y Europa. In "Propuestas para mejorar el contenido y las relaciones en torno a las políticas de cooperación de la Unión Europea con América Latina". August 2004: "The cooperation component of the association agreements should be redesigned to be consistent with the social cohesion objective. So that the "Social Initiative" (the present EUROsocial) will take account of regional peculiarities, particularly involve Civil Society and be provided with resources matching its magnitude (p.86). In addition, this programme will not finance direct initiatives for the fight against poverty that rather will be directed at designing social policies and providing tool for high level Latin American government officials in the fields of European practices for promoting social cohesion. (p.88).

standards on effective agricultural, manufacturing and hygiene practices (GAP, GMP and GHP), the Hazard Analysis and Critical Control Point guidelines for sanitary and phytosanitary standards, as well as trade technical barriers, from becoming new types of protectionism.³³

5.2. Investment

- Association styles should be sought with national companies that will result in greater assimilation of technical knowledge and its dissemination to small and medium-sized companies through supplier development.
- Contribution to creating competitive advantages through dynamic markets in EU countries and wherever this lack of competitiveness exists given their relative resource allocations.
- Establishment of DFI regulations on the environment, labour and taxes.

5.3. Cooperation

- Commitment of funds to promote fulfilment of the Millennium Development Goals.
- Existing programmes should undergo rigorous assessments beyond red tape requirements.
- Geographic integration should replace the dispersed programme strategy in an effort to take advantage of existing synergies.
- The EUROsocial programme should be redesigned to make it a true instrument for decentralised and participatory cooperation that improves production and promotes institution building in poor areas by taking advantage of the potential of sub-national governments in the EU and LAC countries.

³³ Ironically, demands by European consumer and other civil society groups to enforce these standards push the small agricultural producers targeted by European cooperation out of the market.

Policies and Practices of Cooperation between the European Union and Latin America

Mariano Valderrama¹

In this essay, we will evaluate international cooperation relations between the European Union and Latin America. Based on this analysis, we will formulate some proposals to improve relations from a Latin-American perspective.

We will focus on three areas:

- Analysis of the EU (European Commission and member countries) official cooperation policies and practices regarding Latin America, as well as of trends in European cooperation with the Latin American region.
- Examination of the factors promoting or limiting efficiency and efficacy of EU aid to Latin America.
- Assessment of civil society participation in cooperation between the European Union and Latin America. The new role of decentralised cooperation will also be assessed, as will the evolution of private international cooperation between the European Union and Latin America (NGOs, universities, social organisations).

1. European Union Cooperation Policies and Practices with Latin America

1.1. The Evolution of European Cooperation with Latin America

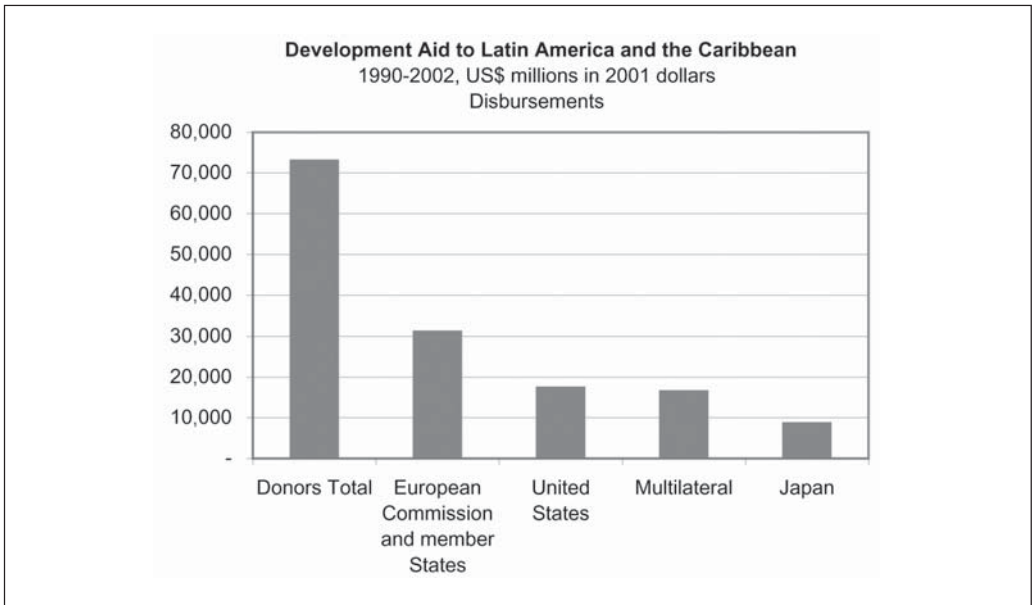
Although official EU (European Commission + member states) development aid to Latin

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America represents only a small percentage of its total aid, it was the main foreign aid source for the region in the 1990s and the beginning of the current decade, representing 41.2 % of all foreign aid received by the region during the period (Figure 1).

We should also take into consideration that Latin America is not the main recipient of EU cooperation funds (referring to EU member states and multilateral cooperation). Figure 2 shows that the percentage of official aid to development flowing into the region represents only 9% of the total and is less than that channelled to other regions, such as sub-Saharan Africa (37%), Central Asia (10.1%) and Europe itself (11.9%)

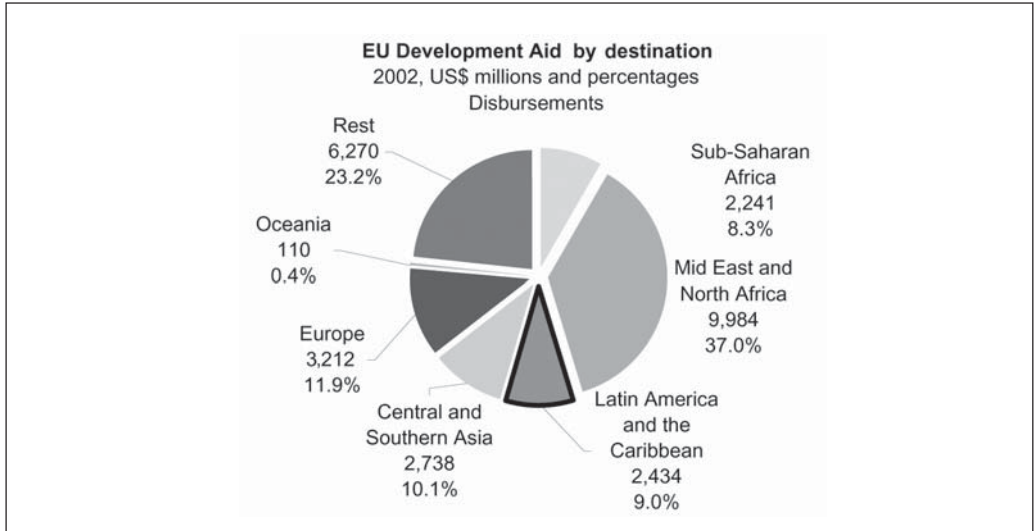
Figure 1



Source: Development Assistance Committee/OECD.

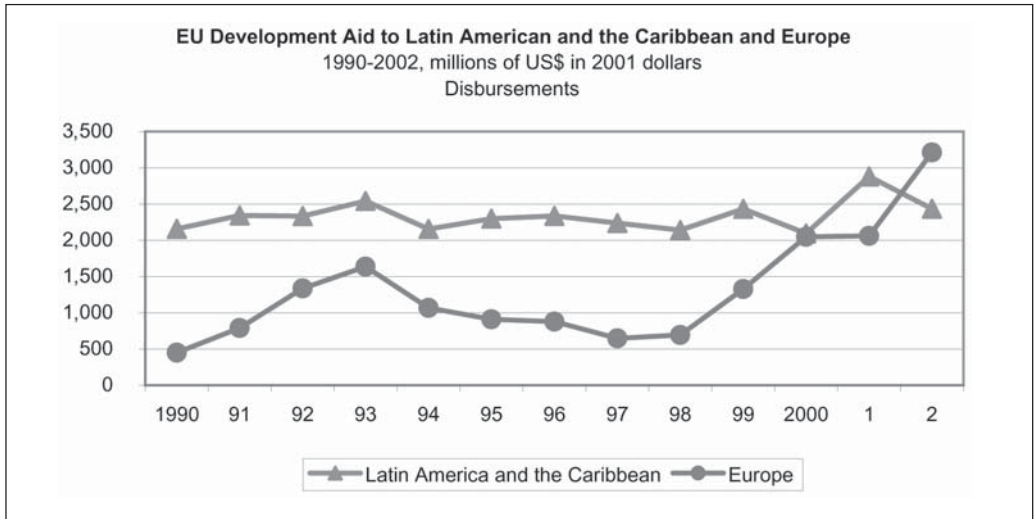
Figure 3 shows the evolution of EU foreign aid, depicting a considerable increase of aid to less developed European countries, which had been negligible until the late 1980s. The aid

Figure 2



Source: Development Assistance Committee /OECD.

Figure 3

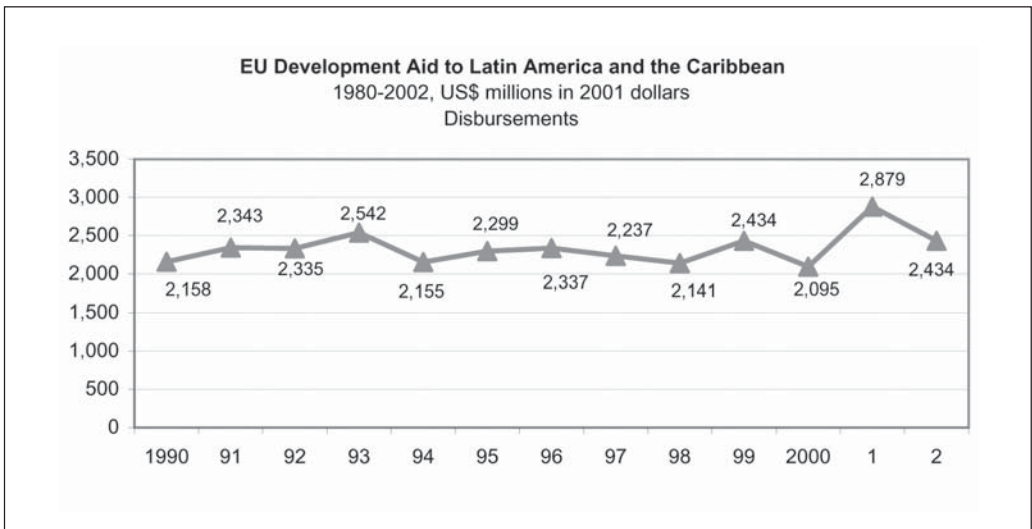


Source: Development Assistance Committee /OECD.

increased in the 1990s. In 2002, EU aid to Europe exceeded that provided to Latin America for the first time.

The volume of European cooperation funds to Latin America fluctuated during the 1990s. The flow of official aid for development from Europe to the region decreased by 10.6 % in real terms between 1990 and 2000 (from US\$ 2,343 billion to US\$ 2,095 billion). It then increased in 2000-2001 only to fall in 2002 (Figure 4).

Figure 4



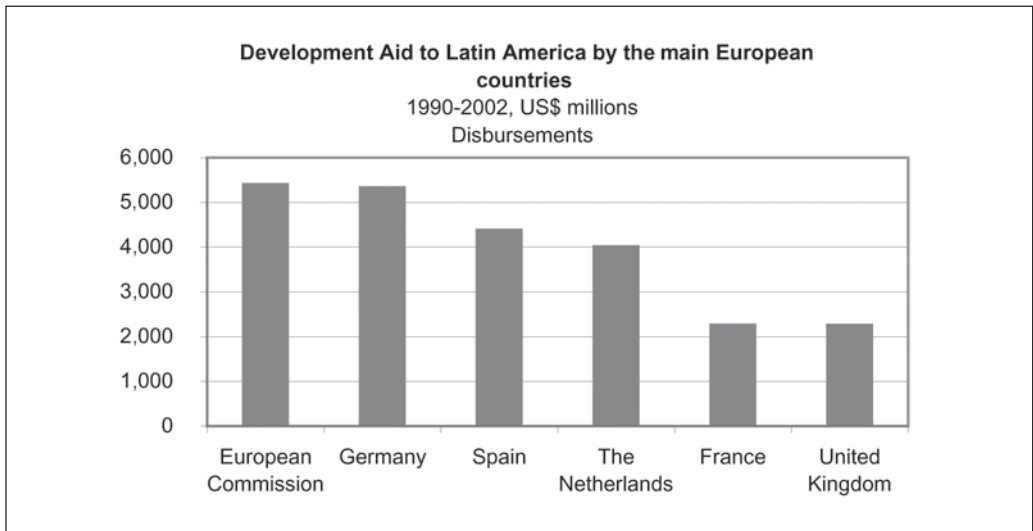
Source: Development Assistance Committee IOECD.

Figures 5 and 6 demonstrate the relative importance of the different member states' contributions:

- The European Commission has become the main source of aid, surpassing the EU individual cooperation as the main aid supplier to the region. This is despite the fact that the Commission contribution decreased in the late 1990s after an increasing trend during the first half of the decade.

- In spite of the decrease in aid from Germany to the region since 1997, this country was still the largest European donor in 2002.
- Spain substantially increased aid to the region in the early 1990s (allocating 44% of its global aid to Latin America) and is the second-largest EU contributor to the region.
- Italy dramatically decreased aid to the region. After having been a leader in the early 1990s, the country became one of the least important contributors.
- At the end of the decade, Dutch aid to Latin America, which was considerable during the 1990s, experienced a dramatic drop.

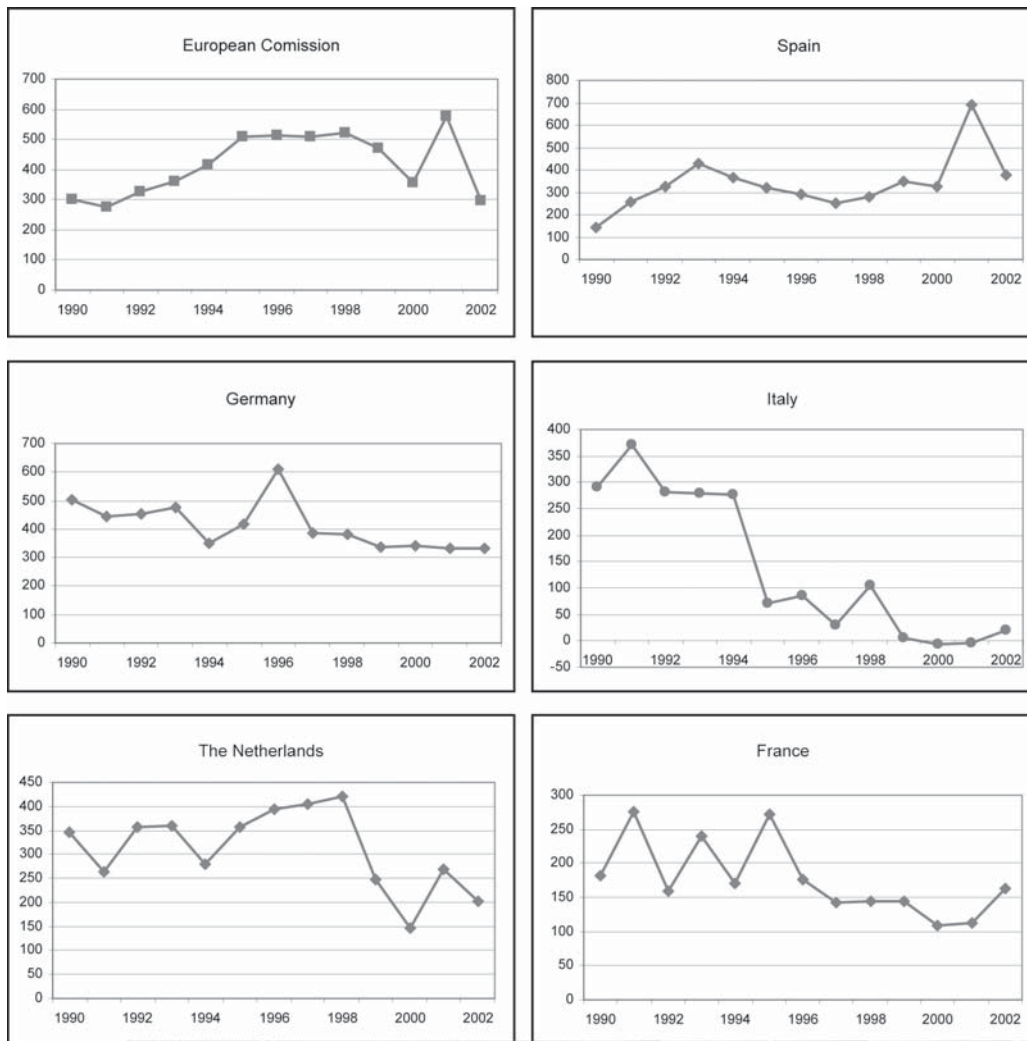
Figure 5



Source: Development Assistance Committee /OECD.

Figure 7 shows that European cooperation is greater to Central America and the Andean Region (Peru and Bolivia). In addition, there was a reduction in aid to the more developed countries (MERCOSUR, Chile and Mexico), with which a different kind of cooperation is preferred (trade agreements, scientific and technological cooperation).

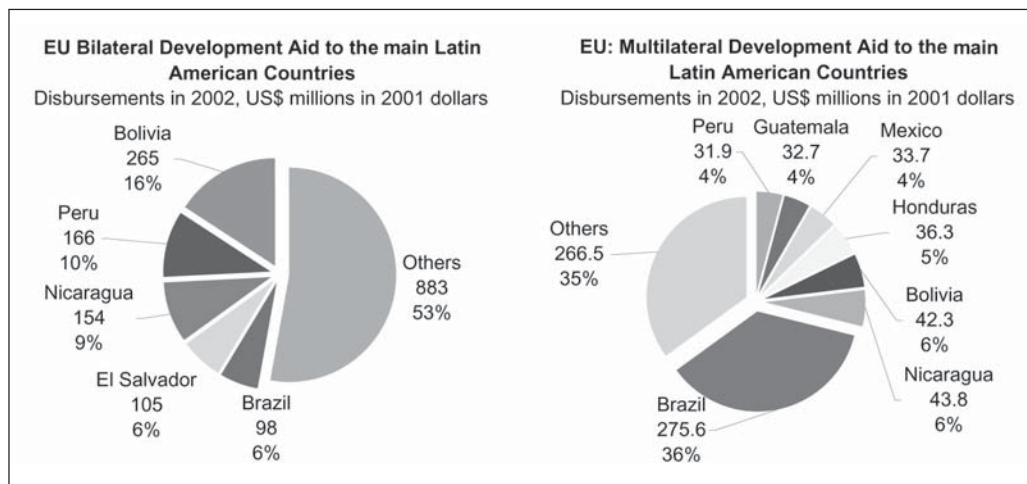
Figure 6
Official Development Aid from the European Union to Latin America and the Caribbean, 1990-2002. Disbursements per source (US\$ millions)



Source: Development Assistance Committee IOECD.

Within bilateral cooperation, Bolivia, Peru, Nicaragua, El Salvador and Brazil receive the most aid. The distribution of European multilateral cooperation for Latin American countries demonstrates that Brazil receives one third of the total, followed by Nicaragua, Bolivia, Honduras, Guatemala, Mexico and Peru.

Figure 7



Source: Development Assistance Committee IOECD.

Having examined the flows of foreign aid between the European Union and Latin America, we now look at the qualitative issues and focus on some key topics, including the poverty eradication approach, the poverty reduction strategy, conditioned aid and the role of technical assistance.

Poverty eradication and sustainability have recently become a priority for cooperation, as has capacity building. The interest in large infrastructure projects has lessened, as has food donations to social programmes.

1.2. European Cooperation and Poverty Reduction

Poverty reduction is repeatedly proclaimed as a core objective of EU foreign aid. Therefore, it is necessary to define an appropriate approach to direct efforts to fight poverty. In Latin

America, the poverty problem is linked to the issue of equality. Latin America has the most inequitable income distribution in the world. This must be taken into account for future policies (for example, support to tax reforms and to countries opting for redistributive mechanisms).

However, we must examine the coherence between repeated statements of commitment to the poor and reality. The most recent UNDP human development reports point out that the gap between rich and poor is increasing the world over. Several reports acknowledge that the European Commission's foreign aid to the poorest countries has been on the decline in recent years, to the detriment of policy interventions.²

As pointed out, the issue of poverty became one of the central issues of international cooperation and public policies and even of the NGOs in the region. Notwithstanding the criticism of this approach, which was intense,³ the antipoverty discourse prevailed within a context of different programmes that were temporary and that compensated the effects of the structural adjustment and economic stabilisation measures proposed by multilateral banks.⁴ The "science of the poor" became fashionable and along with it, the analysis of quantitative data, such as the percentage reduction in malnutrition rates. Therefore, temporary achievements took precedence over changes in the processes generating poverty (institution building and organisation of the poor population, awareness of rights, increasing educational levels, etc.) and there was an emphasis on «quantifying» the quality and sustainability of interventions.

There is growing criticism of the approaches used in anti-poverty programmes. The causes of poverty have not been sufficiently analysed or addressed. The possibilities for changing a very complex situation through specific projects and with limited resources have been exaggerated. In our countries, poverty is a permanent rather than a temporary state, which current economic policies reproduce and expand. For this reason, they require a continual transfer of resources to the poorest citizens. In other words, poverty is again viewed as a

² See *The Reality of Aid* 2004.

³ Ballón, Eduardo: "Exclusion, Inequality and Poverty in Latin America and the Caribbean". ALOP: San José de Costa Rica, 2002.

⁴ On the role of the World Bank concerning this issue, see: Sanahuja, José Antonio: "Altruismo, mercado y poder. El Banco Mundial y la lucha contra la pobreza". Intermón-Oxfam: Barcelona, 2001

political problem rather than as a technical challenge, as the result of social exclusion, structural inequality and underdevelopment.

Although the EU-LAC Summit in Monterrey defined social cohesion as a core issue, there was little progress concerning specific proposals to earmark resources to this end.

1.3. Ownership of Southern Governments and Actors in European Cooperation Programmes

In the debate among experts on EU-LAC cooperation, an evident problem was the lag in the European cooperation's official discourse. It proclaims the main role of southern countries in development and practices whereas cooperating entities impose their priorities and cooperation models. There is a generalised perception that bilateral cooperation programmes do not adapt themselves to the real demands of Latin American nations and their citizens, particularly of the poorest, most vulnerable populations. They may even distract attention of local development organisations from the core problems.

- The country strategy documents defining strategic cooperation approaches are prepared mainly by European teams with little or no participation from government counterparts and civil society in Latin American countries.
- Technical missions and European cooperation representatives play a decisive role in defining programmes and projects and in defining the approaches and methodology of projects. Experts are not always fully qualified and frequently have little knowledge of the reality of the countries where projects are implemented. There is an alarming level of inefficiency, bureaucracy, delays and a lack of professionalism in managing EU development aid resources in Brussels. The EU staff members are not familiar with Latin America, its history or idiosyncrasies. Their approach is Eurocentric.
- In the process of consulting with domestic counterparts, local participation is limited and transparency does not exist. So-called participatory workshops are proposed where no real decision-making capacity is granted to participants and where proposals designed by foreign consultants are simply validated. Appropriate information processes are rarely disseminated concerning the proposed budget and there is no debate on possible alternatives for use of funds.
- Although cooperation is usually technocratic, it often has a political aim as a mechanism to influence the receiving countries' policies, be it to generate favourable conditions for the donors' investments and trade interests or to influence local policies.

2. Factors Promoting or Hindering the Efficiency of Foreign Aid from the European Union to Latin America

2.1. Problem Assessment and New Policies

The Council of Ministers for Development Cooperation discussed a critical report on Commission cooperation programmes in different regions during 1999-2000. The council analysed and underscored the lack of clear priorities and specific objectives; the absence of sector policies; the bureaucracy and complexity of administrative procedures; Commission restrictions concerning professional staff; and lack of complementary relations between the Commission's cooperation programmes and member states. Some of these problems were evident in the large gap between committed and executed funds.

Since the beginning of this decade, EU cooperation actions have been reformulated to improve the flow and effectiveness of European foreign aid. In the declaration of the Council and the Commission on EU development policy, dated November 10, 2000, basic guidelines were defined to redirect European community cooperation:

- a. EU contributions must focus on key sectors and avoid the proliferation of projects in disperse areas. Action priorities must be defined more precisely through multi-annual programmes integrating local demand and sector strategies. Eradicating poverty will be prioritised.
- b. It is necessary to improve the articulation with other EU policies and activities of member states. Complementary relations must be reinforced to establish a better division of labour between the EU and member states, respecting the main role corresponding to the partner country and taking into account the comparative advantages for each one. No donor can expect to obtain the best results in every country and cooperation sector. Therefore, the experience acquired by the EU and its member states must be used to achieve, in each specific case, a division of labour respecting the participation corresponding to partner countries.

This reformulation of development policies was parallel to an internal reform process that started with the creation of a new European international cooperation agency - Europe Aid-on January 1, 2000 and that subsequently included an administrative simplification and de-concentration process aimed at strengthening the role of delegations, granting them decision-making powers for direct management of cooperation. Although Brussels will retain final financial decisions and will provide methodological and quality supervision support, the

delegation offices assume the following direct responsibilities: a) initial identification of projects; b) preparation of financial proposals; and c) hiring and financial execution.

The decentralisation and de-concentration of international cooperation management coincide with similar decisions adopted by several member countries.

In the debate on the effectiveness of European aid in the electronic forum promoted by Euforic, ICCO and RIMISP in Latin America,⁵ several participants acknowledged the progress made in the European cooperation management and de-concentration process, which will help to design better country strategies with a better knowledge of domestic reality. However, limitations were noted, including the following:

- a. Aid decentralisation progress is still limited in terms of the transfer of decision-making and negotiation capabilities to cooperating agency offices in southern countries. Core decisions on policies, analyses and project design are still wielded by European headquarters. Delegations are still slow to manage programmes.
- b. The efficiency and effectiveness of specific European cooperation operations in our countries are still affected by a bureaucratic handling of their offices: procedures are too slow; European cooperation programmes take several years to be designed and executed; monitoring is minimal; and evaluations are formal exercises only. This creates a gap between committed and executed funds.
- c. Processes are not designed for learning from critical reflection about practices. For example, evaluations are often purely formal and bureaucratic and in the best of cases examine accountability only, with little learning of practical lessons to improve aid effectiveness. No accruable and transferable knowledge is created.
- d. European cooperation programme and project costs are very high. A significant percentage of resources go to overhead, fees and hiring of European companies. In some places, an army of cooperating agencies, advisors, consultants and international officials consume much of the budget that should be allocated to development interventions.

⁵ See <http://www.rimisp.org/europa>

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- e. A key limiting factor to achieving more efficiency and impact in European cooperation is the predominance of bureaucratic administrative procedures (insistence on financial reports, visits of accounting experts, audits, measurement of economic value of results) over more substantive aspects. It would seem that only through control systems can they ensure immediate visible results for cooperation programmes. They use a conceptual framework and tools not necessarily corresponding to the complex dynamics of the social, economic, political and cultural reality of the different Latin American and Caribbean countries and their development processes. Administrative demands distract attention from substantive development work. The problem worsens because cooperation agencies have a new generation of officials that are not very committed to development issues. These officials strive to further their careers by adapting to fashionable administrative requirements.
 - f. European cooperation often lacks transparency and accountability. The European cooperation agencies' websites report on policies and project profiles but give very little information on project implementation and budget expenditures. Neither do they provide this detailed information to local counterparts.

Other issues arising after an analysis of the factors hindering the efficacy of aid included the limited coordination of foreign aid between the Commission and member countries, conditioned aid and technical assistance, which we will discuss in the following sections.

2.2. Coordinating European Cooperation

Several experts have mentioned the lack of coordination between European cooperation agencies. In some groups, there is even little articulation between the different projects and programmes of a single cooperating country.

In some Latin American countries and sub-regions (for example, Peru or the Dialogue Table in Guatemala) information exchange mechanisms have been established but little progress has been made in defining common strategies and programmes, even in areas in which several European agencies focus their attention, such as job creation, poverty eradication, education, health, food security, environment or democracy. This prevents the generation of synergies and a more rational use of resources. Each agency puts its individual stamp on the cooperation.

The European Commission cooperation is simply another cooperation initiative of member countries. It does not seek to leverage complementary relations among initiatives.

Moreover, we should assess the channelling of increasing European resources through

organisations such as the World Bank and the Inter-American Development Bank, often submitting to development approaches foreign to the European agenda.

2.3. Untying Aid

In a proposal to improve the efficiency of EU cooperation, an important aspect is to untie «tied aid.» In April 2001, the recommendation of the Development Co-operation Directorate Committee of the Organisation for Economic Co-operation and Development (OECD) to untie as much as possible the tied aid to the least developed countries was accepted, thereby releasing the receiving country from the obligation of buying goods and services from donor country suppliers.⁶ By adopting this decision in January 2002, donor countries acknowledged that aid is much more effective if it is untied. Tied aid increases costs for acquiring goods by up to 20%.

We must note that the advice to untie aid did not include food aid, its transport, technical assistance (education, institutional training, and consulting services) and aid to NGOs, which are undeniably important in cooperation. Furthermore, the recommendation is not binding and hence no terms are defined for compliance.

In November 2002, the European Commission submitted the report “Untying Aid to Strengthen its Effectiveness” to the Council of General and Foreign Affairs, acknowledging the limited progress achieved on the issue and proposing firmer advances in untying aid and extending commitments to other fields such as food aid.

A study made by Aid in Action and Action Aid assessed the impact of this recommendation on the donation practices of Spain, France, Italy and the United States.⁷ The study demonstrated that limited progress has been made. France has made the greatest strides while other countries lag far behind.

According to OECD data published in 2001, half of Spanish bilateral aid is tied, on average. This aid is generally linked to credits granted by the Ministry of Economy and Finance for buying goods and contracting services offered by Spanish companies, which must represent at least 70% of the total credit. The credits permit exaggerating the amount of official aid to

⁶ DAC (2001) Recommendation on Untying Official Development Assistance to the Least Developed Countries.

development committed by Spain because part of it is not used due to high costs and the quality and price of the goods and services offered are often not competitive. Spanish tied aid also encompasses food aid and debt swap operations. Italy is also an important case of tied aid; in 2001, 92% of all its bilateral foreign aid was tied.

2.4. Technical Assistance

Together with the proposal of untying aid, changes are proposed for technical assistance. The basic premise is to transfer specialised knowledge and international experiences. However, in many cases there are better-qualified experts in southern countries and with a more thorough knowledge of the reality. These experts could perform functions at much lower costs in ways that are more appropriate. Moreover, the region exports professionals to other areas of the world.

We should recall Peru's experience. During the period of violence, some agencies (such as GTZ) decided to replace foreign technicians (threatened by the Shining Path) with Peruvian experts, with very good results. The Dutch Foundation for Development has also introduced the practice of open bidding for advisors/experts, opening possibilities for experts of many nationalities, including Latin Americans for Latin America.

Besides the problem of qualifications and costs, there is the problem of technical experts and missions designing programmes that tend to impose their own agendas and approaches on domestic counterpart requirements and perspectives. This makes aid more inefficient because it strains complementary relations and impedes programmes from responding to local demands.

An army of professional consultants going from country to country to provide guidelines without assuming much commitment with development cooperation objectives between Europe and Latin America is of no help. It would be better to promote exchanges between programmes being executed in Europe and technicians executing them. In this regard, lead programmes are a good experience.

3. Private Cooperation, Decentralised Cooperation and Civil Society Participation

3.1. Civil Society Participation in the European Union Cooperation Programmes with Latin America

The Latin American Promotion Organisations Association (ALOP, in Spanish) has carried out

a number of studies on the participation and influence of civil society on political dialogue and cooperation and trade relationships between the European Union and Latin America.

Mexico: Initially, the negotiation and signing of the Global Agreement, the Free Trade Agreement between the European Union and Mexico (TLCUEM) and the APPRIIs, were characterised by limited dissemination among and consultation with society. Only business leaders participated. The first opportunity for discussion between authorities and civil society organisations was the first forum of Civil Society of Mexico and the European Union, held in Brussels on November 26, 2002.

Costa Rica: Costa Rican civil society does not formally participate in a real and direct dialogue with the European Union to identify and adopt cooperation policies.

Nicaragua: In spite of the political will expressed in several EU official documents for promoting participation of civil society organisations, Nicaragua lacks a real and formal channel for participation.

A case in which there was an important role for civil society in the definition of the EU cooperation policies was Plan Colombia. Dialogue with civil society organisations persuaded the European Union to adopt a strategy to promote peace, as opposed to the US militarist policy. Thus EU programmes included important participation of social organisations and NGOs in conflict areas.

3.2. Decentralised Cooperation and Local Development

Local government and local development has gained increasing importance for development organisations in the past decade. Working with local governments permits more civil society participation in decision-making and is crucial for democratising society. This new trend is related to the government decentralisation and reform process implemented in many Latin American countries. It is also linked to the re-democratisation process, where local authorities are being elected after authoritarian periods or because of peace agreements.⁸

⁷ "Hacia una cooperación de calidad, la ayuda atada". Action Aid & Ayuda en Acción: London - Madrid , April 2003.

European countries support this decentralisation process partly because of their own history and decentralised political structure. Not limiting EU official cooperation to supporting central governments and channelling resources to local governments constitute progress. In this regard, private cooperation for development organisations plays a pioneering role. Over the past three decades, cooperation has increasingly focused on local development and promoting active citizen participation in the process.

An important catalyst in the cooperation relations between the European Union and Latin America is the new approach seeking to establish direct relationships with local representative organisations and building their capabilities to design and implement development initiatives, with direct participation from stakeholders, taking into account their interests and perspectives on development. The Commission has defined a decentralised cooperation policy and has implemented a special programme with a modest initial budget to finance its activities. The idea is to establish direct relationships with local representative organisations to promote their capabilities for implementing development initiatives, with the direct participation of beneficiary groups. Their actions focus on: a) human and technical resource development and local, rural or urban development; b) information and mobilisation of decentralised cooperation agents; and c) institutional strengthening of stakeholders' capacity for action.

Decentralised cooperation channelled from regional governments, autonomous communities or provinces and municipalities of European communities has also acquired importance. The German *länder* stand out in this cooperation model, as do the Belgian linguistic-cultural communities, the Spanish autonomous communities, and, more recently, Italian and French regional governments.⁹

In addition, at the level of official bilateral aid, there is a positive trend of increasingly channelling cooperation resources to local governments and local development and to strengthening the decentralisation process. An analysis of experiences in Bolivia and Peru demonstrates the advantages of this kind of cooperation, which tends to be more effective than those targeting national programmes.¹⁰

⁸ Charles Reyly (compiler): "New Urban Policies, NGOs and Municipal Governments in Latin American Democratization". Arlington, Virginia (USA): Inter American Foundation, 1994.

⁹ Rhi-Sausi, J.L. "El Papel de las Administraciones Descentralizadas en la Cooperación al Desarrollo de la Unión Europea". *Revista Española de Desarrollo y Cooperación*, 1997 (0): 47-58.

¹⁰ Mariano Valderrama: "Los Procesos de Descentralización en América Latina y la Cooperación Europea". In:

Generally, local development strategies have become even more important for democratising political life and economic development in Latin America. New channels for exercising citizen rights have been opened, especially for large sectors of the rural population. There are more possibilities to participate and control social economic development programmes in local areas rather than at the departmental and national levels. Therefore, in the future, the task is to continue and strengthen international cooperation work at the local level.

3.3. European and Latin American NGOs

European and Latin American NGOs have played a role in the recovery and strengthening of democracy and in advocating the economic and social rights of lower income populations. Kees Biekart has highlighted the important contribution of European private cooperation agencies in supporting their Latin American counterparts regarding peacemaking and recovery of democracy in Latin America.¹¹ They played a key role in advocating for human rights during authoritarian regimes and were the ones that first and most decisively committed to promoting civil society participation in development programmes and democratic life in the country.

However, cooperation relationships between European and Latin American NGOs have undergone significant changes in recent decades that stem from economic, social and cultural globalisation; the rise of neo-liberal policy; the decline of nationalist development schemes; the loss of importance of states; as well as the reduction of foreign aid resources. It is not surprising that the agendas and links built between many European and Latin American NGOs committed to development and social change in the 1970s are visibly exhausted today. They now face new challenges and propose innovative intervention models.¹²

European NGOs channelling funds to southern countries and their counterparts, Latin American NGOs, today face the challenge of defining a new common agenda and of proposing other

José Luis Rhi Sauci. "El Desarrollo Local en América Latina. Logros y Desafíos para la Cooperación Europea". Caracas: RECAL & CESPI & Nueva Sociedad, 2004.

¹¹ "The Politics of Civil Society Building. European Private Aid Agencies and Democratic Transitions in Central America, Utrecht & Amsterdam". International Books & Transnational Institute, 1999.

¹² Between July 25 and 26 2004, a representative group of European and Latin American NGOs analysed this issue at a meeting called *Globalization and Development in Latin America: Present and Future of the*

interrelated interventions. The traditional ways of communication and association-partnership being the best - are severely challenged by reality and have been gradually replaced by other, more pragmatic, less substantial links. The de-politisation of relations gave way to pragmatism in projects and resources. There was a shift from relations guided by aspirations and expectations regarding the need for major changes in our societies towards the discourse of poverty. All critical perspectives were lost along the way.

Questioned by their respective societies, European NGOs became more professional and specialised, transferring part of the pressures they experienced to their southern partners. In turn, these countries defensively adapted to the new demands without questioning them and sought to adapt to a new context even at the expense of their relevance. Thus, both sides were responsible and had great difficulty recreating a shared vision. Distances and differences widened.¹³

In a global world, civil action and a global platform are increasingly important. They seek to influence international organisation policies in critical issues such as: a) citizen control and proposals concerning international organisations and multinational companies, generally regarding actions of the new power architecture resulting from globalisation; b) promotion of larger, more effective social controls on goods common to humankind, strongly anchored to environmental and sustainable development issues; and c) ethical defence of basic human interests (such as advocacy for human rights and the environment), seeking to establish international treaties that mandate state compliance.¹⁴

Specifically in what concerns international cooperation and development strategies, there has been active participation of European and Latin American NGOs through platforms such as "The Reality of Aid," "Social Vigilance," and their impact on United Nations conferences. The Latin American Promotion Organisations Association (ALOP) has played an active role in the dialogue between Latin American and European civil societies, as well as with EU cooperation entities.

Relationships between Cooperation Agencies and Latin American NGOs. Eduardo Ballón and Mariano Valderrama submitted a framework document to begin the debate.

¹³ On changes in Latin American NGOs and the relationship with North NGOs, see: Mariano Valderrama and Luis Pérez C (Editores). "Cambio y Fortalecimiento Institucional de las Organizaciones no Gubernamentales en América Latina". Buenos Aires: ALOP-FICONG, 1998.

¹⁴ Eduardo Ballón: "Globalización, Sociedad Civil y ONGs en los Espacios Públicos Internacionales" Lecture

There is a trend in the European Commission to increase subsidies to international NGO projects. At the same time, there is concern in several Latin American countries about the decrease in subsidies to NGOs implementing programmes in Latin America.

4. Final Recommendations

4.1. Improving EU and LAC Cooperation Policies

- a. In the short term, it is necessary to commit to and influence the design of the 2007-2011 EU regional strategy for Latin America as well as the multi-annual cooperation plans with regions and countries in Latin America. In this perspective, a priority is to discuss effectiveness of cooperation -mechanisms, procedures and contents- with the active participation of European and Latin American civil societies in this effort.
- b. Guidelines must be defined for effective participation of Latin American national counterparts in defining country strategies. More coordination between European cooperation agencies should be sought in defining the European Commission country strategy.
- c. The current funding system -per project and donor country- must be changed to favour the implementation of joint programmes among several EU countries in specific topics and geographic areas established by concerted public policies and agreed upon by Latin American governments and civil societies from a perspective of equality and social cohesion.
- d. To complement the above, an effective coordination of the foreign aid of the European Commission and member states must be implemented by country and sector. The European Commission cooperation must be designed to strengthen complementary relations between member-country cooperating entities in order to avoid making it "just one more cooperation source," as it is today.

4.2. Improving the Efficacy of European Aid to Latin America: Proposals

- a. It is necessary to propose a systematic participation of Latin American countries in defining policies and cooperation programmes to be implemented in the region. Local governments and civil society organisations should also participate in this process. This will enable these policies and programmes to better address our countries' development needs. We have to define clear guidelines to guarantee real participation by southern counterparts in defining country strategies.
- b. The methodology for technical missions must be reformulated, with an emphasis on

developing institutional communication mechanisms with national counterparts and mechanisms to discuss the reports and proposals resulting from these missions.

- c. To achieve more transparency, precise guidelines must be developed to require cooperating agencies to provide specific information on the implementation of projects and budget execution. Likewise, an independent evaluation of the actions of European development cooperation in Latin America (with the participation of recognised European and Latin American experts) is necessary.

4.3. Improving Private and Decentralised Cooperation between the European Union and Latin America: Proposals

- a. European cooperation for decentralisation and local development and the promotion of citizen participation must continue and be strengthened. Budgets for decentralised cooperation and subsidies for NGOs must be increased.
- b. The participation of civil society and the mechanisms of social vigilance must be strengthened in European cooperation programmes.
- c. A dialogue between European and Latin American NGOs must be established to redefine their roles and reformulate the common agenda, adapting to changes in the Latin American context.

Funding and International Trade Issues in the Debates on the International Architecture for Development

Humberto Campodónico¹
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This work discusses several proposals on the new international architecture for development, emphasising two specific fields: financial architecture and international trade. These issues are fundamentally important for reversing an international system characterised by disparities between developing and developed countries. The proposal is for Latin American and European countries to carry out joint actions aimed at balancing representation in organisations such as Bretton Woods, the WTO and in leading initiatives in the field.

Latin America has traditionally defined some basic principles concerning the development of international architecture: the need to provide global public goods, correct the asymmetries characterising the international system and promote an agenda based on human rights (ECLAC, 2003). These proposals are similar to those arising in the United Nations and many non-governmental organisations, as well as in many European countries.

Global public goods include democracy, peace, international justice, the fight against crime and international corruption, environmental sustainability, sanitary cooperation, cultural diversity, defence of common spaces, global micro economic and financial stability and, more generally, the development of an international institutional system facilitating economic interdependence and autonomy for countries to define their policies. The United Nations has recently defined macroeconomic stability as a global public good.

With respect to the need to correct asymmetries, it is clear that the international system is hierarchical and marred by disparities. These disparities are especially visible in trade, the

¹ given at the international seminar: "El Papel de la Sociedad Civil y las Nuevas Pautas Políticas", organized by ABONG, in Brazil, September 2003.

international financial system -aspects we will focus on here- and in the field of international migrations. A key element of Latin American proposals is increasing the margin of developing countries to adopt anti-cyclic and autonomous macroeconomic policies as a function of their development needs.

Regarding the need to promote a human-rights agenda, all people are citizens and have rights as such: civil and political, economic, social and cultural. These rights are the result of several international conventions and pacts on human rights, including those on economic, social and cultural rights. European and Latin American countries agree on these rights, as witnessed by the debates on economic, social and cultural rights.

Promoting democracy is very important for achieving autonomy, as is promoting the framework within which citizens help to define economic and social development strategies in each country through their representation and participation. Given the social and cultural diversity characterising our country, it is crucial to have institutional mechanisms to facilitate the participation of the largest possible number of actors. This permits complementing rights such as the right to vote with minority rights.

Regional or sub-regional integration proposals are being promoted. They are seen both as a mechanism to broaden development possibilities and as a way to improve the negotiating positions of the region's countries in the international context. There is also confluence with the European approach here, but with more limitations among the region's countries.

In this framework, assessing the international institutional framework enables us to identify its limitations and inability to ensure these basic principles. The international architecture for development in the post-war context was based on two systems: UN organisations (General Assembly, ECOSOC, UNCTAD, FAO, ILO, UNESCO, etc.) and those associated to Bretton Woods (the IMF, World Bank, GATT and the WTO).

These organisations initially debated concepts and theories on development. United Nations agencies were influenced by Raúl Prebisch, the economist that led ECLAC during its most creative phase, who called attention to the disparities in the global system and especially in international trade between developed and undeveloped countries. Rules had to be developed to correct and balance that system. These were the ideas behind agreements to fix prices for the main commodities; specific product agreements; preferential access of products from developing countries to markets in developed countries; protected industrialisation in southern countries; and the more recent debate on the new global economic order. Based upon these fundamental ideas, international events such as the UN Conference for Trade and Development and United Nations Industrial Development Organization (UNIDO) were

organised; international agreements for products such as coffee, cocoa and later oil were signed; and ECLAC promoted industrialisation in the region through import substitution.

Undoubtedly, these efforts to balance the international system were not accepted by all countries. In fact, organisations such as the IMF and the World Bank, strongly influenced by the United States, proposed alternative systems: formal equality among states, equal trade rules for all, under the preferred nation status, as well as a proposal that trade would remove distortions, following the idea of competitive advantages in different nations. The great international debates on the new global economic order of the 1970s and 1980s were evidence of the struggle surrounding the international architecture scheme. Moreover, the crisis of the 1980s and the structural adjustment programme, under the Washington consensus ideology, became the vehicle through which the UN system's development ideas were neutralised and the economies of developing countries, especially those of Latin America, started to remove government intervention in market operation. This was at least true for the southern countries.

From the perspective of Bretton Woods, the central paradigm of the international institutional architecture underscores the prevalence of growth based on market deregulation and facilitates capital accrual with no concern for the distribution of the benefits of this growth. However, the asymmetries existing at the international level lead to a multiplying effect stemming from the application of deregulation, as developing countries were driven to remove or reduce internal control in their economies, something that does not occur in northern countries. In its most extreme form, this perspective has insisted on privatising basic social services such as education and health. As Adaba, Caliori, Foster and Hanfstaengl have recently pointed out, the international governance structures of international economic organisations such as the WTO, the Bretton Woods organisations, reflect this paradigm and the control by developed economies. These perspectives have often clashed with the European and Latin American perspectives that defend regulation mechanisms to limit international market volatility and the universality of rights and public participation, where governments play a central role.

In fact, in the 1990s, and as Charles Abugre pointed out, the alliance between southern and European countries permitted, within the framework of important world summits, the thorough discussion of neo-liberal ideas on development and the laying of the foundations for new multilateralism. This was based on some key principles: criticism of PAE and foreign debt; acknowledgement of the harmful role of foreign debt; acknowledgement of asymmetries in the financial field and debates of the Tobin type on short-term financial transactions or of the need for more commitment from industrialised countries for development aid; relationships between development and environment; different opportunities and possibilities for social

groups according to aspects such as ethnicity and gender; and, perhaps one of the most important achievements of civil society global networks, civil society transparency and participation in debates and in the international architecture for development.

Nevertheless, these debates did not lead to significant changes in international architecture. President Bush's rise to power and the global impact of September 11 put an end to these significant advances and many of the international agreements attained have been placed on hold. However, a debate on a new global economic order and a new institutional system reflecting it has become increasingly imperative as a result of growing economic problems worldwide. Problems include the disproportionate growth of the money market in bonds, stocks and other kinds of financial papers with no relationship to the real growth of goods and services and the increasing vulnerability of domestic economies to the fluctuations in the global economy, which is particularly evident in developing countries. The financial crises of Mexico and Brazil in the 1990s and the more recent one in Argentina, as well as the current oil market crisis, are evidence of international economy volatility and of the vulnerability of developing countries' economies.³

The strong price fluctuations that accompanied the liberalisation of international trade directly affects the revenues of producers, especially of agricultural products such as coffee and cocoa. As recently pointed out in a European Parliament study on the consequences of privatisation and deregulation, small producers of commodities such as coffee and cocoa see the prices of their products oscillate. Although in some cases prices have increased, as in the case of cotton and cocoa, in others they have not, as in the case of coffee. Additionally, the major fluctuations often force smaller producers out of the markets.

The social consequences of the increasing economic vulnerability of developing countries are dramatic in terms of social expenditure on education, health and social security. All of this causes a significant increase of poverty or an inability to sustainably reduce it. As recently pointed out by an ECLAC study on the social overview of Latin America, most of the countries made insufficient progress concerning poverty reduction and in most countries poverty increased between 2000 and 2002. The same study shows that the rate of social expenditure has decreased since 1998 and at least four countries reduced their social expenditures: Argentina, Colombia, Nicaragua and Paraguay.

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In this framework, changes in the international institutional architecture are indispensable in order to modify this core paradigm. This is necessary both for the Bretton Woods organisations as it is for the WTO. We should carefully analyse some recommendations for change.

1. Bretton Woods Organisations

1.1. Concerning Decision-Making Mechanisms

A critical element of change of the international architecture is providing more participation to developing countries in multilateral economic organisations such as the World Bank and the IMF. In fact, developing countries have just 38% of voting rights in the IMF and 39% in the World Bank, while developed countries have 62% and 61%, respectively. The international community acknowledges this need. In the recent Monterrey Summit, it was specifically stated that there was a need to broaden and strengthen the participation of developing countries in the decision-making of these organisations. The scheme shows how imbalanced the composition of these boards are. For example, eight countries have one assigned representative while 40 African countries are represented by just two board members (Adaba, Caliori, Foster and Hanfstaengl, 2002). Just three board members represent Latin America but northern representatives sometimes represent the countries of the region.⁴ In addition, the chair and directors general are appointed by northern countries -European in the IMF, American in the World Bank- in a little known and hardly transparent process, in spite of the huge global composition of membership.

Furthermore, there is serious lack of transparency. Decision-making and voting procedures in these organisations are largely unknown. Debates in said collective bodies are not publicised and are often hidden under the shawl of unanimity. This means that board members are largely not accountable for their actions.

The current voting system in these organisations is characterised by a mixture of basic votes and quotas. Votes are equitably distributed among countries and quotas relate to subscribed capital. Since the capital of these organisations has increased, the weight of

² Main RIMISP researcher and member of the Montreal International Forum Steering Committee.

basic votes has proportionally reduced and, therefore, the weight of developing countries has decreased. Additionally, quotas determine possibilities for receiving IMF funding, for which reason the system has become increasingly unequal. Additionally, the fact that developing countries are exclusively those that receive loans makes it possible to impose several conditions on them that are not imposed on developed countries. For example, the most powerful country in the world accrues trade deficits yet these organisations do not impose any restrictions or conditions on this country.

In this regard, it is essential to modify the voting structure and the representation and transparency of these organisations. It is essential to redistribute capital, at least in the sense that countries receiving loans should have the same power as developed countries, which are the ones lending the money. It is also necessary for the board to better reflect different groups of countries, limiting representation to no more than 10 countries and excluding self-representation. Finally, it is necessary to publish all the minutes and records of these organisations' sessions to enable them to be easily consulted. This obviously requires countries such as the European nations to be ready to waive part of their prerogatives so that they can be redistributed to other countries.

1.2. Over-Indebtedness and the Need for Changes in the IMF and World Bank Roles⁵

The Asian (1997), Russian (1998) and Brazilian (1999) crises seem to have created consensus in both industrialised and developing countries about the fact that financial instability causes were global and systemic. This is why domestic efforts are insufficient to face the problem and hence a new international financial architecture must be developed.

The initial consensus was on the following thesis: the increase of global capital mobility accompanies the increase of the frequency with which financial crises occur in developing countries, which brings high social costs. These financial crises reflect the interrelated problems of volatility and contagion. Volatility reflects the ever-greater role of short-term financial flows. They are characterised by the massive inflow and outflow of capital as a response to changes in financial market perceptions concerning the economic outlook of developing countries. Lack of information in this market usually magnifies justified responses to real specific change in the economic outlook of certain countries.

³ IMF's pressures for liberalizing the capital accounts of developing countries just increase that vulnerability.

⁴ Latin America has hardly 8% of the voting rights in the IMF and 8.4% in the World Bank.

This problem is worsened by the contagion effect provoked by the flock effect of financial market operators, which led to massive outflow of capitals from the countries, with the extension of this analysis to other countries whose economic foundations differ from those originating the problem. Since the end of 1997, the international debate on the new international financial architecture has mainly focused on preventing crises, such as more dissemination of information, attempts to develop quick alert systems for countries with foreign debt problems, as well as the formulation of international standards and codes to oversee the financial sector. Although these initiatives are useful, their repercussions are gradual and insufficient.

This is why in 2000 there was already awareness that progress made towards compliance of these goals was short-sighted. This was due to two reasons: one the one hand, the quick recovery of Asian, Brazilian and Mexican economies led to a dearth of international financial system reform proposals and slowed implementation of reform processes. On the other hand, industrialised countries were reluctant to permit increased participation of developing countries in the formulation of these new codes and standards, which only focused on the concerns of industrialised countries.

One of the basic issues left aside was the need for countries in trouble to have liquidity sources in case of a foreign debt crisis. To this end, it is necessary to design multilateral schemes to manage foreign over-indebtedness problems within the context of strengthening cooperation for development and establishing a new consensus around the conditions demanded by multilateral organisations, particularly the IMF.⁶

In this regard, the IMF's proposal to implement a foreign debt restructuring mechanism met with strong opposition from the private financial sector. The proposal stated that the country in crisis, together with a qualified majority of creditors, would establish a debt restructuring agreement through a formal process with international rules, which meant amending the IMF bylaws. In addition, this restructuring agreement would be valid only for the creditors and would cover the complete range of credit instruments. For the financial sector, this proposal reduced its negotiation capacity and facilitated non-compliance by debtor countries. In this framework, the Argentinean crisis of December 2001 (which resulted in suspended

⁵ Section prepared for this work by Humberto Campodónico under the name: " La Nueva Arquitectura Financiera en un Nuevo Contexto" (The New Financial Architecture in a New Context).

⁶ ECLAC suggested recently that change proposals in the international financial system "could complement

foreign debt payments) revealed the failure of the debate on the international financial architecture and, particularly on the need for a mechanism that could restructure foreign debt of countries in trouble.

For this reason, the proposal is now as follows:

- a. The existence of international macroeconomic and financial stability is essential. Policy coordination mechanisms should exist. International macroeconomic and financial stability are global public goods that generate positive externalities and benefits to all the participants in the international market, avoiding negative externalities related to the contagion phenomenon both in recovery periods and in periods marked by financial panic and general recessive trends.
In this regard, one of the main points is, for example, the negative impact US policies may have on that country's fiscal and foreign deficits. They are at their highest level of the past 25 years. The funding modalities of these twin deficits have enormous repercussions on the rest of the world. Some of these were already apparent in 2003 with the strong dollar devaluations as compared to the yen and euro in a context of strong foreign exchange volatility.
- b. A second key field refers to the recommendations of the International Conference for UN Development Funding of March 2002. There the international community committed to strengthening global financial cooperation to the most underdeveloped countries.⁷
- c. Foreign debt has again become an important problem for many countries in the region, especially Argentina and Brazil, but also smaller ones such as Ecuador and Peru. Without a solution to this problem, debate on a new international financial architecture makes no sense. This is why efforts must be intensified to create effective and equitable mechanisms to address the problem. Among other things, a mechanism of this kind should establish fair distribution of responsibilities and burdens between debtors and

with an element that does not make part of the international order yet: a mechanism permitting to solve over-indebtedness problems.”

⁷ In this regard, what occurred with two mechanisms at a later stage must be underscored: official development aid (ODA) and the initiative for the reduction of debt to Highly Indebted Poor Countries (HIPC). As for ODA, after Monterey, donor countries increased their contributions by about 5% in real

creditors. To date, little has been done to correct the current system's unfairness, because creditors' interests prevail over those of indebted countries and, among them, the poor countries.

- d. Another field of action is strengthening Multilateral Development Banking (MDB) and cooperation for development. Clearly, MDB is very important for guaranteeing funding to countries without access to private markets, especially the poorest nations, as well as to providing long-term funding to middle-income countries during difficult periods in those markets.

Multilateral banks have other critical functions, including the stimulation of innovation, especially social development and the participation of the private sector in infrastructure work; increased support to financing systems in developing countries; support to measures for the national promotion of development banks; and support to the provision of general technical assistance.

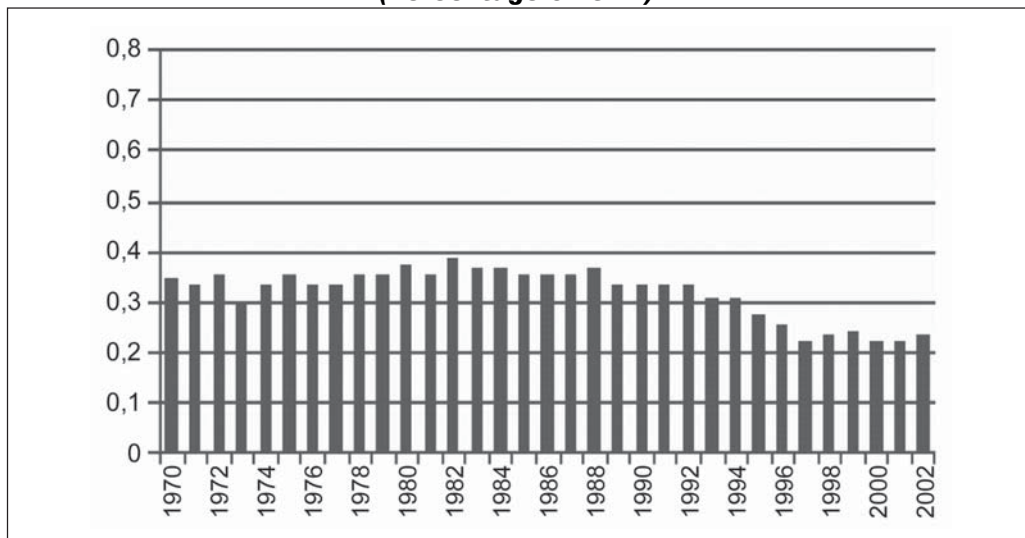
- e. The extreme mobility of capital requires international cooperation concerning taxation. In this field, there are practically no institutional mechanisms of an international nature. For this reason, an agreement should be adopted and a body should be established to oversee international tax cooperation. The countries of Latin America and Europe could establish legislation to limit the prerogatives of some tax havens such the Cayman Islands and the Island of White.
- f. An issue related to the above is the offering of sufficient political flexibility to countries in crises to enable them to coordinate adjustment measures with a greater emphasis on social issues. This requires prioritising the goal of minimising social costs of adjustment measures. This will often involve accepting a longer adjustment period and less abrupt corrections in macroeconomic policies.

2. The World Trade Organisation

2.1. Reform of the Institutional Architecture for Trade

The WTO has recently demonstrated its incapacity for achieving significant consensus among different group of countries, especially for those that heavily subsidise agriculture and those that export large amounts of products and net food and agricultural products importers. After a lukewarm agreement in Doha, the recent meeting in Cancun ended with no agreement and little hope for consensus in the near future. This also influenced regional agreements,

Figure 1
Net official aid to development of DAC countries
to developing countries and multilateral organisations, 1970-2002
DAC total
(Percentage of GDP)⁸



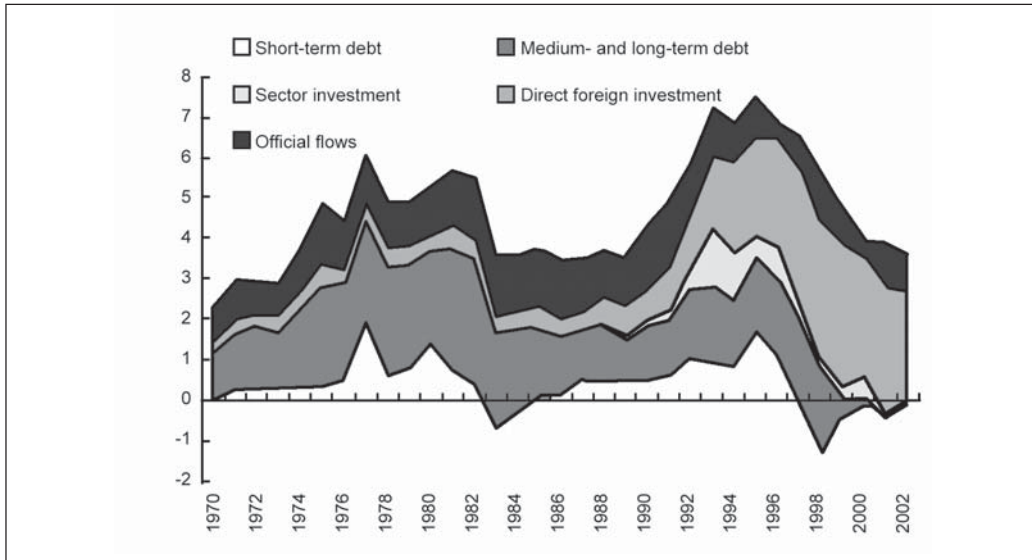
Source: OECD CAD Journal (various issues).

which show little progress, such as in the case of the FTAA. Multilateral trade talks seem to have given way to negotiation by regional agreements in the best of the cases or to bilateral agreements in the worst. This is the case of the current talks for a free trade agreement between the United States and Central American countries, and with some Andean nations and between the European Union and MERCOSUR. Failing to build consensus underscores the urgent need to modify the decision-making and operational structure of the WTO (Adaba, Caliri, Foster and Hanfstaengl, 2002).

terms to reach an annual amount close to US\$57,000 million in 2003. However, said increase is still far from the annual US\$100,000 million that would be necessary to comply with the UN's Millennium Goals.

⁸ DAC members are Germany, Australia, Austria, Belgium, Canada, Denmark, Spain, Finland, France,

Figure 2
Net flows to developing countries
(Percentage of GDPs)



Source: ECLAC, Chapter 1, page 39.

The WTO has an institutional architecture based on the principles of one country-one vote and of decision making by consensus. This makes it generally more favourable than the international financial institutions. However, some factors limit its openness in practice. Small groups of countries establish the agenda, in some cases based on mini-ministerial meetings. Additionally, the debates always take place privately in "green rooms," and the commitments and negotiations are not transparent. Many of the less developed countries cannot keep permanent representations in Geneva and when they can, they have just one or two officials as compared with the armies of representatives from more developed countries.

Several reforms have been suggested, including putting a stop to the secret and not-so-transparent meetings, publicising the minutes and reports of the different meetings and strengthening the capacities of small countries to participate in the negotiations and balance the negotiations field (Adaba, Caliri, Foster and Hanfstaengl, 2002).

2.2. The Need to Address the Issue of Subsidies in the WTO as a Condition for Progress in Trade

Subsidies are still a problem, particularly in agriculture. The regulations on subsidies with distorting effects on trade, which form part of the WTO agreement on agriculture, have also been limited to the sector which, , is still one of the main aid recipients in several WTO member countries. Although some reduction in these funds is have occurred, they are still considerable. According to OECD estimates, the total aid to agriculture by country members of this organisation decreased in 2000 from US\$ 356 billion to US\$ 327 billion. This decrease was due to world prices increases (and, therefore, to the reduction of the difference between domestic and world prices) and to exchange rate variations, "rather than to important changes in agricultural policy."

Aid grants to producers in the OECD area also decreased from US\$ 273 billion in 1999 to US\$ 242 billion in 2000, that is, from 35% to 32% of all agricultural revenues. The European Union provides the most aid to producers (36%), followed by Japan (24%) and the United States (20%). The OECD figures do not separate measures of aid to producers producing less distortion effects in trade than those producing more distortion effects, especially measures related to the 18 categories included in the «green compartment» of Annex 2 of the Agreement on Agriculture.

Generally, the OECD concludes that the overall reduction of market protections in the OECD area is due partly to the process of complying with WTO commitments; nevertheless, current protection levels are still an important factor to encourage production, distort trade and reduce world prices on agricultural products. In addition, this protection is still regressive because it benefits mainly large companies and has a greater impact on low-income consumers, since food represents a larger share of total household expenses for this group.

According to the WTO Agreement on Agriculture, members have agreed to: a) limit and reduce the volume and value of subsidies on exports; and b) ban the use of new subsidies to exports. These commitments are limitations mainly for developed countries, particularly EU members, which represent approximately 90% of the subsidies to exports granted by OECD countries. According to this organisation, the total value of agricultural export subsidies dropped in 2000, mainly due to the decrease in subsidies granted by the EU (a result, in turn, of the smaller difference between international and domestic prices). Nevertheless, the level of export subsidies after the Uruguay Round that are still permitted at the end of the application period reached almost US\$ 13 billion, which permits a considerable use of these subsidies if the WTO so desires.

This points to the need to make real progress in the current negotiations referring to Article 20 of the Agreement on Agriculture to continue with the reform process. Although their use is not limited to the two largest WTO member economies -the United States and the European Union- their consequences for competitive conditions and world markets tend to be considerable. Statistics produced by the European Commission that oversees state aid in the European Union show a clear declining trend since 1996. This trend reveals a limited commitment to reducing the subsidies and trade barriers.

We do not have a similar general evaluation of the trends concerning aid supplied by the United States at the federal, state and local levels, but the WTO has stated that there is no reason to believe in a trend to increase these levels. However, with the approval of the new US Farm Act, subsidies foreseen for 2003-2009 will be 80% higher than those for the 1996-2002 period.

Subsidies tend to be exclusively provided to specific sectors, certain kinds of companies (for example, small and medium-sized companies), and underprivileged regions. They may also be used for certain objectives (for example, technological development and environmental protection). Nevertheless, there is sufficient evidence to suggest that this aid favours large multinational companies associated with the agricultural sector. Subsidy practices on both sides of the Atlantic have been a continuing source of debate in the WTO.

The amount of aid provided to producers compared with the border price of products benefiting from governmental aid equals 45% of the price, according to the Consumer Nominal Protection Coefficient calculated by OECD. This means that an average of 45% of the producers' price is supported by governmental aid. The highest support levels are in the EU, with 54% of the price, Japan, with 146%, the United States, with 27%, and Switzerland, with 221%, among others.

As mentioned, OECD calculations on support to agriculture comprise all measures without differentiating those that distort from those that do not. However, in the WTO agreement on agriculture, these measures were classified in an effort to establish these differences. Four categories were established, according to the type of measures and origin of resources:

- a. Orange box, measures distorting production and trade are included. The countries applying these measures assumed consolidation and reduction commitments both in value and in volume.
- b. Blue box, measures distorting production. The countries did not assume reduction commitments.

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- c. Green box, which are measures not considered distorting or minimally distorting. No reduction commitments were made.
 - d. Export subsidies were also subject to consolidation and reduction commitment.

The conceptual differences between measures in the green box as compared with the orange and blue boxes are not limited to their effect on production and trade; they also refer to the fact that resources come from government budgets and do not imply direct transfers to consumers.

According to WTO reports, the EU allocates the most resources to support agriculture. For 1998, these amounts were estimated at US\$ 100,668 million, followed by the United States at US\$ 65,113 million dollars and Japan at US \$ 30,114 million.

The measures considered as green box are approximately 49% of the total aids granted by developed countries and the remaining 51% constitute distorting measures included in export subsidies. This information does not include subsidies from credits, insurance and export guarantees that were not discussed at the Uruguay Round that created the agreements on agriculture. Of the group of measures, just 3% of the total corresponds to export subsidies, for which reason the huge effects of distortions to production and trade of agricultural goods come from domestic aid measures that tend to pre-empt the domestic price of producers vis-à-vis the international market.

Although the United States used the green box measures more often, there is no clear idea whether these measures are distorting or not, since some of them constitute financial aid that influence producer profits and indirectly, their production investment and price levels, as described in Annex 2 of the Agreement on Agriculture.

- a. Within this framework, it is essential to have real commitment from northern countries, particularly from the EU, to substantially reduce distorting subsidies and to eliminate export subsidies. Although the recent Geneva agreements had some positive results in this area, the absence of detail concerning terms, elimination deadlines and other issues makes it difficult to assess the real meaning of such an agreement. Also, in later meetings, developed countries (the United States and the European Union) reopened discussion on some issues considered closed, such as those related to a mixed formula, including low reductions in some agricultural products that are sensitive for northern countries and the use of the Swiss formula, (differentiated reductions in tariffs and removal of products for others), which in fact make developing countries' agriculture even more vulnerable (M. Khor, 2004).

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- b. The European Union Dutch chair must promote proposals to allow Latin American agricultural products free access to their market and eliminate export subsidies and distorting aid.
 - c. As long as there is no agreement on the agricultural issue, no additional tax reduction measures should be applied to developing country trade, either within the framework of global agreements, or in bilateral ones. This could produce a system characterised by asymmetry in these negotiations, in which southern countries have much to lose.
 - d. It is also necessary for countries to eliminate antidumping practices which in many cases, due to the lack of an independent international system, imply retaliations against companies in the region.⁹ This must also require adjustments to the mechanisms to settle disputes at the WTO in an effort to make them more symmetrical.¹⁰
 - e. Likewise, international measures should be taken to reduce the power of agricultural conglomerates in the market. One simple proposal is for the WTO to apply the same transparency measures to private and government trade companies. These changes would contribute to reducing the power of government agencies in the market. However, this may encourage their integration into the market controlled by large agricultural traders.

3. Some Conclusions

- a. It is within this framework that strategic partnership agreements between Europe and Latin America (and certainly the rest of the world) could provide guidelines for agreements that are fully compatible with the promotion of multilateralism. This would mean stressing the following points:
 - An acknowledgement of the importance of multilateral treaties and organisations as the most appropriate environment for debates and agreements on different

Greece, Ireland, Italy, Japan, Luxemburg, the Netherlands, New Zealand, Norway, Portugal, Sweden, Switzerland, the United Kingdom, and the United States.

⁹ This is the case of the entry of bananas to the European markets, which is very restricted to protect small plantations in limited areas of the European Union.

¹⁰ In the case of Ecuador's dispute concerning pre-licensing for bananas, the panel granted Ecuador retaliation possibilities which were very impractical in reality and which prevented Ecuador from receiving compensation for damages.

aspects of development -economic, environmental, security, social, etc. The United Nations must be given priority as a forum to which all other organisations of the international system must subordinate. More specifically, there is a need to make ECOSOC a multilateral mechanism to oversee international economic organisations.

- Agreements to reform the Bretton Woods institutions based on the principle of one member-one vote and the need for them to respond to the UN system. The European directors must show more commitment with international financial institution reform.
- Acknowledgement of asymmetries in development processes and the establishment of measures to balance them, especially in the fields of international trade and finance.
- The European Union should participate more actively in the coordination of the macroeconomic policies of industrialised countries. This should not only be the responsibility of the G-8 participation should be extended to developing countries.
- In this perspective, European countries must show more commitment to resolving the serious foreign debt problem affecting not only the poorest countries, but also the intermediately developed countries. In fact, European countries represent one of the most important creditor groups.
- This partnership needs to include more transparency in international economic organisations, through the dissemination of the minutes of their board meetings, voting and analyses on the countries, such as in the case of World Bank CAS. There is also a need to strengthen measures for the participation of civil society organisations.

b. Within the international financial organisations, it is necessary to:

- Change the international institutional architecture. There is a proposal to reform the Bretton Woods organisations, giving developing countries more opportunities to participate in multilateral economic organisations such as the World Bank and the IMF. It is essential to modify the composition of those organisations' boards, their voting structure, representation and transparency. It is also necessary to publicise all of their minutes and records.

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- Intensify efforts to create effective and equitable mechanisms for resolving the foreign debt issue, which is still a critical problem for the poorest countries, as well as one for countries of intermediate development.
 - Multilateral development banks should also encourage innovative activities for social development, support financial system expansion in developing countries, as well as provide technical assistance.
 - Promote cooperation of Latin American and European countries on tax issues, studying the possibility of establishing an international body for tax cooperation and, in the short term, drawing up complementary legislation to limit the prerogatives of some tax havens, such as the Cayman Islands and the Island of White.

It is necessary for the EU to play a greater role in the macroeconomic policies of industrialised countries. Moreover, it is necessary to put pressure on the G-8 to ensure the increased participation of developing countries.

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