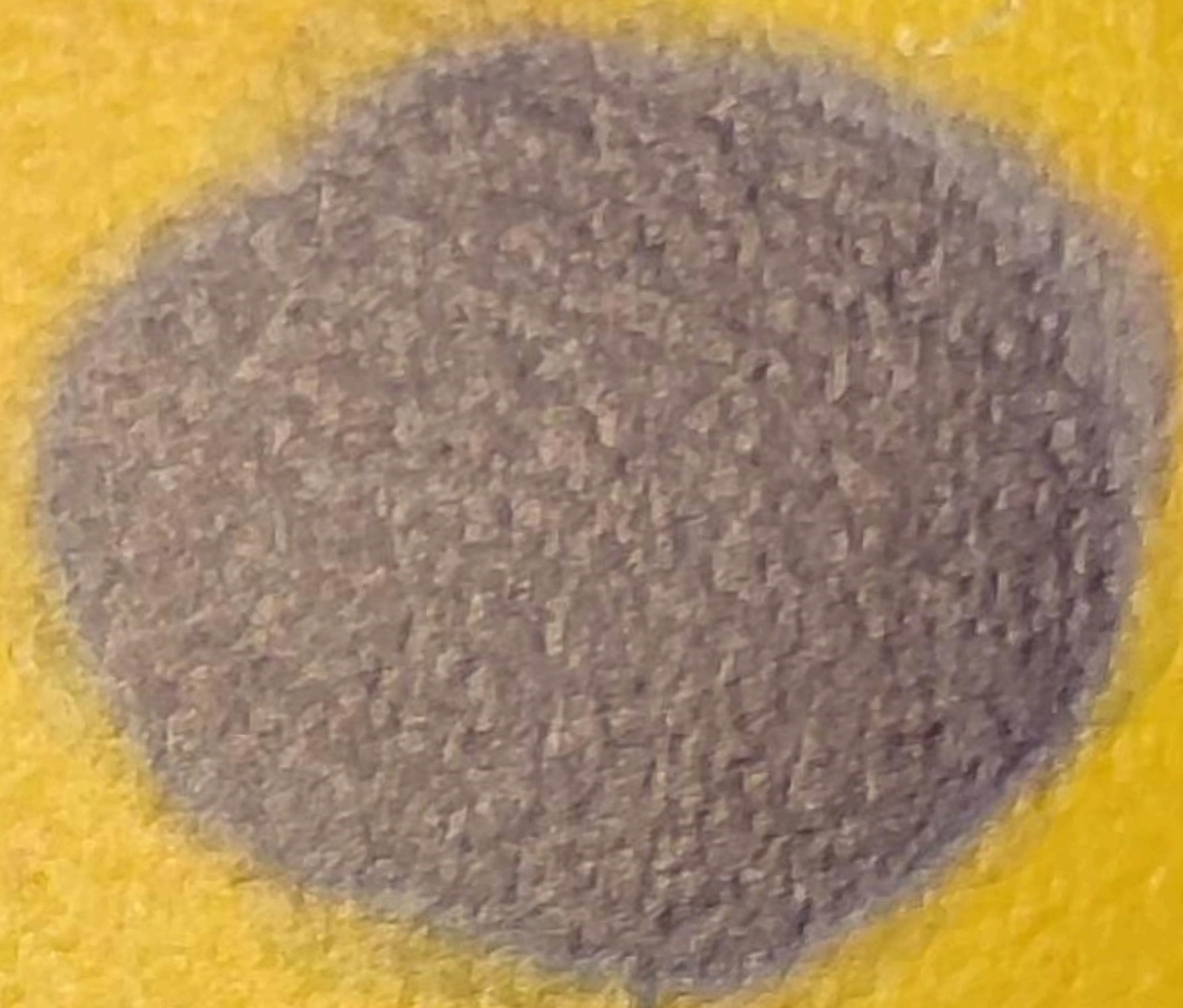


Euro-Latin
American
Forum

Setting Global Rules

A Report



098
Set 1977

3 b 000696

A Partnership for the Twenty-First Century

Setting Global Rules

Fifth Euro-Latin American Forum

A Report



IEEI

Lisbon, October 1998



This report was prepared with financial assistance from the European Commission. The views expressed herein do not represent any official view of the European Commission.

© Instituto de Estudos Estratégicos e Internacionais. All rights reserved.

Cover by Paulo Seabra. Printed in Portugal. ISBN 972-8109-22-9

published by

IEEI – Instituto de Estudos Estratégicos e Internacionais

Largo de São Sebastião, 8 ● Paço do Lumiar ● 1600 Lisboa

Phone (3511) 757 27 01 ● Fax (3511) 759 39 83 ● E-mail ieei@mail.telepac.pt

Contents

- 4 Acknowledgements
- 5 Preamble
- 9 Regionalisation and Globalisation
 - The Process of Globalisation
 - Open Regionalism and Deep Integration
 - Multilateralism and Multiregionalism
- 21 Whither Regionalism in the Americas?
 - The Mercosul: Credibility and Legitimacy
 - The Challenge of Hemispheric Free Trade
 - Collective Discipline, Democracy and Enlargement
- 17 Deepening and Widening the European Union
 - Economic and Monetary Union
 - Political and Institutional Challenges of Widening
 - The European Union in the World Scene: a New Kind of Actor?
- 20 The European Union and the Mercosul: a New Relationship?
 - The Impact of European Union-Mercosul Relations on EU-US Links
- 23 New Game Rules for a New Multilateral Order
 - Combining Free Trade with Social Justice
 - Building a Strategic Partnership
- 36 Fifth Euro-Latin American Forum programme

Acknowledgements

This report was co-authored by Álvaro de Vasconcelos and Alexandra Barahona de Brito, with contributions from Maria João Seabra and Maria do Rosário de Moraes Vaz. The writing of the report would not have been possible without the research papers written by the various authors of the Fifth Euro-Latin American Forum, listed below.

Luis Abugattas Majluf, *Director, Instituto de Estudios Económicos y Sociales, Lima*

Ruy Altenfelder Silva, *Director-general, FIESP/IRS, São Paulo*

Alexandra Barahona de Brito, *Research Associate, IEEI, Lisbon*

Udo Diedrichs & Wolfgang Wessels, *Professors, University of Cologne*

Vilmar Faria, *Special advisor to the Presidency; Secretary of the Câmara de Política Social, Brasília*

Gelson Fonseca & Celso Lafer, *Chief Advisor to the President, Brasília; & Ambassador of Brazil to Multilateral Organisations, Geneva*

Mónica Hirst, *Director, Fundação Centro de Estudos Brasileiros, Buenos Aires*

Guilherme d'Oliveira Martins & Álvaro de Vasconcelos, *Member of the Board, IEEI, Lisbon; Director, IEEI, Lisbon*

Pier Carlo Padoan, *Research Fellow, Istituto Affari Internazionali, Rome*

Felix Peña, *Undersecretary for Foreign Trade, Ministry of the Economy, Buenos Aires*

Romeo Pérez Antón, *Director, Centro Latinoamericano de Economía Humana, Montevideo*

Riordan Roett, *Director, Latin American Studies Program, Johns Hopkins University, Washington DC*

Mario Telò, *Professor, Free University, Brussels*

Vera Thorstensen, *Economic Counsellor, Mission of Brazil to the Multilateral Organisations, Geneva*

Alfredo G.A. Valladão, *Research Associate, IEEI, Lisbon; Professor, Institut d'Etudes Politiques, Paris*

José Luís da Cruz Vilaça, *Member of the Board, IEEI, Lisbon*

Paulo Wrobel, *Researcher, Royal Institute of International Affairs, London*

Foreword

The Euro-Latin American Forum is jointly organised by the Institute for Strategic and International Studies, IEEI, and the Instituto Roberto Simonsen of the Federation of Industries of the State of São Paulo, FIESP/IRS. Since its inception, in 1990, it has been able to count on the support of the European Commission.

The Fifth Euro-Latin-American Forum convened in Lisbon in May 1998, to discuss the core relationship between the European Union and the Mercosul, in the wider context of Euro-Latin American relations and taking into account the pull towards regionalisation and hemispheric free trade, and the universal phenomenon of globalisation. If both Europe and Latin America want to be globalisers, i.e. have the ability to influence and shape the world order in accordance with their shared interests and values, then they should create *a partnership for the twenty-first century* and act jointly to *set the global rules* which will govern that system. This was perhaps the main conclusion of the conference.

The organisers wish to thank all those who contributed their time and their invaluable comments to the discussions of the Fifth Forum. Most especially the Brazilian and Portuguese heads of state, H.E. Fernando Henrique Cardoso and H.E. Jorge Sampaio, the prime-minister of Portugal, António Guterres, H.E. Mário Soares, former President of Portugal, and his respondent at the conference, Hélio Jaguaribe, the Brazilian and the Portuguese foreign ministers, Luiz Felipe Lampreia and Jaime Gama. Those who contributed to highlight the broader Latin American scope of the conference, particularly Herminio Blanco, the Mexican Minister for Commerce and Industrial Development, and Álvaro Garcia, the Minister for the Economy of Chile, the former President of Bolivia, H.E. Jaime Paz Zamora, as well as the Foreign Minister of Mexico, Rosário Green, who joined participants for the closing session, and the secretary-general of the Andean Community, Sebastián Alegrett. The hemispheric dimension was given by the president of IDB, Enrique Iglesias. Last but not least, the organisers' gratitude goes to the European Commission and its director for Latin America, Francisco da Câmara, for the continued support to this initiative, and especially to commissioner Manuel Marín.

This report, discussed at length during the conference, largely draws from the Fifth Forum research papers, written by a distinguished group of Latin Americans and Europeans, to whose sustained effort the Euro-Latin-American Forum owes the most. The organisers also wish to express their gratitude to the Royal Institute of International Affairs, and its acting director, George Joffé, who was actively

involved in the preparation of the Fifth Forum, namely in the organisation of the preparatory conference held in London in March 1998, and to all other «sister organisations» in Europe and Latin America who were involved in the preparatory meeting held in São Paulo in October 1997.

The programme of the Fifth Euro-Latin-American Forum Conference, *The Challenge of Globalisation: Europe and Latin America and the Integration Processes in the Americas* is appended to this report. The conference was attended by many decision-makers, entrepreneurs, journalists, academics, diplomats, and particularly European and Latin American ambassadors, who in many ways have been involved in the Euro-Latin American Forum and actively promoting its objectives.

The Fifth Euro-Latin American Forum has been made possible by the generous support of its two main sponsors, the European Commission and ICEP – Comércio e Turismo de Portugal, as well as public and private companies who are involved in the day-to-day business of building the Euro-Mercosul partnership: Banco Itaú Europa, Portugal Telecom, and EDP – Electricidade de Portugal.

Preamble

1. Since its inception in 1990, the aim of the Euro-Latin American Forum has been to assess the relationship between the European Union and Latin America, exploring the points of economic, political, social and cultural convergence between the two regions. The Forum has contended that the relationship is based on a natural convergence arising from a shared cultural heritage, but that this has been insufficient to ensure the development of substantive economic and political governmental and non-governmental relations.
2. Biregional relations acquired greater dynamism and substance with democratisation and sub-regional integration in Latin America. In this context, the Euro-Latin American Forum began to focus on the links between the European Union and the Mercosul, following its creation and success and the rapid evolution of its relations with the European Union.
3. It has been the view of the Forum that the European Union and the Mercosul are open integration processes characterised by a commitment to pluralism and democracy. It has analysed the differences and similarities between the two projects and debated their relative weight in the post-Cold War international system. Despite the differences between them, both confront the challenges of regionalisation and globalisation, the two most powerful trends within the international system today.
4. The Forum has contended that the form of regionalism practised by the European Union and the Mercosul can contribute to reinforcing multilateralism in the international system. Although it has concentrated primarily on the special links between these two integration projects, the Forum has recognised that these are shaped by events in Europe and the Americas as a whole. For this reason, it has advocated that the relationship be viewed from a wider angle, as both regions are undergoing processes of change and biregional relations are intensifying and aiming towards more concrete goals.
5. This report is based on the research undertaken for the Fifth Euro-Latin American Forum and on the findings of the Forum Conference held on 21-22 May 1998 in Lisbon, attended by European and Latin American Heads of State, academics, businessmen, policy-makers and diplomats. It recognises the multifaceted nature of relations between the two regions. It therefore assesses EU-Mercosul links in the wider context of relations between the European Union and Latin America, widening its analysis to include the Andean Community, Chile, as well as Canada, Mexico and the United States within the North American Free Trade Area.

6. The United States is the only remaining true global power and the most important strategic, political and economic partner of the European Union and Latin America. The success of both integration projects and relations between them will be affected by their links with the United States and its attitude towards them. Thus, the report contends that the management of relations with the United States is crucial, particularly given the importance of the Free Trade Area of the Americas, the expansion of the North Atlantic Treaty Organisation and the creation of a Transatlantic Marketplace.

7. The report argues that relations between the two regions and with the United States are conditioned by globalisation. Indeed, as globalisation gathers force, the "Atlantic triangle" becomes less important than evolving global networks and is, at most, a part of that dense web of relations. Globalisation is a phenomenon that both regions have to confront, although each has different political and economic projects as well as varying attitudes regarding the means to harness the forces of globalisation. The report attempts to clarify the concept. It distinguishes between globalisation as an objective process and an ideological project. Similarly, the report contends that links between the two regions are shaped by regionalisation. It therefore also assesses the nature of this process, making a clear distinction between deep integration and open regionalism. It examines the differing visions of globalisation and its links with regionalism and integration. Equally importantly, taking this context into account, the report examines the question of which rules and project are best suited to the advancement of multilateralism, democracy and social justice.

8. Within this wider context, the issue of social justice has been of primary concern for the Fifth Forum. The report thus argues that today's great questions are not civilisational but rather related to human rights, social equity and access to information. It contends that there is a tension between "globalisers" and "globalised" that must be taken into account in order to prevent the detrimental social effects of globalisation. In light of recent financial crises that have shaken world markets and affected the most vulnerable economies, the report argues that it is necessary to avoid a "single way of thinking" about globalisation and to adopt multilateral measures that promote equitable and sustainable development as well as social justice.

9. In light of the above, the report proposes concrete policy recommendations to encourage the European Union and the Mercosul to build a solid and dynamic partnership for the twenty-first century. It proposes that the partnership should make a specific contribution to re-structuring the international system and generating *new rules* to govern it. This argument is based on the belief

that the *open integration* model adopted by the European Union and the Mercosul can contribute to peace, stability and democracy, to equitable development, transnational social solidarity, and to reinforcing multilateralism. The report recognises that the European Union and the Mercosul do not represent Europe or Latin America as a whole and is aware of other regional projects such as NAFTA. It does contend, however, that the European Union and the Mercosul are the projects that best illustrate the triumph of the principle of association over the tendency towards fragmentation in both continents.

10. The aim of the report is to contribute to a debate among policy-makers in both regions and encourage deeper bilateral political and economic relations. The consolidation of the European Union as a civilian power and the creation of a single currency, as well as the progress of regional integration in Latin America present opportunities that should not be missed. Thus, it is hoped that this report can make a useful contribution to the discussions and proposals to be presented at the 1999 European-Latin American-Caribbean Summit.



Regionalisation and Globalisation

The Process of Globalisation

11. The post-Cold War world has been characterised by the growing force and acceleration of the process of globalisation. More marked in the economic and financial fields, globalisation also has political manifestations, namely in the shift towards a universalisation of the democratic ideal.

12. At the same time, the bipolar world has been replaced by a system in which only the United States remains a clearly defined pole in the international arena. Although there are other potential powers, there are no other similarly defined poles. In this context, and given the tendency of the United States towards unilateralism, it has not been possible to consolidate multilateralism. This tendency has been accompanied by another trend: the emergence of a "politics of culture and identity", a conflictive nationalism, which is the main cause of intra- and inter-state conflict today. Indeed, the tendency towards strategic fragmentation and for the affirmation of cultural, religious and regional specificity is the other face of globalisation.

13. In this transitional phase of the international system, the term globalisation has become a paradigm to define the world we live in today. The term is often used imprecisely to describe different phenomena, sometimes describing an objective process and at other times an ideology or "way of thinking" about the world political economy.

14. Globalisation can be seen as an objective phenomenon: the globalisation of information, trade, financial flows, the growing weight of transnational actors, all facilitated by technological progress. In this sense, globalisation is a challenge and an opportunity to all actors, facilitating the insertion into the international economic system of previously excluded countries in all parts of the world, including those of Central and Eastern Europe.

15. Globalisation can mean the spread of democracy and the extension of the debate about the universalisation of human rights and their compatibility with traditional values in all continents. It has favoured the affirmation of transnational advocacy networks that mobilise around normative and global issues such as human rights and whose influence is increasingly taken into account by states and international organisations. This process does not imply the end of cultural or religious diversity. On the contrary, these values are essential for an open society, the kind that best permits the free expression of diversity.

16. Another aspect of globalisation is the increasing influence of great financial empires, transnational corporations and private businesses operating in a world market. This poses the challenge of ensuring the accountability, social responsibility and ethical behaviour of powerful non-elected private actors at the forefront of economic globalisation. This is all the more pressing when one considers that one of the consequences of economic globalisation is the loss of power by states and national democracies with the de-territorialisation of decision-making.

17. Globalisation has often been associated with economic neo-liberalism, the adoption of uniform rules for deregulation, economic restructuring and market liberalisation: in short, with a "single way of thinking" about the global political economy. This way of thinking has been associated with a strong constituency in the United States, but it has supporters all over the world.

18. Those in the European Union who wish to defend the cohesion of societies and transnational relations based on solidarity and social justice see globalisation linked with an unfettered free market and the "triumph" of neo-liberalism as a threat to integration. This vision of globalisation is seen as incompatible with the notion of a European political and socio-economic model based on social cohesion. For many, it is also incompatible with the implementation of social policies to overcome inequity in Latin America. Indeed, for the countries of Latin America, competitive insertion into the global economy is perceived as posing great challenges to states lacking social solidarity systems and to societies characterised by great levels of inequity.

Open Regionalism and Deep Integration

19. Regionalism exerts a dominant pull within today's international system. It can take the form of an open regionalism or of deep integration. Open regionalism can be described as the policy followed by more or less defined poles within the international system in order to structure their external relations, principally through the establishment of free trade arrangements. In contrast with the period between the two World Wars, the tendency towards the formation of antagonistic, closed, neo-mercantilist blocs has not occurred to date.

20. The US administration promotes open regionalism as a stepping-stone towards the creation of a global free market, as part of a world wide free trade project. From the perspective of important political sectors in the United States, trade agreements play a key role in organising international relations, much

26. Integration processes have a somewhat tense relationship with open regionalism. For those defending deep integration, open regionalism *tout court* is a threat to the deepening of the process of integration and progress towards "supranational social cohesion". For the supporters of a neo-liberal vision of open regionalism, on the other hand, deep integration is a deviation and distorts the rules of global free trade.

27. This dichotomy is partly false. Both open regionalism and deep integration involve the creation of free trade networks. Both confront the question of how best to serve the interests of social justice. The tension is partly a question of timing, over how far and how fast trade should be liberalised. Despite variations in thinking among member states, one of the primary goals of deep integration in the European Union is the preservation of social cohesion. Without this goal and the encouragement of socially responsible states, integration projects lose their strength and legitimacy. Thus, promoting free trade and improving the competitiveness of companies in a global market is a strategic objective of integration projects; but they should aim to combine this with the maintenance and development of social equity.

Multilateralism and Multiregionalism

28. Integration is linked to a special view of the international system. Interests and values meld as the logic of "power politics" declines. Hence the crucial importance of democracy and respect for human rights, the search for a balanced relationship between states and the value attached to multilateralism as the ideal framework within which to resolve international divergences. Multilateralism is not synonymous with a system of unstable balances of power and shifting alliances; rather, it is synonymous with a system strongly supported by the regulating power of the United Nations and sustained by the promotion of new multilateral rules. In a context in which the only defined power in the world is American, the reinforcement of integration processes appears to be a necessary condition to establish a balance in the international arena.

29. Multiregionalism should be understood not as subversion but as a force to strengthen multilateralism. It permits the recognition of the identity and value of regional integration processes, giving them a role in shaping the international system and thereby contributing to a more stable, democratic, diverse and peaceful multilateral international system. Multiregionalism presupposes that regional integration processes tend to go *beyond trade* and eventually acquire a political dimension and an institutional framework. It also implies the reform of international organisations, such as the World Trade Organisation, the United

Nations and the International Monetary Fund, so as to permit a more active and coherent role for regional organisations.

30. Multiregionalism also presupposes the existence of regulations and institutions that permit the pursuit of common interests. This does not mean the creation of uniform identities but the enrichment of diversity. Regional integration affirms the principles of the dignity of the human person, democratic citizenship and the need to establish a political balance to model and moderate the international arena in order to make the primacy of the rule of law and respect for human rights more than a rhetorical reality.

Whither Regionalism in the Americas?

31. The post-Second World War period saw the first concerted attempt to put the Bolivarian vision into practise. The projects of Latin American integration initiated in the 1960s and 1970s envisaged the attainment of sustained economic development and greater autonomy from the United States and the "first world" as a whole. The project was based on an inward-looking, import-substituting industrialisation model.

32. These integration initiatives foundered with the collapse of import-substituting industrialisation and the breakdown of democratic rule. The crisis of legitimacy suffered by the authoritarian regimes as well as the onset of the debt crisis and the "lost decade" of the 1980s, contributed to a shift in regional perspectives on how to achieve sustained economic development, political stability and a new relationship with the international system. Latin America struggled to recover the foundations of democratic governance and accepted the discipline of structural adjustment imposed by international financial institutions to regain macroeconomic stability.

33. By the beginning of the 1990s, the re-establishment of democratic rule and macroeconomic stability had been achieved by almost all of the countries in the region. Four new challenges emerged: consolidating democracy, promoting social justice, ensuring competitive integration into a world economy and participation in a post-Cold War world system torn between the need for multilateralism and the potential for a return to "power politics" and unilateralism.

34. Latin America responded to these challenges with a return to regional integration, only this time of a much more pragmatic and flexible nature, and with the reinforcement of its historical attachment to multilateralism. Unlike in the past, integration was no longer seen as a defensive strategy to protect the region from the ravages of open competition. Rather, it was the preferred means for increasing competitive capacities to participate fully in a world economy tending towards global free trade and for preserving democratic governance and peaceful relations among neighbouring countries.

The Mercosul: Credibility and Legitimacy

35. The Mercosul has been foremost among integration projects emerging in the 1990s. In only seven years, it has become the most successful expression of open integration in Latin America. It has created an almost complete customs

union and generated unprecedented levels of intra-regional trade and investment. The competitive capacity of its members has increased through the development of regional infrastructures and an incipient process of productive conversion. A widened common market, macroeconomic and political stability and the privatisation of strategic industries and sectors have created an attractive and friendly environment for foreign investors.

36. The Mercosul has shown a political vocation to go beyond trade, affirming its democratic commitment. It has adopted a "democratic clause" and it actively defended democracy against an authoritarian challenge from sectors of the Paraguayan military in April 1996. It has created a Forum for Political Coordination that includes associate members Bolivia and Chile and has met regularly to discuss issues such as democracy and regional security. It has promoted the participation of parliaments and civil society actors. Provincial, municipal as well as various social actors have found arenas through which to exert their influence over the integration process and are thus re-defining the boundaries of sovereignty within the Mercosul. The countries of the Mercosul also cooperate in the realm of security, undertaking joint exercises along their frontiers and in the South Atlantic, participating in UN-related activities and in others linked to the control of airspace and related technologies.

37. The inter-governmental management of the Mercosul has been successful to date. There is no common foreign policy but common diplomatic attitudes and actions have evolved. A Parliamentary Commission and an Economic and Social Consultation Forum have institutionalised the participation of the national legislatures and business and labour actors in the integration process. The speedy and concerted reaction to the Asian financial crisis has shown how it can collectively respond to exogenous shocks.

38. That the Mercosul has the strongest political and economic "pull" of all integration schemes in the region testifies to its success. It has established association agreements with Bolivia and Chile and is negotiating a similar agreement with the Andean Community and the Central American Common Market.

39. The expressed intent of the Mercosul is to proceed with deep integration even as it widens to include new members. It does not see itself merely as an area for the establishment of free trade, a platform for globalisation or a sub-regional adaptation to an US-determined hemispheric free trade agenda. It is working towards the development of an institutionalised collective discipline and the affirmation of a specific economic and political identity.

The creation of a single currency has been aired as a possibility, although there is as yet no political consensus to work towards monetary convergence. However, in the wake of various financial crises, the Mercosul is aware that it must adopt measures that will allow the economies and monetary systems of its members to withstand the potentially devastating impact of capital flight and international monetary crises. Thus, the Mercosul aims to achieve a coherent position within international institutions to defend its interests in the economic and political realms.

40. The Mercosul does not reject hemispheric free trade; it aims to combine the former with a deeper economic and political project. The harmonisation of both is not an easy matter, however, and this is one of the greatest challenges it faces today.

The Challenge of Hemispheric Free Trade

41. The FTAA has been seen as part of the US strategy to affirm its global political and trading position and deep integration projects are viewed with suspicion as a form of trade diversion and protectionism, countering the path towards free trade. The FTAA has been viewed in the United States as a project that will to some extent neutralise the Mercosul, ensure US predominance in the region, and prevent Brazil from challenging its political leadership. Indeed, the Mercosul has been seen as an attempt by Brazil to gain greater autonomy from the United States. It is a country seen to compete with the United States in the forging of an alternative project in the region. While this view of the Mercosul is the one with the greatest potential for tensions between the United States and the integration scheme, it is also the one that may most galvanise the United States into action in the Southern Cone.

42. Despite initial pessimism regarding the future of the FTAA following US Congressional rejection of "fast track" in 1997, it has become clear that negotiations will move ahead regardless. Participation in the creation of the FTAA is forcing the Mercosul to think about how to affirm its separate identity as an integration project. How can it reconcile active participation in the FTAA with the desire to proceed with deep integration? Can it assert itself as a cohesive actor, or will deep integration be diluted by hemispheric free trade?

43. Initially, Mercosul seemed to be facing an "either or" question, an irreconcilable choice between hemispheric free trade under the aegis of the United States, and an integration project which made sub-regional development a priority. It has become apparent, however, that it is possible to ensure a positive – albeit not

entirely tension-free – relationship between the two projects, essentially because the timing of the FTAA has been slowed down. US presidential authority to negotiate free trade was dramatically curtailed by the failure of fast track. Many congressional members of the Democratic Party believe that NAFTA has been a failure. Trade unions and environmental lobbies are also opposed to NAFTA as they fear job losses in the United States and the lowering of hard-won labour and environmental standards, as US companies shift their operations to countries with lower standards to increase profit margins.

44. Without fast track, the Mercosul has more time to consolidate itself before it is forced to take hemispheric free trade on board. The unity of the Mercosul on the occasion of President Clinton's visit to Argentina and Brazil in October 1997, forced the United States to recognise that it was confronted with the reality rather than the rhetoric of integration. The strong position adopted with regard to FTAA negotiations obliged US negotiators to recognise that the pace of these will be shaped by the determination of the Mercosul to proceed with deepening.

45. The FTAA negotiations also allowed the Mercosul to strengthen its sense of collective identity and group power. Negotiators have been forced to adopt a common position in advance of meetings and have realised the benefits of collective action in terms of shaping the negotiating agenda.

46. Mercosul participation has also been facilitated by the fact that FTAA negotiations are based on consensual decision-making. The San José Declaration indicates that the FTAA can co-exist with bilateral or sub-regional agreements or arrangements. Furthermore, the Second Summit of the Americas held in Santiago on 18-19 April 1998 expressed political and social concerns similar to those held by integration projects: education, the elimination of poverty and discrimination against more vulnerable social groups, the promotion of social justice, and the consolidation of democracy. Furthermore, in areas that have traditionally generated tensions, namely drugs and security, the summit declaration adopted a very cooperative tone, advocating a multilateral formulation of responses to the drug trade and terrorism.

47. The absence of fast-track authority does not mean the death of the FTAA. Negotiations may be slowed down but free trade remains on the agenda. Indeed, a de facto dynamic of hemispheric free trade is evolving, as entrepreneurial groups in the United States and Latin America continue to jointly prepare for free trade, regardless of the postures adopted by their governments. The Latin American Business and Latin American Industrial associations, the Argentine Industrial Union,

the National Confederation of Industries of Brazil, as well as US business sectors have all intensified activities in preparation for the FTAA.

48. The FTAA is also being taken seriously by social actors, both in the Mercosul and in the United States. It was at the top of the agenda at the most recent meeting of the Economic and Social Consultation Forum and is mobilising labour and other non-governmental actors concerned with the environment and labour standards in the United States.

49. Canada, Chile and Mexico will influence the links between the FTAA and the Mercosul. Canada's multilateral vocation has contributed to an open dialogue among equals. This vocation as well as its commitment to human rights, democracy and social justice in regional and international spheres may facilitate linkages between the Mercosul and the FTAA.

50. Chile is ambiguously poised between the attractions of integration and continental trade liberalisation, establishing links with the Mercosul and participating both in the FTAA process as well as in the promotion of a network of bilateral free trade agreements. If it chooses to join the Mercosul, it can hope to act as a bridge, albeit not an exclusive one, between integration and hemispheric free trade.

51. Mexico tends to favour the extension of the FTAA based on NAFTA. However, it is also actively engaged in the promotion and negotiation of free trade agreements with various Latin American countries and regional groupings, as it does not view its relationship with the United States or NAFTA as exclusive. Despite the difference in strategies, a strong Mercosul could be a positive development for Mexico insofar as it contributes to creating a greater balance within the Americas and presenting credible alternative development and integration policies.

Collective Discipline, Democracy and Enlargement

52. As the Mercosul negotiates enlargement to the Andean Community, it is faced with two very serious challenges. How much can it widen without deepening and what criteria should be adopted for inclusion or exclusion for membership keeping in mind that the "democratic vocation" is central to the legitimacy of the project?

53. Negotiations between the Andean Community and the Mercosul in Montevideo in December 1997 failed. In February 1998, however, both sides agreed to substantially revise negotiating procedures in order to arrive at an

agreement, a commitment reaffirmed by the X Andean Community Presidential Council in Guayaquil, Ecuador, on 6 April 1998.

54. In April 1998, the Mercosul signed an agreement with the Andean Community for the creation of a free trade area by the year 2000. The aim is to negotiate trade liberalisation between 1 October 1998 and 31 December 1999. Were this to happen, all of South America, with the exception of Suriname and Guyana, would become a free trade area before the FTAA is in place.

55. There are doubts regarding the ability of both sides to achieve this objective. Although the Andean Community underwent a period of revival towards the end of the 1980s and beginning of the 1990s, its members have found it extremely difficult to negotiate as a bloc and most countries have preferred to negotiate agreements bilaterally.

56. The constitution of a South American free trade area based on the extension of the Mercosul is another possibility, with agreements signed with individual countries of the Andean Community. There is indeed a *de facto* process of trade liberalisation, as the Mercosul has signed free trade agreements with many of its neighbours as well as other countries of the region. However, this process is part of a wider dynamic taking place among the Latin American countries as a whole. This raises the question of whether a *de facto* Latin American free trade area will become a reality before the FTAA process is formally finalised.

57. The Mercosul will be faced with the question of how to widen to the Andean Community without diluting its economic and political *acquis*, given that some members of the Andean Community are among those with the greatest political and social problems in Latin America. Can the Mercosul unquestioningly absorb these countries into an integration project which has "sold" itself as a defender of democratic values and human rights?

58. The answer varies from one country to another. Clearly, however, it will be difficult to absorb the countries that suffer from a serious democratic deficit, a weak state apparatus, widespread corruption, human rights violations and political violence, if democratic identity of the Mercosul and its international legitimacy is to be maintained and consolidated. Under current circumstances, widening to all the members of the Andean Community would not be possible for political reasons. Furthermore, beyond the specific difficulties presented by an association with the Andean Community, the Mercosul cannot afford to lose sight of the primary importance of the many political, social and economic problems that constitute the greatest threat to democratic consolidation in the region.

59. Perhaps the most critical issue for the Mercosul as it faces the challenge of the FTAA and enlargement, is ensuring the project's institutionalisation and collective discipline. If similar benefits can be gained from association without economic discipline, the project will not survive, particularly as the FTAA process gains impetus. It cannot afford to play a waiting game where institutionalisation, collective discipline and deepening are concerned. The Mercosul must consolidate the gains it has already made and deepen the integration in order that it can link up with other partners without suffering dilution.

60. *Consolidate the customs union.* Too fast an opening without a consolidation of macroeconomic policies within the group would be a threat to the sustainability of the project. It must overcome internal asymmetries and work towards approximating the monetary regimes in Argentina and Brazil. Indeed, while macroeconomic convergence has proceeded positively there is currently a lack of financial convergence. The Mercosul must also widen the range of liberalisation and common policies, particularly in services and government procurement.

61. *Prepare for the WTO Millennium Round.* Agriculture and services will be negotiated and Mercosul trade barriers with regard to third countries and changes to its Common External Tariff will come under scrutiny by the WTO committee on regional agreements. The fact that, like most other countries in the region, the Mercosul has engaged in the negotiation of free trade agreements has strengthened the presence and legitimacy of the WTO as an actor in the region. This is a positive feature that can be built upon.

62. *Reaffirm its political identity.* The Mercosul must consolidate itself as an open integration project, based on democratic rule and respect for human rights. This means taking on board the problems posed by Paraguay, and the challenge of promoting equitable economic development and social justice as an essential element of the legitimacy of the integration process.

Deepening and Widening the European Union

Economic and Monetary Union

63. Economic and monetary union and the emergence of the euro will be realities by 2000. The euro will be a "regional" currency, although its domain will extend into Central and Eastern Europe, the Mediterranean and the African countries within the French Franc zone. EMU will accelerate the process of European integration to the East, by creating an area of monetary stability, increasing capital mobility, facilitating the reallocation of the production process, bringing about a new period of growth and investment, and facilitating the completion of macroeconomic adjustment by creating a monetary anchor.

64. Over the medium term, the euro may become a global currency. It must prove that it is a stable currency based on macroeconomic stability, however. In addition, growth must resume and unemployment decline in the European Union. A stable exchange rate and low interest rates must also be maintained to increase the attractiveness of the euro for international markets as well as private and public investors.

65. Economic and monetary union and the adoption of the euro are an aspect of deepening European integration. Both are currently the most advanced manifestations of the tendency towards shared sovereignty and supranational management of the integration process. The euro could make the European Union a stronger economic international actor and may form the basis for a strengthened political projection beyond its borders. The success of the euro, however, will depend upon the reform of the budget, adequate fiscal harmonisation, and the increased legitimacy of EU institutions.

66. In addition, the euro is raising questions that transcend the monetary field. The single currency should not be seen as a merely technical issue. It will affect the future of political and social integration. It is bringing the issue of European citizenship to the fore, as decisions that affect the everyday life of citizens in each member state are further removed from national institutional channels accountable to national citizenry. Furthermore, fiscal probity must be accompanied by economic policy-making that takes social justice and solidarity into account if monetary union is to retain social and political legitimacy.

Political and Institutional Challenges of Widening

67. Widening and institutional reform are the next great challenges of European integration. The Treaty of Amsterdam reaffirmed the democratic nature of the European integration project. It reaffirmed the political dimension of enlargement as it confirmed sanctions against member countries that are responsible for grave and systematic human rights violations. It also affirmed the importance of combating xenophobia and promoting the principle of non-discrimination.

68. Institutional reform is crucial if enlargement is to be workable on a day-to-day basis, but hard to achieve. Many member countries worry about maintaining the present institutional balance among states. Yet while this may be essential for the continuation of a positive sum game within the European Union, the debate about achieving a balance between efficacy and democratic representation remains unresolved and is likely to intensify as the next enlargement increases the number of member states.

69. Widening alone is neither positive nor negative. The question is whether it is compatible with and conducive to deepening. Although EMU implies the deepening of economic Europe, there is no such consensus on a deeper social and political Europe. Decision making within the European Union is still based on a complex interplay between supranationalism and intergovernmentalism. EMU and the Central European Bank are the strongest manifestations of the Union as a supranational regulated region, but the predominance of the Council remains undisputed, reinforcing a state-centred and intergovernmental logic.

70. The variety of modalities for cooperation among its members is reinforcing the tendency towards a differentiated European construction, characterised by flexibility and variable geometry. The imbalance between an economic and monetarily united and a political Europe remains a problem, however.

The European Union as an External Political Actor: a New Kind of Power?

71. The European Union is already an important external actor and international civilian power. It makes use of economic instruments as part of its foreign policy and has adopted a common posture within the WTO.

72. As far as foreign and security policy is concerned, the Treaty of Amsterdam reinforced the role of the EU Presidency and created a "high representative" within the Council Secretariat. A policy planning unit has also been established within the Secretariat. Provisions have been made for "constructive abstention",

reducing the possibility for blockages by dissenting member states. The Treaty has also pointed to the need to ensure that political, economic and security objectives of foreign policy become more integrated, calling on the Council and the European Commission to coordinate their activities in order to make the foreign policy of the Union more coherent and effective.

73. Although peace operations (the so-called "Petersberg missions") have been included in the Treaty, the decision not to take a decision regarding the Western European Union indicates that a European security structure and policy is not on the immediate agenda. Greater advances will be prevented by the continued attachment of some member states to neutrality and by the fact that some countries may be unwilling to make the financial commitments necessary to create a high profile European policy.

74. Despite these reforms, a common foreign policy will be limited in efficacy and scope. CFSP cannot yet become a "motor" of integration or of the construction of a European political identity. Nonetheless, the promotion of the European Union as a military power is not the only way for it to achieve a significant role in the international arena. The multiplication of cultural, labour, and social relations with external partners, be it formally or informally, can have an important impact on what has become a significantly transnationalised international system. The European Union may not have the capacity to exert great political and military power as an instrument of its foreign policy, but it can have an important level of political influence within the international arena by virtue of the uniqueness of its normative political and social project.

The European Union and the Mercosul: A New Relationship?

75. The European Union already has a defined agenda for its relations with the Mercosul. It has agreed to the creation of an interregional association based on an advanced political cooperation on biregional and international issues. The present Framework Agreement includes a commitment to free trade, economic cooperation, particularly to promote investment, technical exchange, the promotion of deeper regional integration, as well as greater contact between the civil societies of both partners, particularly among the business sectors.

76. The European Commission has already sought a mandate from the Council for the negotiation of a draft proposal for a future association. This process should be well underway by the time the European Union-Latin American-Caribbean Summit is convened, where a joint declaration could be made to announce progress in the creation of a new interregional relationship.

77. The dynamism of EU-Mercosul relations depends to a great extent on the direction that internal reforms take within the European Union and the hierarchy of priorities it adopts for its external relations, and the place of the Mercosul within that hierarchy. Enlargement and the current attention devoted to the Mediterranean partnership need not imply the neglect of Latin America. Despite differences of emphasis among EU member states in their relations with Latin America and the absence of a clear consensus regarding preferential trade partners in the region, it is possible to identify the Mercosul as a partner of primary strategic, political and economic importance.

78. The reform of the common agricultural policy is also a delicate but an essential issue. For many in Europe, the end of the CAP would mean getting rid of what was once the heart of the European project. Yet maintaining CAP as it is today means failing to comply with WTO rules. The reform of CAP is unavoidable. It is part of the proposals of Agenda 2000, and it is likely to occur not only because of enlargement to the East, but also because of relations with the Mediterranean partners and the upcoming WTO Millennium Round.

79. EU-Mercosul relations will also be conditioned by the evolution of the euro and by the attitude of EMU authorities towards the Mercosul. At present, macroeconomic stability in the Southern Cone is largely based on a solid linkage with the dollar as a nominal anchor. However, the euro offers opportunities for closer ties between the two. Not only is the single currency experiment a valuable

source of learning for Mercosul in terms of how to harmonise and regulate its still scarcely integrated financial systems, but the sub-region will have a new financial market to tap into. The diversification of reserves is in its interests given its trade distribution and overwhelming reliance on the dollar. It will increase opportunities for investment diversification and facilitate borrowing by the Mercosul countries and companies. Furthermore, transaction costs in EU-Mercosul trade will decline. The benefits of shifting to the "euro zone" would increase if would-be peggers feel that the EMU authorities will bail out economies in crisis and will be willing to act as lenders of last resort as the United States does with its close trade partners.

80. It is the strategic dimension of the relationship that could be most beneficial for both partners. For the European Union, the Mercosul represents the best opportunity for fortifying links with a "sister" project. The European Union does not wish to see the Mercosul "diluted" by the FTAA, but hopes to see the integration process deepened. Several European leaders have advocated a strategic approach towards EU-Mercosul relations based on the importance of cultural, historical links. The development of an effective CFSP and a successful euro will also be beneficial to the Mercosul, insofar as it creates a stronger global actor with which it can relate in the international system to reinforce multilateralism. Yet the European Union has to offer something more concrete to the Mercosul.

81. The European Union is a useful counterbalance to the United States. It can contribute to a balance between the achievements of the Mercosul and the pull towards the FTAA. The relative importance of the European Union as a partner will depend, however, on how fast it is able to respond to the needs of the Mercosul, particularly if the United States is prepared to move forward with increasing flexibility and on a basis of reciprocity.

The Impact of EU-Mercosul Relations on EU-US Links

82. How much potential is there for a conflict between the United States and the European Union over European policy towards the Americas and towards the Mercosul in particular? There is a sense of entitlement that shapes US attitudes to the presence of the European Union in the Southern Cone. In short, the United States feels that as the prime mover behind the influential "Washington Consensus" for liberalisation and stabilisation in the region, it should be the first to reap the rewards of those processes. Indeed, one of the key driving forces behind the launching of the FTAA is the desire of the United States to counter any European attempts to rob it of its "natural" Latin American markets.

83. The strategic vision of EU-Mercosul relations proposed by some European leaders, which highlights the potential for the biregional relationship to contribute to the reorganisation of the post-Cold War international system, may have raised hackles in the United States. The European Union-Latin American Summit proposal has been widened to include the Caribbean. Tensions may arise not only from what may be perceived as Europe's attempt to play a "leading" role in the region, but also over the inclusion of Cuba.

84. It is highly unlikely, however, that any serious conflicts will arise between the United States and the European Union over Latin America. Both the European Union and Latin America are central to the foreign policy of the United States. The Organisation of American States and nato are the oldest and most stable multilateral political and security institutions to which the United States is linked and a key to its policy to reorganise the world system. The relationship with both is also central to a policy of US-led open regionalism and the United States sees the European Union as a partner for ensuring its global aims. Furthermore, while the European Union and the Mercosul may adopt joint positions within the WTO contrary to US interests, because the decision-making process within the organisation does not operate on the basis of "automatic alliances", this need not lead to tension between the three.

85. It should also be noted that EMU should bring both partners closer together. It is possible that a situation of benign mutual neglect could predominate, if both sides concentrate on developing links with their respective "monetary areas", the European Union with the countries of Central and Eastern Europe and the Mediterranean and the United States with Latin America. Nonetheless, there are strong incentives for cooperation. A stable euro-dollar exchange rate will increase transatlantic economic relations and boost the creation of a Transatlantic Marketplace, an outcome favoured by transnational corporations and other private business actors within the Transatlantic Business Dialogue.

86. In addition, the European Union remains reliant upon the United States for ensuring security in Europe and it cannot do without the United States as a strategic military partner, and the Mercosul does not want a conflict with the United States for similar economic, political and strategic-military reasons. Indeed, neither the European Union nor the Mercosul wish to create an alliance in opposition or in competition with the United States, although this does not mean that the relationship between them is not based on a qualitatively different agenda. A strong relationship between the European Union, the Mercosul and the United States can boost multilateralism and help the United States to remain coherent with the values it claims to defend.

New Game Rules for a New Multilateral Order

Combining Free Trade with Social Justice

87. Addressing the issue of social exclusion is central for the success and legitimacy of the processes of integration. Like all countries and regions of the world, the European Union and the Mercosul are faced with the challenge of ensuring compatibility between the demands placed upon it as a "global trader" and the need to sustain social solidarity and social cohesion. Despite obvious differences, levels of social exclusion and unemployment are high both in the European Union and the Mercosul, and are arguably increasing under the pressure of globalisation and due to increased vulnerability to external shocks. Pressures on labour markets and social security systems are immense.

88. In Latin America, employment is and will continue to be a strategic issue for purely demographic reasons. It is estimated, for example, that for these reasons alone Brazil will have to create twenty million new jobs until the year 2010. In the European Union, the ageing of the population and the crisis of the welfare state are also posing a serious challenge to provision for an increasing number of retired workers, while unemployment is generating unrest and dissatisfaction, as well as eroding and endangering social integration.

89. Both the European Union and the Mercosul are taking steps towards remedying this situation. The Mercosul is considering the creation of a social charter that will take individual and collective rights into account. This would take it further down the road of political integration and assert its identity. Meanwhile, the need to increase spending to extend social security and promote welfare in the Mercosul comes into conflict with the demands posed by fiscal probity and concomitantly shrinking state resources. Furthermore, employment policies are confronted with the immense challenges posed by productive re-structuring and a growing "informal" economy.

90. In the European Union, the Treaty of Amsterdam reinforced the commitment to a "social Europe". The force of public opinion in "federalist" as well as "inter-governmental" countries compelled governments to adopt a positive posture towards this issue. Given current divisions among member states, however, the pressures of enlargement to a large set of poorer countries and of globalisation, it is unclear whether a "social Europe" will cover the whole region, or whether, like EMU, it will evolve according to a "variable geometry".

91. Nonetheless, as integration projects aiming beyond trade, the European Union and the Mercosul have a special responsibility to make a concerted effort to discuss the social, moral and ethical content and aims of free trade. If integration does not offer qualitatively better solutions to the problem of social exclusion, why should the countries of the region not limit themselves to an "enlightened" form of free trade? The simple adoption of a strategy of integration does not ensure greater social justice. Such complacency would be misplaced. Special efforts have to be made in order to enable integration to make a greater contribution to that aim than mere free trade.

92. It is important that the notion of "capitalist diversity" is maintained and to emphasise that globalisation is compatible with a plurality of regional models of development. Open integration projects must make long-term investments in infrastructure, education and training for a qualified workforce, the promotion of an industrial policy to ensure technological innovation, research and development for the creation of an information society and for the preservation of environmental resources for future generations.

93. The European Union and the Mercosul should involve the United States as well as other countries and regions of the world in the debate on how to reconcile free trade with social justice. They must work towards the elaboration of a new framework within which to place social rights, under the heading of the right to sustainable development, and thereby reformulate the debate about social and environmental conditionality within the WTO.

94. On the positive side, it is now recognised that social injustice is a global problem requiring global responses. The crisis of welfare systems has led to a change of attitudes, with the replacement of policies of "assistance" with others emphasising productive investment. Governments are aware of the need to create new hybrid social security systems and of the role that the promotion of small and medium enterprises can have in encouraging social cohesion. Regional integration is changing attitudes towards citizenship and social issues and is also creating an awareness of a need for region-wide policies for labour representation, employment, social and health policies, as well as new mechanisms for intra- and interregional cooperation. Furthermore, the response to the problem of marginalisation, poverty and unemployment is shifting, as countries recognise the need for social policies that aim towards increasing individual productive capacities, greater individual educational resources, as well as access to knowledge and information.

Fifth Euro-Latin American Forum Recommendations

The promotion of international solutions to the problem of social justice. Poverty and social injustice are global problems and require global policy making.

The reform of state bureaucracies. This is a pre-condition for the success of investments made in the social arena. The state must become a more efficient actor and policy-maker, as the reform of health, social security and education policies requires effective state machines. In short, countries should work towards the creation of "intelligent states".

The enhancement of employment policies. Emphasis should be placed on the exchange of experiences between the two partners, especially in what concerns the reform of labour legislation, investment in human capital and a qualified labour force.

The improvement of education systems. Education is a key theme in various countries of the European Union and the Mercosul and has also been the focus of much research by the UN Economic Commission for Latin America, the Caribbean and the Inter-American Development Bank and the Santiago Summit of the Americas. Education is seen as the key to increasing employability and adapting the workforce to a competitive global market. Quality should be emphasised as much as universality. In addition to ALFA (América Latina Formación Académica), other EU cooperation programmes such as Socrates could be extended to Latin America.

The reform of social security systems. It is necessary to reinvent schemes that involve hybrids of systems, combining universal coverage, schemes targeting only the poorest sectors of the population and voluntary social security systems. The aim is to establish multiple experiments involving institutional pluralism in the area of the promotion of social welfare, involving the private, public and so-called "third" sectors in order to ensure competitive services sustainability.

The promotion of an equitable spread of the benefits of integration. This means including "chronically excluded" regions into the scheme, as social exclusion is often geographically circumscribed. The inclusion of poorer regions is necessary politically, as the legitimacy of the integration project depends upon its ability to raise the living standards for all. It also makes economic sense, as the competitiveness of the integrating region as a whole depends upon its balanced development.

The affirmation of the right to knowledge and "knowledges". This is necessary to avoid a hegemonic globalisation project and to ensure one that takes into account diversity of human experiences. Redefining property rights and

access to technology, particularly in the field of communications where today's novelty is tomorrow's old news, is a question of survival. Technological innovation is responsible for the restructuring of world production systems and for the deep transformation in labour practises.

The encouragement of a socially responsible private sector. Entrepreneurial groups must be held accountable, both internationally and in the national sphere. Business sectors must assume part of the costs of modernisation, social reform and environmental preservation, in order to receive the benefits of integration. Concern with social issues is not just a question of ethics but one of competitive survival. Many private economic actors are now taking an increasingly active role in addressing social issues, but it is necessary to develop more effective national and international mechanisms to ensure greater social accountability. Overcoming the lack of communication between business, government and other sectors of civil society concerned with social issues could help to create a more socially responsible business sector.

95. In conclusion, it should be remembered that there are many areas for cooperation and exchange that can lead to progress and innovation. The greatest challenge for the EU-Mercosul partnership in the social arena lies not so much in their identification, however, but more in the development of organisational and institutional mechanisms that can give real substance to cooperation and exchange. This is therefore the first priority.

Building a Strategic Partnership

96. The starting point for a political partnership between the European Union and the Mercosul is open integration. Their international identity must be based on the projection of the values they share and sustain within both integration projects: the primacy of the rule of law, democracy and human rights and the peaceful and multilateral resolution of conflicts. The similarity between the two projects allows them to identify each other as strategic partners in the international arena. The European Union and the Mercosul should therefore forge a common international project for the regulation of the international system. Within the United Nations they should actively participate in the definition of global political rules, particularly where human rights, the fight against discrimination and xenophobia and the defence of cultural and religious diversity are concerned.

97. It should not be forgotten that relations only acquire real force and substance if there are dense economic and trade interests uniting both regions. The European Union lost much of its weight in relations with Mexico precisely

because of an attitude of neglect, remedied only after the trade diversion provoked by NAFTA led European authorities to promote the signature of a new agreement emphasising economic liberalisation and political cooperation with Mexico. Identifying the Mercosul as a strategic partner today will prevent this sort of time lag and the loss of key opportunities.

Fifth Euro-Latin American Forum Recommendations

The promotion of mutual recognition as strategic partners. If the European Union and the Mercosul recognise one another as strategic partners, they must establish a special relationship, particularly in light of the proliferation of free trade agreements. In doing so, they will avoid a situation of benign mutual neglect that will also have a detrimental impact on the density of trade relations. The relationship between the European Union and the Mercosul should be seen as the nucleus of the relationship between Europe and Latin America.

The creation of a biregional free trade area. In the absence of an agreement that makes significant advances in terms of trade liberalisation and economic cooperation, there is little hope for the consolidation of a more political and strategic relationship between the two partners. The Mercosul must lobby within the European Union to ensure that its commercial preoccupations are taken on board. In turn, the European Union must ensure that the Mercosul benefits from all reforms undertaken within the common agricultural policy or the current Generalised System of Preferences. Policies that ensure conditions for the increased competitiveness of the Mercosul are essential if a free trade area is to function. European programmes that encourage private sector initiatives should be taken advantage of, as these make its relations with Latin America qualitatively different.

The promotion of a more politicised dialogue. A political dialogue is crucial in the relationship between the European Union and the Mercosul. Given the nature of both partners, the political dialogue should be integrated, encompassing economic and security issues. This involves the establishment of a pro-active multi-lateral agenda. Both should concentrate on the reform the United Nations, the promotion of a universal adherence to all conventions and protocols and the independent operation of the newly-created permanent International Criminal Court. Both should propose policies to submit increasingly powerful private transnational economic actors to the rule of law and the principles of democracy, transparency and accountability. This is particularly important for the foreign relations of the European Union. The proposed strategic partnership – the reinforcement of the Euro-Latin American side of the triangle in terms of security –

increases the importance of both the European Union and the Mercosul for the United States and can act as a dissuasive factor against US unilateralism and favour the multilateralisation of US policy.

The establishment of a high-level non-bureaucratic dialogue. This involves the active involvement of the highest political authorities of both integration projects in the negotiation of an interregional agreement and political dialogue. In order to centralise, galvanise and politicise the dialogue, a Special Representative of the European Union for the Mercosul and a Special Representative of the Mercosul for the European Union should be established on a rotating basis. The European Union-Latin American-Caribbean Summit provides an opportunity to announce this concrete measure.

The promotion of a re-organised dialogue. Both sides could adopt a similar mechanism to that developed in the EU- Mediterranean dialogue, with the establishment of a post within the Foreign Ministries of participating states responsible for assessing and following up the political dialogue. This network would support efforts undertaken and work in coordination with the European Commission and Council as well as the relevant bodies in the Mercosul, to determine a political agenda for the annual ministerial meetings.

The promotion of an active sectoral and non-governmental dialogue. It also means giving the civil societies of both regions a voice in that dialogue. Interregional integration is not just the work of governments but is forged by the relationships established between various social sectors.

The business and labour communities. This dialogue should include small- and medium-sized businesses and trade unions. Europe lags behind the United States where the involvement of business and labour actors in transnational negotiations is concerned. Both actors should frame their discussions according to the wider agenda of WTO and International Labour Organisation. Both should participate in the definition of global and regional rules therein.

The professional community and interregional specialist networks. This includes lawyers, academics, teachers and journalists. These actors should reinforce the cultural face of political dialogue. Culture should be understood as widely as possible and should take into account the need for shared communications technologies for the improvement of professional qualifications in a global market. On the basis of the experience of the Euro-Latin American Forum, the European Union and the Mercosul should also promote the creation of joint networks of academic and international relations institutes.

Non-governmental organisations. National and transnational non-governmental organisations working on human rights and rights of women, children and indigenous peoples, as well as social issues such as education, health care, housing and provision of basic needs should be involved. Apart from those already accredited by the UN Economic and Social Committee, the European Union, which also supports NGO participation, and the Mercosul, where some countries have undertaken similar efforts, could create a joint NGO platform to participate in an institutionalised dialogue. These NGOs must be held accountable, particularly as their power increases in the international, regional and national policy-making arenas.

The adoption of common responses. The European Union and the Mercosul have been reinforcing their ability to deal with internal security problems with a transnational dimension, such as organised crime as well as drugs and arms trafficking. They should make an effort to harmonise procedures to deal with such threats, strengthening legal and penal cooperation.

The joint promotion of common global rules. The adoption of a common perception of risks and responses involves building trust and loyalty among two partners with an already positive *acquis* in this respect. It is the pre-condition for the production and application of universal norms and laws. The agenda for "governing" globalisation is the greatest strategic challenge facing both private and public actors today. It is therefore necessary to establish cooperation between jurists and regulators from the European Union and the Mercosul. This joint task should also have input from sectors of civil society, according to the issues at stake.

98. As two civilian powers, the links between the political and economic realms is crucial to the relationship between the European Union and the Mercosul. This linkage will be decisive in determining their capacity to act politically in the international arena to ensure coherence between their interests and values. This is particularly important for the debate on social and environmental conditionality. Solutions found for the problem of social justice and the environmental sustainability of economic development policies should be seen as positive steps towards linking values and interest, not as threats to national or regional interests.

99. The European Union-Latin American-Caribbean Summit is the opportunity for both sides to put forward this vision of biregional relations, and to take steps towards implementing free trade agreements between the Union and its various Latin American partners. The Summit must have an action-oriented

agenda, focused on specific issues. It should not act as a substitute for existing dialogues, but serve to galvanise them, giving them new value-added. Addressing the issue of what multilateral rules and instruments should be devised to face crises associated with globalisation would be a positive contribution to this end.

100. The European Union and the Mercosul have a common interest in the promotion of a multipolar world governed by multilaterally determined and universally applicable global "game rules". They have a mutual interest in that all actors, both powerful and weak, work towards a "pact of mutual trust", based on the participatory creation of a new global agenda and regulations. In sum, they have a shared interest in replacing a *pax americana* with a *pax interdemocratica*.

The Challenge of Globalisation
**Europe and Latin America
and the Integration Processes in the Americas**
Lisbon, 21 - 22 May, 1998

Opening Session

Max Schrappe

Vice-president, FIESP, São Paulo

José Calvet de Magalhães

President, IEEI, Lisbon

Celso Lafer

Permanent representative of Brazil to the multilateral organisations, Geneva

Jaime Gama

Minister for Foreign Affairs, Portugal

Introduction

Regional integration and globalisation

Mário Soares

Former President of the Republic of Portugal

Hélio Jaguaribe

Dean, Instituto de Estudos Políticos e Sociais, Rio de Janeiro

**Debate on the report A partnership for the XXI century
Mercosul, South American integration, NAFTA and WHFTA**

Romeo Pérez Antón

Director, Centro Latinoamericano de Economía Humana, Montevideo

Álvaro García

Minister of the Economy, Chile

Herminio Blanco

Minister for Trade and Industry, México

**The euro and the broadening of the European Union:
an issue for Latin America**

Pier Carlo Padoan

Istituto Affari Internazionali, Rome

Roberto Záhler

Former President of the Chilean Central Bank; Consultant, Santiago

Sheila Page

Overseas Development Institute, London

Enrique Barón Crespo

Member of the European Parliament, Brussels

**Debate on the report A partnership for the XXI century
Recommendations for the social and economic domains**

Vilmar Faria

Co-ordinating Secretary for the Department of Social Policy, Brasilia

Guadalupe Ruiz-Giménez

Secretary general, Asociación de Investigación y Especialización sobre Temas Iberoamericanos, Madrid

Luís Morales

Vice-president, Associação Industrial Portuguesa, Lisbon

Recommendations for the political partnership

Alfredo Valladão

Institut d'Etudes Politiques, Paris

Wilfried Richter

Director for Latin America, Ministry for Foreign Affairs, Bonn

Sebastián Alegrett

Secretary general, Andean Community, Lima

The social responsibility of businesses and the strengthening of civil society

Moderator Francisco da Câmara

Director for Latin America, European Commission, Brussels

Introduction Félix Peña

Under-secretary for external commerce, Ministry of the Economy, Buenos Aires

Luiz Fernando Furlan

Director, Department of Foreign Trade, FIESP, São Paulo

Ludgero Marques

President, Associação Industrial Portuense, Oporto

Francisco Torres

Member of the Parliament (PSD), Lisbon

André Jordan

President of the Board of Directors, Lusotur, Lisbon

Political Forum Priorities for EU – Latin America relations

Moderator Guilherme d'Oliveira Martins

Board of Directors, IEEL, Lisbon

Conclusions

Álvaro de Vasconcelos

Director, IEEL, Lisbon

Ruy Altenfelder

Director general, FIESP/IRS, São Paulo

António Guterres

Prime Minister of Portugal

Enrique Iglesias

President, Inter-American Development Bank, Washington D.C.

Manuel Marín

Vice-president, European Commission, Brussels

Luiz Felipe Lampreia

Minister for Foreign Affairs, Brazil

Closing Session

His Excellency the President of the Federative Republic of Brazil

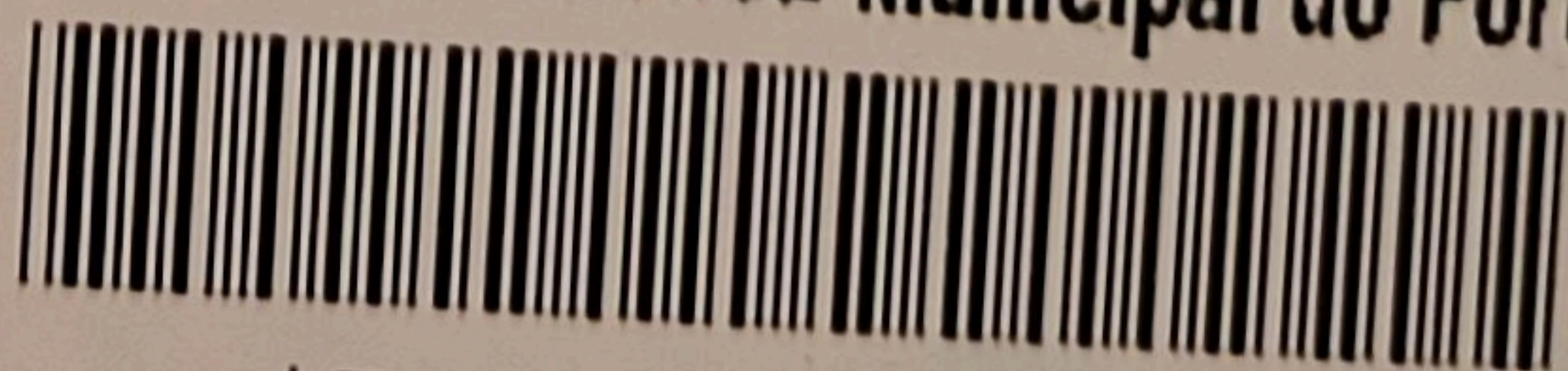
Fernando Henrique Cardoso

His Excellency the President of the Portuguese Republic

Jorge Sampaio

The main objective of the Euro-Latin American Forum is to provide a space for a dialogue between the political, scientific, business and diplomatic communities in the two regions. It is organised by the Institute for Strategic and International Studies in Lisbon and by the Roberto Simonsen Institute of the Federation of Industries of the State of São Paulo. The Euro-Latin American Forum has since its inception been able to count on the patronage of the European Commission.

Biblioteca Pública Municipal do Porto



E2LZ95009215

IEEI

Biblioteca
Fundamental

3b
000696