

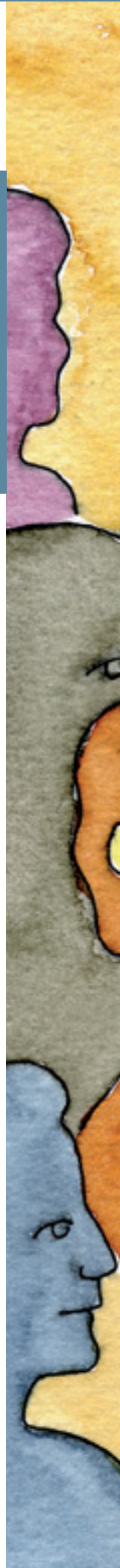


Transforming the Global Crisis into an Opportunity for Cooperation: A Challenge for the European Union, Latin America and the Caribbean

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Abstract

The international financial crisis is affecting not only the economy but also relations between countries and blocs of countries. The impact of the global financial crisis is being felt in the real economy. It affects the flow of trade and cooperation between different regions, and relations between the European Union (EU) and the Latin America and Caribbean (LAC) states. There are significant opportunities for forging a joint perspective towards this critical situation. This, in turn, would generate a greater number of concordances in the G-20, the Doha Round of negotiations on international trade and at the United Nations. The current democratic context in the LAC region serves as a basis for developing a regional agenda as well as an agenda in conjunction with the EU aimed at creating visions, building proposals and establishing courses of action. The need to reach an agreement founded on effective and cooperative multilateralism will generate several converging actions in the agendas and relations between the LAC states and the EU. Whichever agreement or consensus has the strongest political relevance will have the greatest chance of influencing the pursuit of welfare for the highest number of citizens in Latin America and the Caribbean.

Summary of Recommendations

Support should be provided for an inter-regional dialogue with experts from the Latin American and Caribbean (LAC) region and the European Union (EU) aimed at avoiding a repeat of the crisis. This dialogue will help to forge a joint orientation regarding a multilateral financial system, including a voluntary payment system, cooperation between national and regional investment banks, and the creation or strengthening of institutions and foundations that support development and integration projects.

Trust is essential to promoting dialogue, cementing agreements and successfully implementing them. It is important to overcome the lack of trust between leaders and countries. LAC and EU states have established the necessary principles of flexibility and voluntary participation for reaching agreements in substantive areas, but differences and discrepancies between leaders have been an obstacle to reaching agreements and

making such agreements operational. There is a need to formulate cooperative methods to tackle these discrepancies while still being able to make room for dialogue where building up trust takes precedence.

It is important to promote political dialogue as a means to gain weight in global debates. Reaching a consensus on a strategic partnership between the LAC and EU regions would enhance the global weight of both in the global agenda. Substantive agendas must be developed that establish specific, prioritized themes for cooperation and complementation, particularly with regard to the respective integration processes.

An institutional design must be established to carry out these tasks. There are many weaknesses at the institutional level that impede opportunities for assessing and exchanging experience and best practices on such issues as transparency, democratic governance and social and economic policy, as well as violence management, police force capacity-building and intelligence exchanges. The overlapping agendas of the different summit processes serve to weaken them. Such agendas should be interconnected.

More actors should be involved in establishing agendas, promoting a greater degree of openness to civil society organizations and academic institutions in the debate and in the search for public policy options.

The dialogue between the LAC and EU regions means tackling sensitive subjects. The reaffirmation of and cooperation on achieving democratic governance require dialogue and joint action in such areas as migration, drugs, transnational crime and money laundering, as well as in other areas such as peacekeeping operations and the alleviation of natural disasters.

Finally, there is a need to exchange future visions in such areas as energy, climate change, the world food crisis, and demands for infrastructure in the context of bi-regional and global trade.

1. Some Features and Points of Debate on the Crisis

The global financial crisis is affecting not only the global economy but also relations between countries and blocs of countries. The effects have been felt in the real economy in the flow of trade, investment and cooperation between the different regions, including the European Union (EU) and the Latin American and Caribbean (LAC) region. This is not a linear process and the scale of the impact cannot be predicted in terms of its depth and the sectors that will be worst affected.

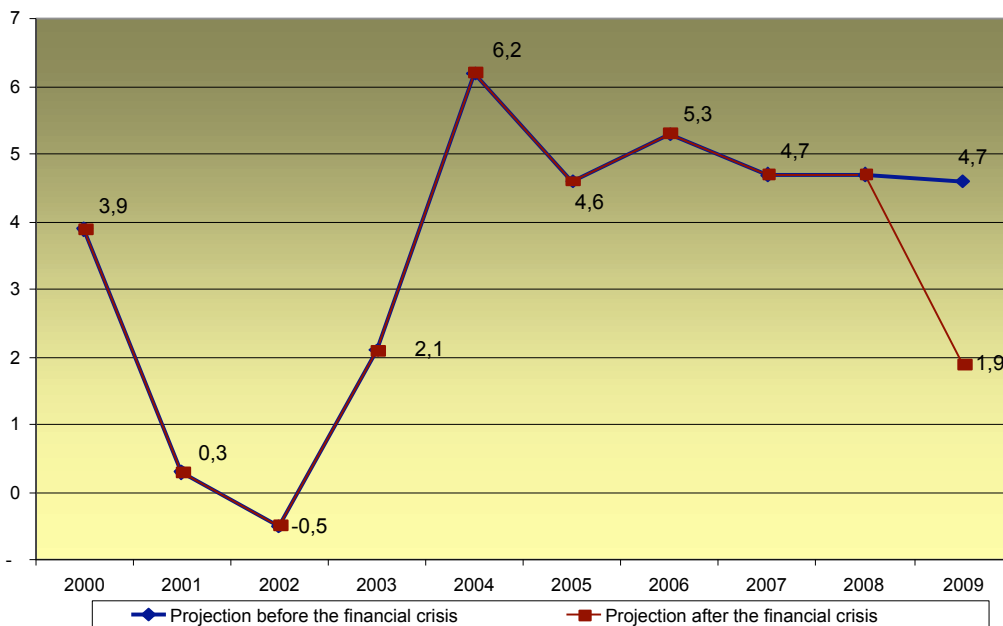
In the past five years, the average annual growth rate in the Latin American economies exceeded 5 per cent. Inflation stayed at generally low levels, credit expanded and there was growth in export industries. As a result, the proportion of people living under conditions of poverty in the region declined from 44 per cent in 2002 to 33 per cent in 2008 (ECLAC, 2008a). Today, the region is faced with the

challenges of designing policies to limit the damage caused by the global recession and implementing effective measures to alleviate its impact on the most vulnerable sectors.

As a result, the proportion of people living under conditions of poverty in the region declined from 44 per cent in 2002 to 33 per cent in 2008. Today, the region is faced with the challenges of designing policies to limit the damage caused by the global recession and implementing effective measures to alleviate its impact on the most vulnerable sectors.

Before the crisis hit, Brazil's economy was growing at its highest pace since the mid-1990s, thanks to increases in the prices of raw materials and credit growth, which had reached unprecedented levels. At the same time, the Gross Domestic Product (GDP) of Peru rose by 10 per cent in the 12 months to September 2008 (Economist, 2008). At the end of 2008 the stock market collapsed, currencies fell in value, credit was cut off and unemployment went up across the globe. The negative impact of the crisis on migrants is shown, among other things, by the decrease in remittances, more restrictive policies on work permits and a rise in deportations.

Figure 1: Economic Growth in Latin America, 2000–2009



Note: Figures from 2008 and 2009 are projections.

Source: ECLAC. Preliminary balance for Latin American and Caribbean economies 2008, www.eclac.org.

Remittances have particular importance for Latin America since the GDPs of many LAC states receive a substantial boost from such flows, particularly from the United States. According to data from the World Bank, 79 per cent of remittances received by the region in 2008 originated in the USA. Despite the steady and counter-cyclical nature of the flow of these remittances, the current economic situation adds a further dimension of uncertainty since the crisis is affecting all the countries of the world. Some experts claim, however, that the fall in remittances will be smaller than the fall in the general flow of private capital. The World Bank estimates that in regions such as Latin America, remittances, which suffered a significant decline at the end of 2008, will decrease slightly in 2009 and recover in 2010 (Ratha, Mohapatra; Xu, 2008).

Two issues in Latin America present a gloomy scenario: the falling prices of raw materials, which affects the region's export industries; and the fact that banks in Latin

Two issues in Latin America present a gloomy scenario: the falling prices of raw materials, which affects the region's export industries; and the fact that banks in Latin America have become much more cautious about credit as a result of the increasing wave of general mistrust in the system.

America have become much more cautious about credit as a result of the increasing wave of general mistrust in the system. Foreign banks have either cancelled lines of credit or extended them for shorter periods with higher interests rates (The Economist, 2008).

There is an urgent need to forge a shared view in order to confront this critical situation. There have been attempts to achieve greater concordance, such as at the 2008 G-20 Summit in London, the Doha Development Round and the United Nations, as well as at different regional and subregional forums and summit meetings. Initial assessments have shown that the results have been very poor. Apart from summit declarations, no short-term goals have been accomplished.

In the case of Latin American relations with the USA, the space for action has been limited to a few thematic areas such as hemispheric security, migration and discussions about trade. Opportunities for forging a common view and for designing a cooperation framework have been significantly reduced in the past five years. The election of US President Barack Obama has brought with it high expectations for change.

Trade relations between the Asian and Pacific countries and the LAC region, on the other hand, have been formalized in the Forum for Asia-Pacific Cooperation (APEC), while the relationship with China has strengthened significantly due to an economic cooperation framework in which Latin America is the region with the second highest level of foreign direct investment (FDI) from China, receiving in excess of USD 500 million (Santiso, 2008).

2. The Impact of International Actors on Latin America: the Role of the European Union

The EU and Latin America are currently focused on formalizing relations through association agreements known as 'fourth generation' agreements. This is happening at a time when both regions are facing significant challenges from both internal factors and the international context.

Relations between the EU and the LAC region took a positive turn in the 1980s. The establishment of one of the first expressions of a common EU foreign policy was translated into a series of subregional and bilateral agreements focused on political dialogue and cooperation. Relations during this period were characterized by strong European support for the democratization processes as well as defence and promotion of human rights in Latin America as a whole. Bilateral relations have become institutionalized in the past 30 years. Five summits involving the EU and the LAC states have been held, and bilateral association agreements with Chile and Mexico are now in place. Negotiations are at an advanced stage in Central America and the Dominican Republic, but negotiations with the Common Market of the South (MERCOSUR) and the Andean Nation Community (ANC) are on hold.

The EU is one of the most important donors to cooperation programmes at the national and regional levels, and also a key actor in the execution of the 'horizontal' cooperation programmes which are being implemented in a decentralized fashion throughout the

region.¹ The global financial crisis has raised questions about whether cooperation in the region will continue at the current level or, if it declines, by how much will it decrease and which programmes will be affected.

Democratic Governance as a Response to Difficult Times

The democratic context in Latin America provides a basis for generating opportunities to agree visions, design proposals, and make policies to confront the difficult times generated by the various crises currently affecting the world. The region now finds itself in a complex situation. According to ECLAC, the deepening financial crisis has had major social repercussions, with 10 to 15 million people falling below the poverty line at the beginning of 2009 as a result of rising food and energy prices (ECLAC, 2008a).

The effects of the world food crisis, the energy crisis, climate change and the financial crisis have significantly increased the vulnerability of many LAC states. Hardest hit will be the marginalized or those who have lagged behind. Poverty, inequality and insecurity will increase, and this will test not only the strength of Latin American democracies, but also whether governments in the region have the capacity to respond to citizens' demands regarding welfare.

Pursuing agreements founded on effective multilateralism will facilitate the convergence of the actions on the agenda for relations between the LAC states and the EU, the USA and at the inter-American level. Priority areas on agendas should be reviewed where countries in the region share a number of similarities (see chart 1). Mutual agreement is the key to successfully tackling priority issues. Global problems will only be overcome with more integration, convergence and cooperation (Rojas Aravena, 2009).

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Table 1: Topics on the agendas of the LAC states

| Inter-regional | LAC – EU | LAC – USA |
|---|---|---|
| International financial crisis | International financial crisis | International financial crisis |
| Development, growth and inequality | Energy | Migration |
| Violence and narcotraffic | Migration | Energy |
| Energy | Climate change, the food crisis, the financial Crisis | Climate change, the food crisis, the financial Crisis |
| Climate change, the food crisis, the financial Crisis | Social cohesion | Narcotraffic and violence |

¹ Examples include the AI-Invest Programme for promoting trade and investment relations, which operates from various European centres and is hosted by private organizations, the ALFA programme in the field of education and the URBAL programme, which deals with municipal matters.

Given the thematic convergence of the main agendas there is a demand to harmonize interests and take action accordingly. If it is possible to advance down this road, visions on integration might converge into a strategic political project. The different initiatives could converge and some will manage to unite the political will of the region to achieve welfare for the greatest number of its citizens.

The End of an Era

The financial crisis is generating various levels of political instability in the democratic governments of Latin America. This is manifested in increased poverty, a higher concentration of income, an increase in social mobilization as well as an increase in violence. Despite the fact that the financial crisis in the USA was sparked by a 'mortgage bubble', its effects have spread to Europe and Asia, and credit restrictions and tumbling stock markets at the global level are impacting strongly on the emerging economies. This is on top of the discovery of widespread embezzlement of investment funds.

Even if the initial problem was seen as a problem of liquidity, the spread of the crisis shows that there is also a problem of solvency which requires strong recapitalization of the banking system. To achieve this it is necessary to re-establish the power of the state so that it can develop measures for regulating and intervening in the market – measures that would end the era of liberalization promoted by the neoliberal model promoted in the 1980s by US President Ronald Reagan and the British Prime Minister Margaret Thatcher and which later led to the 'Washington Consensus'.

This end of an era will necessarily require strong political leadership and a willingness to take the necessary political measures in the face of the crisis since technical solutions alone will not be enough to re-establish widespread trust in the market. The history of

the financial system is a long history of crises, which shows that financial markets do not have the capacity for self-regulation and are prone to become unbalanced if they are not properly regulated by the state.

There are currently many changes taking place in the Latin American region which may be negatively affected by the global financial situation. Among the changes worth mentioning are the recovery and maintenance of democracy, the development of policies to promote economic growth while maintaining a fiscal balance and a continuous, albeit

slow, process of reducing poverty and increasing social inclusion. These efforts have led to the emergence of a 'middle class' in various countries in the region. In the case of Brazil, more than half the population now belongs to the middle class (Revista Veja, 2008: 68). In the words of the vice president of Santander Bank, 'We are in the middle of a revolution: the revolution of the emerging middle classes' (Luzón, 2007).

The effects of the financial crisis include a sharp fall in the prices of exports, primarily minerals and oil, and a marked decline in the GDP of all the countries in the region. According to estimates, growth will decline to below 1.9%, while in some countries, such as Mexico, the economy will contract in 2009. The resulting rises in unemployment could have serious social consequences.

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The new political map of Latin America shows that new actors are emerging, especially indigenous peoples. This new map illustrates a deep institutional crisis and the weakening of political party systems, particularly in the Andean region. A process of institutional redesign is taking place in many subregions (García, 2008). Latin American democracies are facing important demands, which governments need to confront quickly. Citizens are waiting for efficient and effective responses to the various issues on the public agenda. Patience among Latin American societies is running out. The lack of results is causing a rapid decline in the popularity of elected presidents. This is setting the stage for changes at governmental level caused by ‘the democracy of the street’. This movement is able to mobilize a significant number of people in capital cities and other urban centres. The populist tendency to radicalize processes in weak institutional contexts appears to be a significant problem in many countries of the region.

Democracy must deepen and become more efficient. The legitimacy of electoral democracy is beyond question; the issue is how to deepen the global process, and how to advance economies in order to achieve more inclusion and improve social cohesion. The participation of society in designing and executing public policy is essential, as well as in restraining, limiting and acting against corruption which is the most corrosive element for democratic states and the rule of law.

Equally, the historic moment that defines the international system has features that generate limitations and opportunities in Latin American countries. On the one hand, the USA has abandoned the region. Its concerns, today more than ever, are far away from what happens in Latin America and its interests are anchored in other areas. The European Union is also focused on its own political processes and the process of widening the EU. As a result, the widened EU has weakened its links and interests in the Latin American region. Russia, in this context, is re-emerging as an international actor with important capacities, but without any major links to Latin America, with the possible exception of selling weapons. The countries in Asia-Pacific, particularly China, are in the process of linking with Latin America, but this process has its foundations in accessing the natural resources of the region to assist its industrial development and increase the welfare of its population. In the global institutional framework multilateralism continues to be in crisis, in the political as well as the economic and trade dimensions. The United Nations has been weakened as a result of the policy of radical unilateralism carried out by the USA; international financial institutions are delegitimized not only because of the financial crisis but also as a consequence of the negative impact of the Washington Consensus and the failure of the Doha Round of international trade talks, which has weakened the World Trade Organization (WTO).

The global financial crisis and its local consequences in Latin America and the Caribbean are bringing a cycle to an end. The countries in the region must find better ways of agreeing on visions and establishing joint courses of action aimed at influencing the design of new rules for organizing the financial system and the general functioning of the global system of relations – ways that will involve increased multilateralism.

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The Politics of Recovery

This global crisis generates great challenges for Latin American governments that could easily become significant obstacles to democratic governance and demonstrate the dilemmas facing democracy in Latin America. Inequality, insecurity and the lack of social cohesion will test the capacity of states to comply with the demands for the welfare and security of their populations, at a time when economic growth does not exceed 4.6% and estimates of growth for 2009 are even worse. It is possible that democracy in Latin America may be significantly weakened, leading to strong political and social tensions.

In Latin America, presidential governments generally prevail, that is, systems where the head of state plays a crucial role. National constitutions place the president at the centre of government, with a wide range of sovereign powers. However, in many countries the president is not automatically endorsed by a majority in congress. Throughout the history of Latin America, this situation has generated political tensions which have eventually been resolved by open or disguised intervention by diverse factional powers, mainly the armed forces. Today, however, this kind of intervention is becoming more rare. The democratic consensus in the region is very strong. For this reason, breaking the constitutional framework would lead to diplomatic and political isolation and could even result in strong economic sanctions. The Democratic Charter of the Americas and the democratic clauses included in subregional agreements have contributed significantly to preventing instability and the emergence of authoritarian regimes. Even if these agreements alone cannot guarantee stability and democratic governance, it must be acknowledged that they function as a democratic reassurance since they project positive incentives for overcoming tensions and avoiding constitutional rupture. Surveys in Latin America conclude that currently there is relatively strong support for democracy in the region. According Latinobarómetro, in 2007 support for democracy reached 54 per cent (Corporación Latinobarómetro, 2007).

Despite this fact, the levels of discontent which result from the inability of democratic governments to successfully resolve the demands of citizens are very high. Additionally, in 2008 only 44 per cent of those surveyed expressed trust in their government. Faith in political parties is lost. It is important to emphasize that – even though it allows bad leadership to be replaced through legitimate means, and democratic elections enable citizens to express different political tendencies and build new majorities – democracy by itself is unable to guarantee good governance.

A Crisis of Violence

The rule of law, the effectiveness of governments and corruption present new challenges. In recent years democracies in the LAC region have been forced to tackle the challenge of the crisis of the state, the weakening of the rule of law, states' incapacity to guarantee basic global goods to the population and an erosion of political systems (Rojas Aravena, 2008). The weaknesses in the democratic system will inevitably impact on the security of the state and of its citizens.

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Figure 2: Latin America and the Caribbean Growth Estimates

| Country | 2007 | | 2008 | | 2009 | |
|---------------|------|-------|------|-------|------|-------|
| | WB | ECLAC | WB | ECLAC | WB | ECLAC |
| Argentina | 8.7 | 8.7 | 6.6 | 6.8 | 1.5 | 2.6 |
| Bolivia | 4.6 | 4.6 | 4.1 | 5.8 | 3.6 | 3.0 |
| Brazil | 5.4 | 5.7 | 5.2 | 5.9 | 2.8 | 2.1 |
| Chile | – | 5.1 | – | 3.8 | – | 2.0 |
| Colombia | 8.2 | 7.7 | 3.7 | 3.0 | 2.6 | 2.0 |
| Costa Rica | 6.8 | 7.3 | 4.0 | 3.3 | 3.9 | 1.0 |
| Cuba | – | 7.3 | – | 4.3 | – | 4.0 |
| Ecuador | 1.9 | 2.5 | 2.5 | 6.5 | 0.8 | 2.0 |
| El Salvador | 4.2 | 4.7 | 2.0 | 3.0 | 2.6 | 1.0 |
| Guatemala | 5.7 | 5.7 | 2.8 | 3.3 | 3.1 | 2.0 |
| Haiti | 3.5 | 3.2 | 3.0 | 1.5 | 3.8 | 1.5 |
| Honduras | 6.3 | 6.3 | 3.1 | 3.8 | 4.0 | 2.0 |
| Mexico | 3.2 | 3.2 | 2.0 | 1.8 | 1.1 | 0.5 |
| Nicaragua | 3.5 | 3.8 | 2.2 | 3.0 | 1.5 | 2.0 |
| Panama | 11.5 | 11.5 | 7.8 | 9.2 | 3.3 | 4.5 |
| Paraguay | 6.8 | 6.8 | 4.2 | 5.0 | 3.0 | 2.0 |
| Peru | 9.0 | 8.9 | 8.5 | 9.4 | 5.2 | 5.0 |
| Dominican R. | 8.5 | 8.5 | 5.2 | 4.5 | 2.6 | 1.5 |
| Uruguay | 7.4 | 7.4 | 4.7 | 11.5 | 2.8 | 4.0 |
| Venezuela | 8.4 | 8.4 | 5.3 | 4.8 | 1.0 | 3.0 |
| Latin America | – | 5.8 | – | 4.6 | – | 1.9 |
| The Caribbean | – | 3.8 | – | 2.4 | – | 1.4 |
| LAC | – | 5.7 | – | 4.6 | – | 1.9 |

Source: ECLAC. *Preliminary balance of the economies in Latin America and the Caribbean for 2008*. December, 2008. On: www.eclac.org; World Bank. *Economic estimates for the World Economy for 2009: Latin America and the Caribbean*.

On: www.worldbank.org

inclusion. The groups that are most affected by the problem of exclusion are indigenous peoples, women and youth. The absence of efficient mechanisms and policies for satisfying the basic needs of the whole population has provoked an increasing amount of violence, mistrust towards individuals and institutions and social disputes (Rojas Aravena, 2008). It is highly likely that the financial crisis will exacerbate these contexts, aggravating the problems of violence and insecurity in the region.

Food Crisis

The world food crisis, which reached its peak in 2008, and a change in the consumption patterns for agricultural products such as corn, sugar and soy in order to generate energy triggered a significant increase in food prices. The crisis was linked to the economic situation as well as rising energy costs and speculation in the commodity markets. The crisis also had structural causes, such as the stagnation of agricultural productivity and rising demand for basic grains, sugar, oil and meat (Grynspan, 2008).

The rapid rise in food costs provoked outbreaks of violence in different parts of the world, including certain Latin American states. This generated a regional consensus which was to prioritize agricultural production on the public agendas, especially that of small and medium-scale producers. In 2009 food prices receded to their levels at the beginning of 2008. Many of the factors that have jeopardized the food security of millions of people, however, have not been dealt with.

3. An Agenda of Common Interests

The common interests of the EU and the LAC states could be consolidated by agreement on issues such as democratic governance, social cohesion, public and citizenship security, migration, climate change and sustainable development. The EU has fewer opportunities to influence the LAC agenda despite the fact that it offers more assistance to the region than the USA. The USA, however, continues to have more economic and political influence in Latin America since it is the most important trading partner for the majority of the LAC countries, even though it is perceived to have abandoned the region and the region has undergone significant changes which have led to an increase in its autonomy.

Weaknesses in the integration process and the differences between the Latin American countries continue to be significant challenges for negotiations between the EU and

the LAC states. The differences are not only in the approaches to negotiations but also in the development strategies implemented by each bloc, in addition to a rather weak institutional architecture in the supranational context. This presents important challenges in terms of designing a common agenda aimed not only at establishing a free trade area but also building a Latin American identity that goes beyond national contexts (Altmann, 2008). The diversity which characterizes the Latin American region prevents it from acting with one voice. Progressive economic integration is divided into two models: one in the north and centre of the continent and the other in the south (Ayuso, 2008). In the north, for instance, NAFTA and SICA are more geared to the US market but also more dependent on it and more vulnerable to events in that country. In the south, the Andean Community, MERCOSUR and the Union of South American

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Another factor which influences relations between the EU and the LAC states is the development cooperation agenda. In this context, the issue is whether the asymmetries between the EU and Latin American countries will be included and taken into account in addition to the asymmetries between Latin American countries, particularly those which negotiate in blocs with the EU.

It is important to highlight that cooperation – even more than political dialogue – generates important expectations in the countries that negotiate Association Agreements. Some governments consider cooperation with Europe to be an alternative that will lead to a better and stronger continental balance than that offered by cooperation with the USA, particularly since trade agreements with the USA do not always include cooperation project funding.

It is important to emphasize the need for an institutionalized political dialogue which goes beyond political parties and governmental institutions, one in which inclusion of civil society is crucial. Currently, relations between the EU and the LAC states originate from the political parties and social actors. However, these ties have been weakened in both regions by discredited and weakened political parties and the emergence of new political actors. One option is to pursue political dialogue which is more open to parliaments and civil society, which in turn would contribute to the re-establishment of such ties (Sanahuja, 2008).

We are seeing an emergence of social movements from civil society that aim to restore human rights, the environment, the rights of indigenous people and those of African descent as well as of other groups that strive to vindicate gender rights. These movements generate difference and a diversity of contributions. Some non-governmental and civil society organizations are invited by governments as ‘guests’ and they demonstrate tendencies to negotiate for participation in summits. There is, however, a lack of stable and efficient mechanisms for participation, and these result in little or no influence on the official agenda. Other NGOs and CSOs make more of a contribution, creating social movements which oppose neoliberal globalization and creating a debate in which various excluded sectors can participate (Echart, 2008).

The state has a significant role to play in the pursuit of social cohesion. The EU can share with Latin America and the Caribbean its successful experiences in consolidating and sustaining a welfare state while still taking into consideration some of the differences between the two regions, such as regional diversity where income differentials per capita among the Latin American countries are four times higher than the maximum difference in Europe, and the average income in Europe is four times the level of that in Latin America. The Gini coefficient in Latin America exceeds Europe by 20 points (CEPAL, 2008). On the other hand, debates regarding issues such as identity

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One of the points to be prioritized in the EU-LAC agreements is the issue of migration and remittances. As is noted above, the latter has become a key part of the globalization process in the labour market. Aspects such as promoting flexibility for the mobility of workers, acknowledging academic degrees and diplomas, policies focused on human rights, and

special support for remittances must be taken into account, especially in the context of the global economic crisis. Despite the implementation of more restrictive migration policies, and even a growing collective xenophobic sentiment, the flow of migration has not been affected by the crisis or by the policies implemented to tackle it. Instead, the opposite is true. There are common interests between the EU and the LAC states. The issue is how to reconcile Latin America's demand for differentiated treatment of its emigrants. The directive on return adopted by the EU in 2008 has been widely criticized by Latin American countries (Sanahuja, 2008).

Energy could also become one of the aspects of a joint agenda due to the complementarity between the energy-producing and energy-consuming regions, and the cycles of demand and supply between countries with different technological capacities. However, one big obstacle to achieving this is the fragmentation of the market and the regulatory framework, as well as the supremacy of national policies in contrast to regional visions. A bilateral regional dialogue in addition to EU cooperation could promote a physical interconnection, and help to create common markets for energy and a regional strategy for energy supply security.

Finally, in economic terms it is necessary to reconcile the economic structure with sustainable development since sustainable economic growth must be based on the real capacity of available natural resources to generate such growth.

4. The Crisis as an Opportunity for Europe and Latin America

Relations between both regions have until now been characterized by good intentions, but with few results to show for these. Of the six association agreements that have been concluded, only two have entered into force and these were negotiated bilaterally with Mexico and Chile. The subregional negotiations with MERCOSUR and CARICOM have stagnated, while negotiations with CAN are at an initial stage in view of bilateral agreement with Peru and Colombia, and relations with Central America are at an intermediate stage where a negotiation at bloc level will eventually be successful.

Latin America needs to adopt social and economic agendas which complement and strengthen each other at the national and regional levels, and to strengthen integration as a development tool. To achieve this, political will and a degree of commitment from the Latin American states will be essential in order to recognize the importance of integration mechanisms, political agreement and multilateralism.

Both regions face a number of challenges. There is a need to adjust social cohesion to

its specific context and make it more operational because social cohesion has a different meaning in each region. The opportunities for transferring systems and institutions from a national context to a subregional context and consequently to an international context are very limited in Latin America. There are plenty of bilateral trade agreements between countries and blocs, but these are not always compatible and often achieve insufficient results. In addition, Latin America continues to be justifiably criticized for its regionalism, which is perceived by some governments as a way of maintaining neoliberal tendencies and as emerging from classical concepts of sovereignty, which reject strong institutionality and supranationality (Altmann, 2008).

The political and regional contexts have changed in Latin America. Democracy is the norm, but the advances in the struggle against poverty which have taken place in the region will be affected by the crisis and it will become increasingly difficult to reach a common vision and strategic direction. In this context, summit diplomacy will continue to play an important role. It has striven to reach agreement on standpoints and on courses of action, but the results have been very disappointing. Currently, the positive aspects generated by summit diplomacy have been limited or minimized by an oversupply of integration initiatives which, paradoxically, ends up limiting regional integration. There are four Latin American integration macro-projects: the Mesoamérica Project (formerly Plan Puebla Panama), the Union of South American Nations (UNASUR), ALBA (the Bolivarian Alternative for Latin America and the Caribbean) and the Río Group. Various subregional initiatives also exist, on which there is practically no coordinated action or agreement. This is further demonstrated by the excess of summits and the number of commitments.

More than 53 summit meetings took place in the LAC region between January 2007 and the first trimester of 2009. This means that the presidents and heads of state met every two months, and on these occasions thousands of agreements between member states and the associated states were adopted. In this context, it becomes very difficult for any ministry to follow up on such agreements. It also makes it very difficult for research or technical teams from civil society to contribute to improving proposals (Altmann-Rojas Aravena, 2008).

Subregional initiatives account for half these initiatives, which show that summit diplomacy fails due to the low degree of coordination between the different summits, the lack of follow-up and effective monitoring of agreements, and the emphasis on short-term solutions, as well as the excess of initiatives that leads to the diffusion and saturation of presidential agendas.

Designing a regional agenda would provide significant opportunities for finding joint solutions to global problems such as the current financial crisis. This can only be achieved with better integration and more multilateral cooperation. Forging a common view and a joint strategic project will be essential for issues that go beyond the financial crisis, such as development, growth, equality, violence, energy, narcotraffic, climate change and social cohesion. All these issues are included in an inter-American dialogue with the EU and other international actors.

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This paper makes nine specific recommendations in order to generate convergence: (a) improve the timing of the different summits; (b) interconnect the agendas in order to avoid overlapping issues; (c) limit the number of issues on each agenda to facilitate an in-depth analysis of each issue; (d) establish an international design that facilitates the completion of each task; (e) promote political dialogue as a means to gain weight in the global debate; (f) establish permanent mechanisms that enable different forums to be kept in their own contexts; (g) overcome the mistrust which sometimes exists among the most senior leaders of countries; (h) move forward the debate on the most urgent issues; (i) involve other actors in the design of agendas or in supporting them.

Consolidating these issues in the long term will increase legitimacy for a joint integration system, which in turn will generate a renewed perception of summit diplomacy as an effective contribution to promoting consensus, acknowledging changes in sovereignty, granting value to regional identity, involving new actors in the debate and establishing a conceptual framework that enables joint strategies to be established.

5. Development Cooperation as a Response to the Crisis

The current financial crisis can be seen as a chaotic unfolding of the 'global imbalance', which requires not only a temporary stimulus but also long-term solutions. Joseph Stiglitz outlines at least three such solutions: (a) reversing the tendencies to increased inequality through a progressive increase in the tax burden and cooperation commitments from the developed countries by increasing financial foreign aid to 0.7 per cent of GDP; (b) investing in technology and innovation in order to respond to global warming, which will result in a drastic change in living patterns and global transportation systems; and (c) the creation of a system of global reserves in US dollars, Euros and Japanese Yen to help promote development, stimulate aggregate global demand and tackle the problems of global warming (Stiglitz, 2009).

The results of regional summits have demonstrated concordance among the Latin American countries in considering regional integration and their institutions as exclusive forums for tackling global and regional issues. Moreover, the official declarations in these summits illustrate the sentiment of the region with regard to the responsibility of the developed countries for the current global financial crisis. Despite this, the Latin American nations have shown an interest in and a serious willingness to actively and jointly participate in designing an international response for the recovery of global financial stability, and, in the process, for transforming the international financial architecture, regarding both processes as fundamental to their own development.

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In sum, the crisis can be seen as an opportunity for the LAC region, provided that multilateralism is consolidated as the best tool for coordinating policies and defining new global and regional architectures which can provide stability for the financial system, as well as adopting complementary social

and economic agendas to strengthen regional integration as a development tool. On the other hand, achieving inclusiveness, that is, acknowledging the new global reality characterized by a strong tendency towards a plurality of centres requires coordination since there is no longer a single hegemonic power. This is particularly evident in the

economic and financial contexts. Therefore, the recommendations of the G-20 Summit should be legitimized by wider and more pluralistic entities such as the World Trade Organization, and even a special conference of the United Nations. The Latin American and Caribbean Summit in Brazil in December 2008 demonstrated this willingness, as did the Rio Group. The political expression of the region must be accompanied by a clear political will. In this journey Latin America and the Caribbean must meet with similar interests and expressions congruent with the EU. Both regions have significant responsibilities in the face of the crisis.

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