



Robert Schuman

*STRATEGIC HEMISPHERIC OBJECTIVES
FOR THE NEXT DECADE*

- Karl Buck*



Jean Monnet/Robert Schuman Paper Series
Vol. 4 No. 10
October 2004

This publication is sponsored by the EU Commission.

The Jean Monnet/Robert Schuman Paper Series

The Jean Monnet/Robert Schuman Paper Series is produced by the Jean Monnet Chair of the University of Miami, in cooperation with the Miami European Union Center.

These monographic papers address issues relevant to the ongoing European Convention which concluded in the Summer of 2003. The purpose of this Convention was to submit proposals for a new framework and process of restructuring the European Union. While the European Union has been successful in many areas of integration for over fifty years, the European Union must take more modern challenges and concerns into consideration in an effort to continue to meet its objectives at home and abroad. The main issues of this Convention were Europe's role in the international community, the concerns of the European citizens, and the impending enlargement process. In order for efficiency and progress to prevail, the institutions and decision-making processes must be revamped without jeopardizing the founding principles of this organization. As the member states negotiate the details of the draft constitutional treaty, the Jean Monnet/Robert Schuman Papers will attempt to provide not only concrete information on current Convention issues but also analyze various aspects of and actors involved in this unprecedented event.

The following is a list of tentative topics for this series:

1. The challenges of the Convention: the ability to govern a supranational Europe or the return to intergovernmental cooperation?
2. How did the member states figure in the framework of the Convention?
3. The necessity to maintain a community method in a wider Europe.
4. Is it possible for the member states to jeopardize the results of the Convention?
5. The member states against Europe: the pressures on and warnings to the Convention by the European capitals.
6. Is it possible that the Convention will be a failure? The effects on European integration.
7. Similarities and differences between the European Convention and the Philadelphia Convention of 1787.
8. The role of a politically and economically integrated Europe in the governance of the world.
9. How important is European integration to the United States today?
10. The failure of a necessary partnership? Do the United States and the European Union necessarily have to understand each other? Under what conditions?
11. Is it possible to conceive a strategic partnership between the United States, the European Union and Russia?
12. Russia: a member of the European Union? Who would be interested in this association?

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**STRATEGIC HEMISPHERIC OBJECTIVES
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Miami, Florida
October 2004**

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STRATEGIC HEMISPHERIC OBJECTIVES FOR THE NEXT DECADE¹

I would like to emphasize how much I was impressed by the opening speeches by Commander in Chief General J.T. Hill and R. Millett, by their approach and analysis which are largely similar, or compatible with views in the European Union, which I shall present. On certain things we may put the emphasis differently, or even disagree. But on one thing we agree: there needs to be a better, broader dialogue between the two sides of the Atlantic. This conference, I understand, is held in that spirit. I welcome this opportunity to contribute to it.

The European Union in the World

The United States is the only military superpower in the world today, due to its huge budget for defence spending, 750 bases in the world, and its technological advantage. The United States has enormous power and influence, but not unlimited: military power is indispensable in certain situations, but does not solve political or social problems. The United States is also very strong economically, but not nearly so dominant. The European Union has a similar GDP, is an equal trading power. Also, East Asia holds 70% of foreign currency reserves. In addition, the United States has ballooning deficits.

In his afterword to "American power and the crisis of legitimacy", R. Kagan comes to the conclusion that: "Europe is too weak to be an essential ally, and it is too secure to be a potential victim". There is much truth in this quote, just like in the following one, again from Kagan: "Europe matters because Europe and the United States remain the heart of the liberal, democratic world. The liberal, democratic essence of the United States makes it difficult, if not impossible for the Americans to ignore the fears, concerns, interests and demands of its fellow liberal democracies." The European Union may not be a global power, but it is a global player, a power in the world. True, the European Union continues to punch below its weight in the United Nations and the international financial institutions. The European Union provides 37% of the UN's regular budget and around 50% of all UN Member States' contributions to UN funds, programs and agencies. Its impact is not commensurate with this level of contribution.

With 25 Member States, the Union will comprise 15% of the membership of the United Nations. It is uniquely placed to formulate, agree and carry forward joint positions in the United Nations and the Bretton Woods institutions. EU-25 is potentially a world player, an actor ready to share in the responsibility for global security. Having listened to the earlier speeches on the positions of individual European states on Latin America, I stress that in this field, too, the total is more than the sum of its parts.

On the economic level, the European Union is already a global player with its population of 450 million, its GDP equal to 25 % of the world. The European Union is the leading trading power, the first global donor of official development aid (ODA), with 26 billion USD in 2001

¹ Luncheon Speech at the U.S. Army War College Conference, Miami – March 17-19, 2004.

compared to the US 11.4, as well as of humanitarian aid (47% of global assistance vs. US36%). In this context, it is noteworthy that unlike some other donors, the European Union does not see ODA as a means of securing short-term foreign policy objectives. Note also that unlike US aid, EU "aid" refers only to development assistance and does not include military or private international assistance.

In Latin America, the European Union is the first or second trading partner for all countries. From 1990 till 2002, EU imports from Latin America increased from 26,7 to 53,7 billion Euros, and exports to Latin America rose from 17,1 to 57,5. With the obvious exception of Mexico, the European Union is the first investor, particularly in nontraditional sectors, thus allowing for considerable added value in the countries. After a peak in 2000, European FDI diminished; however, the total stock grew from 176,5 billion to 206,1 billion Euros. The European Union is by far the most important donor of civil aid, more than the United States and Japan together (about 60%). Since 1996, the EC budget alone (i.e. without individual donations from the 15 Member States) has totalled more than 500 million per year. Latin America receives three times more EU aid per capita than other developing areas in the world. To quote the recently adopted European Security Strategy -ESS-: Trade and development policies can be powerful tools for promoting reform. The European Union and the Member States are well placed to pursue both goals, trade and aid.

The European Union is also a powerful political actor, although it still has some way to go, even more so as concerns military capacities. I shall therefore concentrate more on non-military policies. To put it simple: the European Union certainly has far more carrot than stick capacities - but not just because of lack of the latter. It is also a matter of approach. And there is an intrinsic value in being a non-military power. Take as an example the EU's role together with some Latin American partners in putting an end to civil wars in Central America and in the post-conflict area. In our relations with Latin America – including with more "difficult " partners – whenever possible, we prefer dialogue, persuasion, cooperation, yet we are not naïve: dialogue does not always settle problems in this complex world. But, I dare a pun: rather than denouncing an "axis of evil", we try to get "access to evil" to change things. Where the United States sees a dangerous world, many in the European Union, until recently, saw a complex world. But it is also true that a large part of the EU population was somewhat unclear if it really wanted a multipolar world or one led by the United States, with the European Union in a privileged position.

The New Situation in Latin America

Various speakers described and analysed the important evolutions in Latin America since the early 1990's, so I can limit myself to highlighting the essential aspects. Democracy has become the normal way of installing governments and doing politics. Latin America has made enormous efforts in opening its economies to the world. They have the right to expect now that globalisation is not a zero-sum game. Latin American countries strongly assert themselves politically as a region striving for an active, independent role including as a global actor and the European Union supported this from the start. We seem even to be more confident than some Latin American speakers at this conference. Let me stress in this context the coordination between the European Union and Latin American countries on a number of matters of common

interest in international fora, in particular the UN system; they are becoming more and more regular exercises to sound out common ground.

There are, however, persistent shortcomings which obviously start having an impact on the security situation: continued grave social inequality and exclusion, suboptimal economic interrelatedness; regional integration processes seem more advanced in Presidential declarations than on the ground.

The European Security Strategy (ESS) - The Voice of the European Union on Security Matters

We sometimes forget that our ambition to build a common foreign and security policy is still in the early stage. We began this task only in 1993, with the entry into force of the Maastricht Treaty. Being a relative newcomer on the global scene, drawbacks were regrettable, but not altogether unexpected. They did not prove that a common foreign policy is impossible, they showed how badly we needed one! The European Security Strategy is a direct response to that conclusion. We did our homework, and we have achieved a lot in a short time. In the security field, we have "someone whom you can phone when you want to talk to Europe", the High Representative Javier Solana. We have created new structures, including our Institute for Strategic Studies, and developed new capabilities. We have deployed those capabilities in the field, in the Western Balkans and in Africa. We have moved from a phase of theory to a phase of practice. The ESS is the result of a remarkable convergence of views on security issues between EU Member States, coming from various historical backgrounds and with a vast array of government coalitions and public opinions on military matters. An authentic and distinctive European voice in security issues has been confirmed.

The old "set" of dangers in the world has been enlarged; not only are we confronted with failed or failing states, but new dangers are found in the combinations of threats: terrorism capitalising on the persistence of regional conflicts; criminal organisations acquiring weapons of mass destruction, whether through theft or collaboration with States, or through collapse of State structures; collusion between fundamentalists, cyber-terrorists and international criminal organisations. Distant threats have the potential to gravely affect Europe's security. There are no more borders – neither for threats and crises, nor for solidarity and the shared will to create an other world.

The geo-strategic scene has been transformed. The process we describe as "globalisation" has facilitated the easy movement of people, goods and ideas, but also of grievances, criminality and weapons. I strongly recommend reading the report of the ILO Commission on the Social Dimension of Globalisation, recently published. The Union has not stood impassive as the world around it changes. The imminent enlargement of the Union is itself a response to the contemporary challenges, reinforcing political stability and economic security on our own continent. One of the core elements of the international system is the transatlantic relationship. This is not only in our bilateral interest but strengthens the international community as a whole.

What are the major elements of the ESS ?

1. **Responsibility:** as the European Union grows, we have a duty to assume our responsibilities for security – to our own citizens, to our neighbours and, more widely, for global security. We could, in theory, walk away from these responsibilities – but we could not escape the consequences of doing so. The recent horrible attacks in Spain showed EU countries are now part of the terrorist battlefield.

2. **Neighbourhood:** I would not go into it here, but for an enlarged European Union, countries such as Georgia - I mean not the lovely US state next door - are neither remote nor distant.

3. **Effective multilateralism:** it is not enough to say we support multilateralism. We must be prepared to make it work. Making it work means extending the scope of international law. It means reforming and strengthening multilateral institutions. Kissinger's recommendation is right, but not only for the US policy: "The dominant trend in American foreign policy must be to transform power into consensus, so that the international order is based on agreement rather than reluctant acquiescence."

You are aware that the European Union is strongly in favour of promoting rule-based order through international law. Effective multilateralism requires a strong commitment to upholding, developing and implementing international law. It has an indispensable role to play in fostering good governance and domestic rule of law, thereby making an important contribution to prevent state failure; it helps to address the inter-related problems of conflict, poverty, underdevelopment and the absence of human security. Where international order is based on agreed rules, we must be prepared to ensure the respect of these rules when they are broken.

In this context, a functioning International Criminal Court is also essential for the European Union, which strongly encourages Latin American and Caribbean partners to join us in ensuring the principles of universality and integrity of the Rome Statute. Like many of them, we see no convincing reason in bilateral non-surrender agreements on the basis of Art.98. I note with much interest General Hill's remarks on counterproductive effects of the U.S. legislation against those countries who do not "comply."

In the light of recurrent financial crises in Latin America, the reform discussion within the International Financial Institutions should be strongly supported in view of increasing their universal legitimacy and effectiveness. We should consider ways to enhance the voice and effective participation of developing and transition countries, for example by rebalancing voting powers. To quote the Commission on Social Dimension of Globalization: "There is a serious democratic deficit at the heart of the system." Others would say, a need to reform it. Let me add in this context, that the European Union is also examining Latin American and Caribbean proposals for international funds supporting democracy or alleviating poverty.

4. Effective multilateralism also implies fostering closer **regional co-operation**. Action, coherence and capability will be vital, but will not be enough unless Europe strengthens relations with its strategic partners. Threats are never more dangerous than when the international

community is divided. For this reason in particular, the transatlantic link between Europe, the United States and Canada is irreplaceable. For forty years we were partners for reasons of geopolitical necessity. Today we are partners of choice. As such, we must choose to work together to address our shared responsibilities, since none of us, however powerful, can deal with all the problems alone. Better co-operation is the key to effective multilateralism, and is our best weapon against the threats we jointly face. Regional organisations also strengthen global governance, e.g., ASEAN and MERCOSUR can make an important contribution to a more orderly world. We encourage and cooperate with them to do so.

5. ESS has a **comprehensive approach** to security; one that pays as much attention to the causes of threats as to their consequences. Globalisation brings more freedom and wealth, but millions have been excluded from its benefits. Globalisation's potential to generate new frustrations must be addressed. To quote again the Commission on Social Dimension of Globalization: "We seek a process of globalization with a strong social dimension based on universally shared values, and respect for human rights and individual dignity; one that is fair, inclusive, democratically governed and provides opportunities and tangible benefits for all countries and people."

Poverty is not the only source of conflict, nor is it a justification for conflict. Indeed, social research shows that it is rather frustrated expectations that cause rebellion. But poverty and deprivation are breeding grounds for discontent and anger. A world that is fairer is also a world that is more secure. Security is a precondition for development. Democracies do make the world safer. Conflict not only destroys infrastructure, including social infrastructure; it also encourages criminality, deters investment and makes normal economic activity impossible.

6. A final theme is **prevention**, a particularly difficult task, but essential. Today's threats are dynamic ones. Left alone, they will become more dangerous. At this conference, various speakers referred to Haiti and our common failure to prevent the mounting crisis, or at least to intervene at an earlier stage. There was agreement that this should no longer be allowed to happen - but reactions from the region show how difficult this is not only on a military level, but also because of political sensitivities. I mentioned earlier that the European Union is already operative in peacekeeping and police missions, in particular in the Balkans and Africa. In Haiti we are in the process of reactivating possibly hundreds of million Euros, some of which had been frozen because of persistent violations of human and civil rights in the recent past. In Latin America, the EU's assistance covers conflict prevention projects notably in the Andean region.

The European Union has an early warning mechanism, a regularly updated watchlist of countries. There is general agreement in the EU institutions and Member States that using all policy areas and achieving the appropriate policy mix is key to increasing the Union's impact in international affairs.

Looking ahead: The EU's 2010 Headline Goal actually under discussion, has the objective that in 2010, the European Union should be able to respond with rapid and decisive action in the whole spectrum of crisis management operations covered by the Treaty of the European Union. This would include humanitarian and rescue tasks, peace-keeping, combat forces including in crisis management, joint disarmament operations, support for third countries in combating

terrorism, and security sector reform. The European Union must be able to act before a crisis occurs, and retain the ability to conduct several operations simultaneously.

Security Progress in Latin America

Reading the outcome of the recent OAS Special Conference on Security in Mexico in October, 2003 shows that our analyses and objectives are very similar. Differences lay mainly in capacities, instruments or some priorities. I noted that some speakers considered the outcome as insufficiently operational. To be honest, at the European Union level, there are few contacts with Latin America on security, and mostly in the past. (But even US SOUTH COM Chief General Hill complained he had to operate with a mere 0.22% of the defense budget). However, some of our Member States are known to have such contacts, to offer advise, help, support and intelligence in certain countries, e.g. in Colombia. A dialogue on confidence-building measures, agreed between European Union and RIO Group Ministers in 1994, had a promising start, but was put to rest after few high-level seminars.

In the light of panels 2 and 3, I need not go into details on progress on security in Latin America. We strongly appreciate the commitments of all Latin American countries, such as to the Tlatelolco Treaty, making it a denuclearized region. The European Union has given support to the implementation of the Compromiso de Lima (17 June 2002) and the Andean Charter for peace and security and the limitation and control of the expenditure on foreign defence. The United Nations Center for peace, disarmament and development in Latin America and the Caribbean, in Lima, deserves our support.

Regular conferences of defense ministers of the Americas can be important contributions to regional security. Regional confidence-building measures in recent years did substantially improve relations and security in the hemisphere, in addition to growing yet insufficient economic interrelatedness. Just recall some years ago, during a border conflict between Argentina and Chile, energy transfer continued over the Andes just as normal business. This is the kind of concrete implementation of the spirit of joint security perception, Francine Jacome was looking for in her panel.

The European Union has actively participated in the meeting of the UN Department of Political Affairs on Governance of Security sector in Latin America, in early 2003, and will continue to do so; in this context, the EU Council Presidency established first contacts with OAS in late 2003. The European Union welcomes and financially supports subregional initiatives, such as control and reduction of small arms. This is an important, concrete contribution to security - after all, there are more daily victims in Latin America by small arms than, as it were, by atomic weapons. What is needed, is that such initiatives in Latin America are effectively implemented. There are some worrying signs of recent resurgence of some ghosts of the race towards armament – this would be the wrong answer to the wrong kind of today's threat perception, as other speakers stressed!

I shall now discuss more in detail, and with examples for certain countries, some aspects of how the European Union is dealing with the political, economic and social causes of security problems.

Fight Against Terrorism

Long before becoming itself a victim of large-scale terrorist acts, the European Union has underlined, with words and actions, its solidarity in the fight against terrorism. Following 9/11, the European Union regularly assesses risks of terrorism, including in Latin America and the Caribbean. In recent agreements with third countries, Political Dialogue and/or cooperation on terrorism is foreseen. In addition, the European Union decided that as an essential clause, non-proliferation of Weapons of Mass Destruction shall be inserted in future agreements, or added to existing ones. The EU's clearing house has a list of what the European Union considers terrorist groups. We also have good cooperation with the United States. In the light of the terrorist attacks in Spain, as well as of internal reports - made public - on insufficient use of existing instruments, the European Union has taken more concrete steps end of March.

The European Union is strongly convinced that the fight against terrorism cannot be waged at the expense of established, basic, shared values such as respect for human rights and the rule of law. Not doing so, risks to prolong or create new conflicts. This is, for example, the essence of the EU's message to Colombia, which was renewed in the EU Council's conclusions on Colombia in January 2004, just before President Uribe's visit to Europe. The European Union strongly supports President Uribe's efforts for political, economic and social reforms, to develop a fully functioning democratic state throughout the territory of Colombia, consistent with the rule of law, respect for human rights and international humanitarian law, and the welfare and safety of the citizens of Colombia. The European Union also fully supports his fight against terrorism, illegal drugs and related crimes, and his search for a negotiated solution to the internal armed conflict. The European Union reiterates its willingness to assist a peaceful solution, within the framework of a comprehensive peace strategy the Government should work out. The European Union has actively cooperated at the 10 July London conference of international support for Colombia. In 2003 alone, the EU's non-military contributions amounted to some 300 million Euros, the figures for 1998-2002 are 556 million Euros - which makes us the leading ODA donor.

On the other hand, the European Union recommended to modify the ley alternativa, which some wrongly call the law on impunity, and is not at ease with the passing of judicial powers to security forces. We consider that the recommendations of the London Conference as well as those of the UNHCHR deserve better than being rather selectively followed. There is international concern that the paramilitaries are just trying to buy their way out politically. Any large-scale amnesty, in particular if covering serious crimes, would be a very bad signal not only to the FARC and ELN. The European Union asks Colombia to also respect the rights of victims, not because we are bleeding-heart softies, manipulated by NGO's, as some seem to see it, but for reasons of sustainability of the peace process and of the rule of law. Let's be concrete: otherwise, according to reports of the International Crisis Group, paramilitary leaders would be on the way to become a new political and economic elite: according to the International Crisis Group, in addition to land-stealing by extortion and forced emigration, landbuying has become a most effective way of drug money-laundering. In fertile areas, 40% of the best land were acquired this way.

Various EU countries are part of the Group of Friends. The European Union strongly supports international good services and efforts, notably by the UNSG and the Catholic Church, to maintain contacts for a peaceful solution with the illegal armed groups. We cannot but regret that actually there is little, or even negative and provocative response mainly from the FARC. As concerns the ELN, contacts are also difficult – it seems to have lost interest or confidence in Cuba's mediating role .

A final word on the listing of terrorist groups. Unlike the FARC and AU, the ELN was not on the EU's list, until the EU Council decided so on 4 April 2004. This certainly looked inconsistent, but was due to historic circumstances, and linked to hopes for humanitarian solutions. We are all in a dilemma: while listing such groups is well founded on moral or political grounds and well received by the public, political and humanitarian contacts are nearly impossible if they are listed.

Drugs

Drugs are not only a continuous threat to life and health, but also to democracy and even regional security because of the close links between drug cartels and terrorist groups, "narcoterrorism". These links exist not only in Latin America. The European Union is committed to the fight against drugs on the basis of principles of co-responsibility, it favors positive, i.e. non-repressive action in producing countries, a global and balanced approach tackling both demand and supply . The European Union tries to tackle the problem with various instruments and at multiple levels: political or expert dialogue, trade, cooperation.

The Mechanism for Co-ordination and Cooperation on Drug-related Matters between the European Union, Latin America and the Caribbean, an initiative that originated at the meeting of the European Council in Madrid in December 1995, is the framework for dialogue to deal with the drug problem and related crimes in an effective and consensual way. At the first EU-LAC Summit 1999 in Rio, both sides adopted an action plan. The Mechanism's 5th high-level meeting was held in Cartagena/Colombia on 29-30 May 2003. Over seventy projects or activities are under way in this context. Special attention is given to four priority areas: demand reduction, money laundering, alternative development and maritime cooperation, and to control of precursor chemical diversion, criminal networks and exchange of information and experiences on new illicit drug trends, in particular synthetic drugs.

Together with Latin America, we undertake joint efforts to dismantle the components of the world drug problem as an important contribution to the fight against terrorism. Some Latin American and Caribbean countries develop relations with Europol and with Eurojust. Recently, an agreement was signed between Europol and Colombia. In addition, the European Union has a specialised dialogue and cooperation with the Andean Community: Alternative development projects are ongoing in Colombia, Bolivia and Peru, a monitoring centre was supported in Venezuela. An important project on precursors control is run in the Andean area.

The European Union is more than the United States centred on "soft eradication", linked with fostering alternative production. Drug cooperation projects with Latin America and the Caribbean total some 120Meuros. Our Peace Laboratories in Colombia are not just a societal

utopia, but a concrete way of alternative living. To avoid negative impact for these by US fumigation measures, we established a functioning dialogue at Bogota. For many years the European Union has granted a Special anti-drug Generalized System of Preferences to the Andean and Central American countries. This means in reality, that 70-90% of Andean exports already enter the European Union tax free.

Dialogue, trade and aid aspects are also essential components in recent agreements with Latin America. We have concluded and put into practice "Association Agreements", which include Free Trade Areas, with Mexico and Chile, negotiations with Mercosur are under way and should be concluded this year. Central America and the Andean ask for similar agreements. In the light of its own experience, we also strongly support regional integration, which not only reinforces a region's impact on the international playing field, but is also a strong expression of confidence, mutual understanding, shared objectives, and more and more important in the fight against the mobile drug producers.

Recent analyses tend to confirm the EU's approach to drugs: According to the Andes 2020 study of the Council on Foreign Relations, the U.S. Plan Colombia risks to fail in the long haul, with drug production merely shifting to other countries, notably Bolivia. John Heimann, former Comptroller of the U.S. Treasury and one of the report's authors, stressed that security issues, drugs, corruption, poor land distribution, income inequalities and other problems need to be tackled multilaterally; addressing these issues on a country-by-country basis is doomed to failure. Lieutenant General Daniel Christman (retired), senior Vice President for International Relations of the U.S. Chamber of Commerce, said the current plan did little to prevent replanting and affected poor farmers more than rich drug cartels. We share the view of Peter Hakim, President of the Inter-American Dialogue: Destroying the livelihood of coca growers without providing alternatives is likely to be self-defeating and undermining the governments' capacity and credibility – including ours!

Before moving to other subjects, let me stress again our common interest in combating drugs everywhere. According to DEA Chief Karen Tandy, U.S. drug users supply the international drug trade with 65 billion per year; the Madrid attacks were financed by hashish trade - in this situation, for our own security, we all must focus ever more on demand.

Economic development, social cohesion, democratisation and regional integration are priorities which most thoughtful policy makers in Latin America see as inextricably linked, mutually dependent and have an impact on security. There is a certain amount that the European Union can do, and does, to help. But since the focus is on causes, not symptoms, it is absolutely clear, and only right, to acknowledge that real change is in the hands of Latin American governments' countries themselves.

Good Governance and Development

The Joint Council and Commission Statement of November 2000 on EC development policy identified institutional capacity-building in the area of good governance as one of the six priority areas for EC development policy. Council conclusions on governance and development in September 2003 further operationalised this approach. The ESS states the following:

The quality of international society depends on the quality of the governments that are its foundation. The best protection for our security is a world of well-governed democratic states. Spreading good governance, supporting social and political reform, dealing with corruption and abuse of power, establishing the rule of law and protecting human rights are the best means of strengthening the international order.

In all its agreements, the European Union negotiated as an essential clause (in terms of the Vienna Convention, i.e. allowing to suspend the agreement in case) that the respect of the principles of democracy and Human Rights underpin the internal and external policies of the parties. It is worth highlighting that this clause originated from requests of Chile and Argentina in the early 1990s, to protect themselves against any return to dictatorship. We are glad we did not have to apply it.

Meanwhile, we added a clause on Good Governance. Similar, more elaborate clauses figure in the Cotonou agreement with ACP, and were in the past applied i.e. on Haiti. Our agreements also include a clause on corruption, certainly a worldwide problem all societies have: but the effects of corruption are worse the poorer a country is. Nobody, and in particular not a democratically elected President should not be allowed to get away with hundreds of millions stolen from his people or received from drug trafficking. Through such clauses, the European Union is aiming at a worldwide community, a global public opinion supporting democracy, human rights and good governance.

In recent EU-US consultations on Latin America in Washington, ASS Noriega stressed that Latin American governments, with income from trade, FDI and remittances have considerable means to pass through to their people, and that countries with good governance, like Chile, demonstrably show better performance – we cannot but agree!

In this context, we note an evolution which could have worrying effects on regional security, particularly but not only in the Andean area and Central America. Old elites and their parties lost confidence, and new, so far excluded segments of society came to power. This is in its own way a welcome proof of democracy, but highlights old and new problems which must be adressed urgently. Old elites are out of power, but still have structures links and experience. New elites are in power, but lack efficient underlying structures and organisations. There are some risks of undemocratic challenge for power and frustration. True, there is some impact of effects of globalisation to which Latin American elites made important advance steps by opening up economies. But not all can be blamed on Globalisation. The European Union tries to support good governance through the instruments I already mentioned:

- policy dialogue for defining priority areas on governance-related matters on the basis of each partner country's priorities.
- development assistance including projects, sector programs, budget support and trade agreements. Budget support can be given where appropriate, for example to Bolivia, one of the main beneficiaries of EU ODA in Latin America: since 1976, this country received over 500 Meuros from the European Community alone (i.e. not counting aid by our individual Member States). In recent years, Bolivia got an average 300 Meuros from EC and bilateral aid from Member States.

- The Country Strategy Paper for 2002-06 foresees 126 million more; the European Union also contributes to the actual budget deficit crisis.
- The "Country and Regional Strategy Papers" give the countries/regions concerned a clear view of what they can expect for a number of years, and for which priorities. Some of these have recently been reoriented towards good governance and institution-building. These Papers are subject to mid-term reviews, and jointly established with sovereign partners who keep "ownership" of their national development strategies.

Bolivia also benefitted from the HIPC Initiative: since 1998, it received 1,8 billion USD in debt relief. Phil Chicola of the State Department stressed that the country, so rich in gas and more, does have considerable resources - it must use them and quickly decide so. To give a further example: as concerns Peru, at a donors' conference held in October 2001 in Madrid, the European Union pledged around 600 Million Euros in support of the Government's Social Emergency Programme "A Trabajar".

Let me end this chapter with a reference to migration - often an outcome of insufficient development and chances. The European Union and Latin America and the Caribbean have started a dialogue on this problem, a very real one: in Spain alone there are said to be nearly half a million of Ecuadorians. Spain has started to legalise many foreigners at a rythm of up to 1,000 a day.

Equality, Social Cohesion

As said above and highlighted by other speakers, social exclusion and inequality are time bombs.

I don't want to sound sanctimonious or paternalistic: fighting inequality and securing cohesive societies are overriding priorities not only for Latin America but for the European Union as well. For all our rhetoric about European social policy, visible and unacceptable inequalities also remain within European societies. Some 15% of EU inhabitants (56 million people) in 1999 were at risk of living in poverty and over half of those (33 million) suffered from a persistent risk of poverty. It takes me a 10 minutes walk from my house to enter Brussels' Thirld World; true, it does look different from favelas or callampas.

But the problems of social cohesion are ever more acute in the Latin American continent. On a scale of 0 to 100, where 100 represents total inequality, Latin America sits at 53.9, much higher than the world's average (38), and even higher than Africa! The World Bank estimates that the richest 10% of the population of Latin America earn 48% of total income, while the poorest tenth earn only 1.6%. And as the Inter American Development Bank has pointed out, if income in Latin America were distributed just as it is in the countries of South East Asia, poverty in the region today would be only a fifth of what it actually is. This is important not only on humanitarian grounds, but also as advise for practical, self-interested politics. Halving the population of poor people means doubling the size of the market; and strengthening the

commitment of those who are currently marginalised by the democratic system. There is little dispute over the negative correlation between inequality and growth.

As a friendly observer, I believe Latin America can no longer put off social and fiscal measures that respond to the needs of a significant part of the population. In our cooperation programs, negotiated with beneficiaries, we respect a country's sovereignty - but this means in reverse, that how/if they want to develop is primarily their choice and responsibility. International solidarity can be decisive, but not a substitute. The cynic definition of development aid of the 1960's " Taxing the poor in the rich countries to pay the rich in the poor countries" shall no longer apply.

The relation between sound economic performance and political stability is clear-cut, and works both ways. A worrying recent poll by the Latino Barometer indicated that 52% of the population in the continent felt that they could live under an authoritarian regime if it delivered better economic conditions for their daily lives. How to counter this? As former Brazilian president Henrique Cardoso said, governments should boost their effectiveness, and citizens must learn to demand their rights without violence. I couldn't agree more.

Cardoso raises the two important questions:

- First, effectiveness. It is not enough to set up democratic institutions; they must work. Electoral systems must function properly. Political parties must be truly representative. Government policies should reflect a genuine social contract, which includes not just the protection of individual rights but also social solidarity to support the most vulnerable. The independence of the judiciary must be guaranteed. There are sometimes situations difficult to assess and to react to, namely when a democratically elected President is obviously not respecting the rule of law. The German/British professor Lord Dahrendorf recently raised this dilemma - and concluded that, if a choice were to be made, rule of law should prevail.
- The second question is the civil, peaceful exercise of political and social rights. In democratic societies there should be no place for violence. Citizens must feel confident in legal and institutional channels to exercise their rights. Violence and social turmoil can be symptoms of a lack of an effective political system. The resulting instability further discourages investment and growth.

Regional Integration and the EU-LAC Bi-Regional Strategic Partnership

One way to tackle social cohesion can be regional integration. Economic integration will create a bigger market and attract more foreign investment, growing but fair competition, and greater negotiating clout. It is also important for stability and conflict prevention. Closer co-operation can be a catalyst for democracy and improved human rights; regional integration is an expression of compatible, and even common objectives, giving priority to what unites us.

Regional integration reduces dependency and vulnerability, and offers protection against external shocks. Current trade between Latin American countries is weak and declining:

according to the WTO, the percentage of intra-regional merchandise exports in Latin America fell by 10% in 2002; 7% in the Andean countries; and an alarming 33% in MERCOSUR. In 2002, intra-regional exports in Latin America amounted to only 15.4% of total exports (and a mere 6.6% in the case of Peru), compared with 40.3% in North America, 48.9% in Asia, and 67.3 percent in Western Europe. Unless this trend can be reversed, Latin American markets will continue to operate well below their potential. We probably need less Presidential conferences in Latin America and more seminars of experts on customs, trade nomenclature, single export forms etc. We need "efficient", not just legally valid decisions in integration, as Peru's MFA recently set out in his speech on Andean integration. To illustrate that individual Latin American countries have limited trading clout: Brazil is the number one trade partner for the European Union in Latin America, but globally only our trade partner number fourteen. The European Union trades more with Vietnam than with Venezuela, more with Kazakhstan than with Colombia, more with Bangladesh than with Peru, more with Mauritius than with Ecuador, and more with Aruba than with Bolivia.

Let me add that in the European experience, economic integration without accompanying measures for social and regional solidarity risks to create centres and marginalised areas, winners and losers. Integration should not simply follow a commercial logic. The European Union is not the consequence of the market, but of political decisions.

The actual EU -Presidency, Ireland, is an outstanding example of the impact of the combined effect of our solidarity instruments and sound national policies for development. From some 65% of the EU average GDP per capita at the moment of accession just 30 years ago, Ireland has skyrocketed to nearly 130%. The European Union wants regional integration to be a win-win situation. It gives considerable advise and support to such processes in Latin America . However, sometimes we feel like the preacher in the desert.

Our bi-regional Strategic Partnership with Latin America and the Caribbean was created at the First EU-LAC Summit 1999 in Rio, strongly promoted by Spain and Portugal, but with the support by all 15 and through a very active German EU-Presidency. This Partnership, as well as our agreements with Latin American countries and regions, including our FTA's are not silent on internal disparities. Unlike NAFTA, they foresee manyfold cooperation sectors and instruments and aid over and above trade.

Our cooperation assistance ranges from projects on institutional support, customs harmonisation, technical norms and standards, statistical harmonisation, to the involvement of civil society.

Besides effective multilateralism, social cohesion is the major item on the agenda of the Third EU-LAC Summit, to be held end of May in Guadalajara. In collaboration with the World Bank, the Inter American Development Bank, the UNDP, ECLAC, and relevant experts, we drafted concrete proposals for policies fostering social cohesion for approval by our Heads of State Summit in Guadalajara, e.g. in areas like social and fiscal policy and regional and international co-operation. Before the Summit, the European Commission intends to launch an additional €30 million programme aimed at developing public administration networks, in particular in the sectors of justice, health, education and taxation.

Let me end with a quote from the **ESS: Working with partners**: There are few if any problems we can deal with on our own. The threats described above are common threats, shared with all our closest partners. International cooperation is a necessity. We need to pursue our objectives both through multilateral cooperation in international organisations and through partnerships with key actors.

The transatlantic relationship is irreplaceable. Acting together, the European Union and the United States can be a formidable force for good in the world. Our aim should be an effective and balanced partnership with the United States. This is an additional reason for the European Union to further build up its capabilities and increase its coherence.

NB: While this speech is very largely based on official EU policies and language, the overall responsibility for the text is mine, and the opinions expressed in it do not necessarily reflect those of the Council of the European Union.