

Keynote speech

OAS Headquarters Washington D.C., November 30,  
2012

**Event: Lectures of the Americas: „ EU – LAC  
relations: towards a new partnership”.**

Dear Secretary General

Dear Director of the Department of International Affairs,  
Mr. Jorge Sanín,

Excellencies..

Ladies and Gentlemen,

It's a great honor and pleasure for me to be here today in my capacity as an Honorary Chairwomen of the European Union – Latin American and Caribbean Foundation, the **EU-LAC Foundation**, a function that I exercise as an Honorary Chairwomen and I would like to thank you for the invitation to speak about “ EU-LAC relations towards a new partnership”, here at the Headquarters of the Organization of American states (OAS) in Washington DC.

My conviction about the relevance of the partnership between the European Union, Latin America and the EU

has been a cornerstone of my political and diplomatic career: First, as Secretary of State and Minister of Foreign Affairs of Austria and later on, as European Commissioner for External Relations and Neighborhood Policy.

If I look back, I think that over the years we have consistently been strengthening the **Strategic Partnership**, initiated in Rio de Janeiro in 1999, and I believe that the present and the future hold many **opportunities** to continue doing that. Of course there are **lots of challenges** but I tend to see them as a **chance to renew our partnership**.

The relations between Latin America and the Caribbean on the one hand and the European Union on the other have already seen some **centuries of shared history** with "**light and shadow**".

Both regions have had already an institutionalized relationship for more than 4 decades and, from the Summit of Rio de Janeiro onwards a **Strategic Partnership** between EU and LAC was created, thus giving a **framework** to the bi-regional relations between the two continents, comprising a total of 60 countries, the 27 of the EU and the 33 of LAC.

The relations take place in an international system in transformation into a new paradigm. That affects its proper rationale and objectives as well as its agenda and priorities and leads to a rebalancing of our relationship.

The Continent to Continent relations started already during the Cold War period, with the Centro-American conflict and the democratic transition in the 80's, then adapted to the Post-Cold-War-scenario in which, together with the consolidation of democracy, new economic interests arose and both regions tried to reaffirm their respective regional integrational projects and our Strategic Partnership is still a very relevant instrument when reaffirming our shared values which distinguish us within the international system.

The bi-regional summits, the preparatory process and events have allowed us to consolidate a fruitful political dialogue, which contributes to forging common positions in the international arena thereby also leveraging our respective roles and aspirations on the global stage.

Broad Association Agreements were signed between the EU and Mexico, Chile and Central America; Multiparty Agreements with Peru and Colombia and

**Economic Partnership Agreements** with the 13 CARIFORUM countries. The EU and its Member states account for more than 60 per cent of Official Development Assistance (ODA) directed to the region apart from additional financial support from the **European Investment Bank**.

**However, we need to do more!** Times have changed, and we have to find the best ways to advance our **partnership to make it even more relevant to our citizens**.

A **persistent gap** between the **governmental and the non-governmental spheres** in reality led to the creation of our **EU-LAC Foundation** during the last EU - LAC summit in Madrid in May 2010.

The **EU - LAC Foundation** has its Headquarters in Hamburg, Germany, but works with four strategic partners, in Europe with “ **I’ INSTITUT DES AMERIQUES**” in Paris and “**la Regione Lombardia**” in Milan and in LAC with CEPAL in Santiago de Chile and FUNGLODE, the Foundation of the former President of the Dominican Republic, Lionel Fernandez, in Santo Domingo.

We want to promote a more participative partnership. Therefore, we want to connect the non-governmental sector of EU and LAC with each other and bring them closer to the agenda of the government of both regions and the mandate of our Foundation is to particularly strengthen the voice of the entrepreneurial and the social sectors.

We aim to strengthen channels and mechanisms of dialogue, and are determined to impact on key areas of the Strategic Partnership. Among our priority working areas are eg.: Social cohesion or inclusion, including employment creation (by dual vocational training) and the fight against poverty, sustainable development and here particularly the question of investment of social and environmental quality, innovation, science, technology and education and a very specific emphasis on the role of small and medium enterprises. (here eg. also “clustering”!)

I just come from Santiago de Chile, the Foundation is working very closely with the Chilean authorities in the preparation for the next bi-regional Summit, the first Summit “EU CELAC”, that will take place in the third week of January 2013. There the foundation organized a

very important seminar with the media, editors and opinion leaders of all the countries of EU and LAC, to talk about the future achievements of the Foundation and what can be done to promote knowledge between each other that is still rather scarce. We think that it is crucial to **communicate** what we achieve together so that finally the citizens of both sides of the Atlantic know what we are doing.

Excellencies...

Ladies and Gentlemen..

The context in which the relations between LAC and the EU are embedded has changed over time; and the speed of this change is unprecedented. And as I said before, this provides us with great challenges and opportunities.

We, have been witnessing gradual but steady shifts in the global **architecture and balance of power**, and the **distribution of wealth**. The **North Atlantic area** has lost some of its relevance whilst the **center of economic and political gravity** has been shifting more towards **Asia and the Pacific**.

New and powerful actors have emerged such as China, India, Brazil, Russia, South Africa and others and 3 countries of LAC are members of the G-20, Argentina, Mexico and Brazil. This implies new options for diversification in international relations. These are relevant for both the EU and LAC when strategizing about their choices of regional integration, their insertion into the global economy and their potential allies on the global stage.

Moreover, we are going over a period of sustained financial and economic turmoil on a global scale with Europe at its very heart.

The recession in the euro zone effectively represents the biggest threat to recovery of the global economy. For Europe a potential “lost decade” is at stake with profound social implications.

Europe’s economic downturn contrasts sharply with the generally positive performance of the LAC although the region does certainly not offer a uniform picture. From a regional perspective LAC economies have shown a considerable degree of resilience towards the financial crisis.



The **roles of LAC and the EU** seem to be somehow **inversed**. After two decades of fighting against the bad image of LAC, after the tough adjustment programs, prescribed by the IMF, World Bank and after having lived through the crisis of 1987, 1995 and 2008, **LAC** finally seems to **have achieved “the turn-around”**. Many countries of the region are today even considered examples of successful economic programs and reforms.

Two thirds of them grew at rates above 3 per cent last year, and for 2012, the Economic Commission for LAC and the Caribbean (**ECLAC or CEPAL**) expects a **regional growth rate of approximately 3.2 per cent and 4 per cent in 2013.**

**Indicators of poverty and inequality** have **improved significantly** and reached **record lows** in the past 20 years. **Unemployment will** fall again as low as 6.4 per cent in 2012, and last year, the region has received US \$ 153.448 billion from **Foreign Direct Investment (FDI)**: another record and by the way, the greatest Foreign Direct Investor has still been Europe, also still the strongest economy of the world with more than € 25.000 GDP per capita and 500 Mio. Consumers.

However, in 2012 **Foreign Trade in LAC** will have suffered from the current recession in the Euro zone. The lack of economic dynamism in the United States

and Japan, and the slowdown in China's and other emerging economies' growth.

In this changing context where the asymmetries that have been existing between the two regions become more balanced, the Strategic Relationship has indeed to redefine its rationale and objectives as well as its instruments of cooperation to maintain fluidity, dynamism and the capability of providing answers to the challenges and to transform them into opportunities.

The LAC economies are indeed exposed to global uncertainty and volatility and they also suffer from a series of structural weaknesses that, if unaddressed, could hamper the positive outlook for the future.

Governments need to develop growth models that mitigate the region's traditional over-reliance on commodities and the implied vulnerability to global demand and price fluctuations.

The global context calls for structural change to enhance productivity in LAC. Governments also need to foster innovation and competitiveness and improve the education of their growing work force.

Current prospects for sustained economic growth represent a **unique opportunity** for governments to increase national budgets for **education, training and R&D**. This opportunity must not be missed.

On the World Economic Forum's **Competitiveness Index** for 2011-2012, many Latin American countries have improved their score, namely Brazil, Mexico, Peru and Panama. Chile remains the most competitive economy in the region. However, in the field of **innovation** all countries under-perform vis-à-vis the OECD average and emerging economies such as China.

Innovation is crucial to **increase productivity** and move up in the value chain beyond simple production processes and products. This is a key challenge, especially for the region's middle-income economies in their struggle to avoid falling into the "**middle income trap**".

On a **positive note** though, nowadays Latin America is benefiting from a **relatively stable macroeconomic environment**.

According to a new ECLAC report, **small and medium size enterprises** (SMEs) can be **catalysts** for structural change in the region via driving up productivity.

For this **to happen**, the right public policies and greater coordination is needed to help SMEs overcome obstacles in terms of access to financing, human capital and innovation.

**Small and medium sized enterprises (SMEs) must play a central role in** unleashing Latin America's growth potential and creating higher quality jobs. They represent an overwhelming majority of private enterprises in the region: SMEs account for 99 per cent of businesses and employ 67 per cent of employees.

However, their contributions to GDP and overall productivity are low: whereas large firms in Latin America have productivity levels 6 times higher than those of SMEs, this difference is only 2.4 times in OECD countries. A common problem for SMEs is not so much their size, but their isolation in the productive structure, which makes them unable to scale up production and specialize.

Towards a renewed EU-LAC strategic partnership...

Productivity, Innovation, Science and Technology, Research and Development, Education and Training – including Vocational Education and Training-, Entrepreneurship and SMEs are all areas where the EU-LAC Strategic Partnership has unfulfilled potential and would enormously benefit from quickly adapting to new realities and intensifying cooperation.

Both regions seem to have reached a consensus on this. Also, these areas can co-exist with traditional objectives, such as poverty reduction and social cohesion and sustainable development. As a matter of fact, they would reinforce them.

The EU – LAC Foundation will support this new agenda of cooperation. We will play a key role, for example in the EU-CELAC Business Summit, and the EU-CELAC Academic Summit, that for the first time in the bi-regional summit history will take place before the Summit of Heads of State and Government.

We put forward this idea in order to make sure that the voices of business leaders from both regions will actually be heard in time, this is that their

**recommendations** can be included in the **final declaration of the official summit.**

Ladies and gentlemen,

I also believe that the United States (US) would be an **excellent partner** to be included in the areas mentioned above.

Historically, ties between Latin America, Europe and the US are strong. Our **three regions are natural allies**. Besides some differences, we represent a **Transatlantic Community of Values**. These include peace, democracy and the respect for human rights, the rule of law, sustainable development and the fight against poverty.

Developing **human capital and entrepreneurship** is an **extremely promising area**, in which we can **capitalize on existing efforts** and **create new synergies**. There could hardly be a **“low-policy”** issue **of more strategic importance** for all of us.

Both European and Latin American **business culture** is **traditionally risk-adverse**. They could learn from our **US-American counterparts** to see failure not as a shameful defeat but as the price of eventual success.

I was invited to the **Transatlantic Task Force on Latin America**, convened by the **Atlantic Council**. The mission of the Task Force is to examine the trilateral relationship with the aim of establishing a new era of dialogue and partnership between political, business, and opinion leaders of Europe, Latin America and the US.

The work of the Task Force is based on the recognition that a **stronger trilateral relationship must be one between equals** paying tribute to Latin America's **growing strategic importance**.

In any case, the EU **should position** itself to **contribute to structural change** in Latin America and the Caribbean, as **structural change** will **eventually lead to sustainable growth**, growth with equality and environmental sustainability.

As Executive Secretary of ECLAC, Alicia Bárcena said, this means **“qualitatively transforming the region’s production structure to strengthen knowledge-intensive activities and sectors in order to generate a higher number and quality of jobs”**.



*The upcoming EU-ELAC Summit of Heads of State and Government in Chile .....*

**Quality investments** are another area where our partnership can generate real added value. The upcoming EU-CELAC summit in Santiago de Chile in January 2013 on Sustainable Development via the promotion of social and environmental quality investments reflects this.

After all, the **EU** remains the **leading foreign investor** in Latin America and the Caribbean. In the last decade, 40 per cent of the received total of foreign direct investment (FDI) was of European origin.

If guided thoughtfully, FDI can contribute to strengthening the **specialization of production** in Latin America and the Caribbean. This in turn, if accompanied by appropriate public policies can foster more inclusive societies.

**European investments** are **highly diversified** and very important in several **strategic sectors** of the LAC

economies, in particular in the banking and energy sector, including renewable energies.

Moreover, transnational European companies have a strong presence in extractive industries, manufacturing and services as well as in many areas that are generally associated with a high technological component and great export potential.

In general, **advanced forms of economic cooperation** are becoming ever more relevant for the bi-regional partnership.

Besides the promotion of quality FDI, this includes **policy-dialogues on** macroeconomic stability, technology transfer, support for research, development and innovation and policies to increase international competitiveness and market access, including regional integration and the promotion of SMEs as agents of structural change.

Excellencies,

Ladies and gentlemen,

The EU has a long-standing track-record in supporting regional integration in Latin America and the Caribbean. Throughout the last decade, a sort of “new regionalism” has emerged in the region showing indeed extraordinary dynamism. As a consequence, the map of regional integration has changed resulting in an admittedly complex set of sometimes overlapping processes and institutions.

Today, regional integration in Latin America is more political, less trade-centered, pragmatic and flexible. The issues of infrastructure and connectivity are being important catalysts. In any case, this new regionalism is key to combat the risk of deindustrialization, boost intra-regional trade and foster development in the region.

The creation of the Community of Latin American and Caribbean States (CELAC) clearly shows the political will in the region for greater consultation in the area of foreign policy, increased coordination in a range of policy areas and dialogue with third actors, such as the EU or others.

This can only be seen as a mayor achievement given that significant ideological differences co-exist throughout the region which impact directly on the preferred options for a country’s integration into the global political economy.

In any case, the EU –albeit struggling to overcome its very own crisis- remains a **distinct partner and source of experience** in the area of regional integration.

Indeed, the solution, to the EU's problems **can only be more and not less integration.**

Excellencies,

Ladies and gentlemen,

Cooperation is not a choice but a necessity. Our **governments all strive for growth, sustainable development and job creation.** This may result in **different policy options** given different stages of development, but we need to **recommit to policies** of productivity, sustainable growth and economic integration within our own regions and in our relationship with each other.

The better we understand the challenges of our times the better we can respond to them.

I personally think that the President of the Inter-American Development Bank (IDB) Alberto Moreno is right to speak about the "DECADE OF LATIN AMERICA", LA Decada de America Latina.

**Permit me to say this in Spanish:** A lo largo de estas páginas, he querido transmitir que en el panorama económico y social de América Latina y el Caribe se abre un nuevo horizonte. Esta perspectiva promisorio – hay que insistir – no es una **certeza, sino una gran oportunidad** en **nuestra compleja historia**. Aprovecharla requiere entender las transformaciones fundamentales que están ocurriendo en el planeta, al igual que continuar el rico proceso de cambios y reformas que han comenzado a render sus frutos, pero que necesitan ser más amplios y profundos.

Thank you... Muchás Gracias