



Institut Interdisciplinaire pour les Relations entre l'Europe, l'Amérique Latine
et les Caraïbes - IRELAC

IRELAC POLICY COMMENTS 2018/01

IRELAC INPUT FOR THE HRVP-COMMISSION ON LATIN AMERICA AND THE CARIBBEAN

IRELAC
22 February 2018

I. Background remarks

- 1. ALC is much more important for the future of the EU (competitiveness, geopolitical and societal aspects) than what rough figures suggest now and what past trends make people to think since LAC region has been losing market shares in world trade as well as in EU trade.**
- 2. Beyond short-term views, LAC area is the most reliable and attractive strategic partner the EU needs for its own success in a globalized world:**
 - Liked-minded societies**
 - Economic complementarities due to the technological and logistic gap as well as integration lag between the two regions**
 - LAC has become the least integrated region in the world (15% of intraregional trade against 55% in Asia)**
 - LAC's participation in Global Value Chains (GVCs) has lagged behind other emerging regions**
 - Therefore, LAC represents a huge potential of common interests to exploit together for improving joint participation to Global**

Value Chains (GVCs) in a context of increasing competition from emerging Asia and Trump's protectionist orientations: win-win game to cooperate for LAC's intra-regional and EU-LAC bi-regional integration

- Significant common ground and values for enacting joint-positions inside Multilateral Organizations (especially WTO, UN, IMF, WB, Environmental issues, etc...) and need to exploit the fact that EU-CELAC coalition could act as the most powerful (biggest) group on geopolitical theatre
 - Big advantage: EU-CELAC benefits already from having the instruments and resources for reaching these objectives: the Summit Diplomacy with its 3 parts (Economic Associations, Cooperation, Political Dialogue) and its ambitious goal to build a Strategic Alliance between the two regions
3. Socratic question any citizen and tax-payer should address to the EU: why 2 decades already spent without reaching concretely this Strategic Alliance (or at least more tangible results)?
 4. Therefore, there is an urgent need for reshuffling the Bi-regional Summit Diplomacy...Easy to say but not to.

II. IRELAC Proposals

1. Bi-regional cooperation (and communication) should allow for making more obvious common interests and opportunities, with existing tools and resources: exchanges of experiences between EU and CELAC should involve all stakeholders and actors, diplomats, policy makers, academics, business, NGOs
2. Rename the Summit Diplomacy target in "Bi-regional Pact for job & growth"
3. First purpose is to improve private and public actor's awareness by making profitable to strengthen together the GVCs to which both producers belong. Productivity potential growth is enormous for both regions by organizing two-way technological transfer between EU and CELAC in a strategy for SMEs joint competitiveness on GVCs:
 - weakest/smallest producers benefit more from being brought into a GVC thanks to technological transfers and access to final markets, in a fast and cheap way, generating a lever effect in the local environment,

- wide productivity gaps allow for complementarity opportunities to be exploited in mutual interests along the GVC in a double dynamic: lower costs for inputs for the most advanced partner, opportunities for outsourcing beneficial also to both partners (new jobs in both regions as competitiveness increases along the GVC, see Germany/Austrian case with Eastern Europe)

Enormous mutual benefits from respective knowledge of local markets, implementing EU technological advantages in LAC increases directly LAC productivity, which in turn makes both partners more competitive, which in turn implies more jobs and upgrading on GVCs for the LAC as well as for EU.

4. Second main purpose of deepening bi-regional integration is to improve social inclusion:
5. Inefficiencies in both regions come mainly from services which affect directly and indirectly manufacturing and exports but also social conditions since in globalization the competition in tasks (not any more in products) makes efficient services and logistics the key for beneficial participation to GVCs
CELAC handicap is easier to correct, since service productivity gap depends more on information and local actions and regulations
Room for fast improvement is bigger than in EU (“catching-up”) and bigger in services, and cheaper to improve by bi-regional cooperation tools. Technology transfer is more profitable than elsewhere
6. EU-CELAC cooperation should spur LAC regional integration, the highest obstacle to socio-economic development in LAC; concretely by finding together solutions to supply chain barriers, which prevent the proper operation of companies and, therefore, can reduce logistics costs affecting small and medium-sized enterprises in particular
7. Spurring a deepening of Economic Association with freer mutual access to markets as a “real policy” necessity for improving Total Factor Productivity – TFP in both regions
8. High priority to give to academic and scientific cooperation, concretely to implement the common space for Higher Education, Science, technology and Innovation.
9. This requires to integrate better the bottom-up movements of both Academic Summits and Business Summits, in particular by organizing common sessions between Business and Academic Summits just before Heads of State and Government Summits
10. To restructure the 10 Chapters of the 2015 Brussels Action Plan (EU-CELAC) along 3 axes:

- **Spurring Regional integration for growth and social inclusion around Chapter 3 “Regional integration and interconnectivity to promote social inclusion and cohesion” covers precisely the needs and means for spurring regional integration; a crucial instrument is still missing: a bi-regional dialogue on macroeconomic policies, important element for the sustainability of regional and bi-regional integration, increasing the group EU-CELAC weight in IMF reforms and decisions (IRELAC papers also available on this specific point)**
- **Building conditions for resiliency and sustainability, with Chapter 2 “Sustainable development” together with Chapter 4 “Migration”, Chapter 6 “The world drug problem”, and Chapter 10 “Citizen security” in order to build a coherent framework with instruments for resilience;**
- **Stimulating innovation, productivity and social inclusion around Chapter 1 “Science, research, innovation and technology”, Chapter 5 “Education and employment to promote social inclusion and cohesion”, Chapter 7 “Gender” and Chapter 9 “Higher education” should allow for finding solutions to the productivity stagnation and its social impacts.**

