

Report: JMN International Conference *Latin America and EU regionalism: Towards a cooperative way-out beyond the crisis*

The international Conference “*Latin America and EU regionalism: Towards a cooperative way-out beyond the crisis*” was organized by the **Jean Monnet Network “Crisis – Equity – Democracy for Europe and Latin America”**, and took place on the 10th of January 2019, at the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), in Santiago de Chile. It aimed at comparing the outcomes of the crises in Latin America and Europe since the Global Financial Crisis in 2007 and to propose solutions and ways out of the current situations in both regions of the world.

The conference was organized in four different sessions, introduced by an opening session and a keynote speech and closed by a conclusion panel. Each session was followed by an opened discussion during which the audience could address questions to the panelists.

In the opening Session, **Christian Ghymers Hanot and Bettina Guilherme**, coordinators of the Jean Monnet Network, presented the project and its aims. Moreover, **Mario Cimoli**, Deputy Executive Secretary of the ECLAC Commission in Santiago, insisted on how important those topics are for both regions and how crucial it is to open the debate on a Bi-regional basis and rethink multilateralism together. He also reminded that the ECLAC commission and the EU have been working together for Sustainable development goals and will issue soon an important document.

The audience had the honor to listen to Governor of Central Bank of Chile Mario Marcel’s Keynote Speech. **Mario Marcel** explained that Latin America is much more heterogenous than the UE, especially from a macroeconomic perspective, but that both regions are facing vulnerability and political uncertainty due to current crises. He also mentioned the role of China in Latin America since 2000 and its impacts since the 2008 crisis.

The first session was called “**How to turn the crisis into an opportunity for Europe**” and counted with the participation of three speakers: **Stephany Griffith-Jones** (Director, Initiative for Policy Dialogue, Columbia University, Emeritus Professor Institute for Development Studies, Sussex University, London, and IRELAC researcher), **Christian Ghymers** (President of IRELAC, Vice-President of Triffin Foundation, past adviser to the European Commission), and **Simone Romano** (Senior Fellow, Istituto Affari Internazionali, Roma). The session aimed at discussing the crisis and its outcomes in Europe, in order to overcome the current situation. Particular attention was given to financial issues.

The first speaker, **Stefany Griffith Jones**, gave an optimistic speech about the new initiatives put in place and their future impact because tools do exist and could be crucial for the urgent need to restore sound growth for fighting populism, after the mistakes in the crisis management. With unemployment around 8% in Euro-area and much higher than 3.7% in the US. Investment rates are too low, especially public investment which went down. Germany with 8.5% of external surplus (in spite of the EU rule to prevent surplus above 6% but which is not respected)

has significant room for maneuvers. She recommends making a fiscal expansion plan centered upon SMEs, green projects and infrastructures, reminding Boffinger's proposal to increase by 1% public investment without including it in the deficit limit of 3%. The Juncker's plan is an interesting way to create a leverage on private investment through the EIB and channeled to economies in needs. But financial sector has not done its job properly and must be complemented by new regulations and public development banks, in order to provide counter-cyclical finance, to finance structural transformation and development, funding where market gaps (long-term finance) and externalities exist (renewable energy), as well as leverage public resources. Macro-prudential regulations has to compensate for pro-fiscal bias of private finance. All this coherent plan is feasible. Unfortunately, in Latin America the trend is towards a decrease in Development banks, losing a useful instrument for mobilizing private investments.

The second speaker, **Christian Ghymers**, shared a more pessimistic view on the crisis, declaring that it is a deep systemic crisis with financial capitalism working against real productive capitalism, trapping our societies into a vicious circle: policy mistakes developed economic insecurity and citizen's distrust in their institutions paving the way for populism which impedes the needed reforms through more rational and deeper integration. Only solution is to break the "prisoner dilemma" (which blocks intra-EU progress) with a mix of conditional solidarity and market-conform discipline for correcting the caveats in the Euro-area governance. He explained the reasons behind the EMU failure: lack of a genuine central bank and the inevitable divergence in real interest rates provoked by the single currency which created macro-disequilibrium with speculative capital movements feeding them. He presented the axis of a way-out of the crisis: the ECB financing the European Stability mechanism (solidarity) when long-term adjustment plans are approved by the ECOFIN (responsibility through conditionality) and supported by financial markets sanctions (spreads with red bonds versus blue bonds warranted by the EU). The EU has an urgent need to defeat populism, meaning defeating insecurity as well as mistrust in political parties and immigration first. To do so, more EU integration is needed what populism wave impedes. Therefore, it is crucial to show to citizens that EMU could balance solidarity with responsibility based upon market sanctions. As a third speaker, **Simone Romano** first explained that the European Union has been learning from its flaws, for example with the Second Resolution Mechanism (SRM), but that it still has to go further in the process in order to get out of the endemic problem it faces. He mentioned that the European Union has to solve quickly its lack of communication on its solutions and improvements for European citizens. Second, he explained that although the euro currency has proved inefficient and incomplete, it is better to improve than dismantle it in order to avoid a disaster.

The second session of the day was untitled "**Could the present global challenges be a catalyst for Latin America's regionalism**". It aimed at analyzing the situation in Latin America and the Caribbean and at finding future solutions. It was composed of four speakers: **Daniel Titelman** (Director, Economic Development Division, ECLAC), **Oswaldo Rosales** (former Director, Trade Division, ECLAC), and **Andrea Ribeiro Hoffmann** (Professor, Pontifical Catholic University, Rio de Janeiro) and **José Briçеño Ruiz**, (Professor, Universidad Cooperativa de Colombia, Bogotá) who presented their co-research.

First, **Daniel Titelman** gave a big picture on the Latin America and Caribbean region. It talked about the many challenges the region is currently facing, challenges that provide an opportunity for integration since they could be a catalyst for the region. He also declared that although the

region remains fragile, it has been experiencing a modification period with external factors as well as notable improvements such as the connectivity network. One main challenge remains in the balance of payment. It is indeed important to remember that the region comprises also small countries, to which regional funds should be opened. Finally, he pushed for strengthening regionalism, for a better coordination of the macroeconomic stability in the region.

Second, **Osvaldo Rosales** explained that commercial war in Latin America and the logic of internationalization create a concentration of exports in few companies, a trend that weakens the economy. Thus, it is important to open the economy more specifically on innovation, productivity and infrastructures. Moreover, China remains an opportunity for Latin America, but the region has to benefit from it in order to reach a win-win situation. Integration remains important, more specifically by working to reach an agreement between the Pacific Alliance and Mercosur, but the situation might turn difficult with the new developments (Bolsonaro in Brasil, Maduro in Venezuela). Third, **Andrea Ribeiro and José Briçeno** reminded the main differences between regional bodies in Latin America. After listing the past alternatives such as UNASUR, ALBA, CELAC, they presented the Pacific Alliance as the new one, that looks at business and Asia Pacific. According to them, it is important to reevaluate each one the regional bodies because they do not have the same perspectives and goals.

The third session started after lunch break and was titled “**Policy spaces in different Latin American countries on growth perspectives, equity, democracy and regional integration**”. It comprised two speakers: **Lais Abramo** (Director, Social Development Division, ECLAC), and **Ricardo Ffrench Davis** (ex-ECLAC advisor and Professor, University of Chile, Santiago).

First, **Lais Abramo** exposed his thesis on social policies in the region, for a more inclusive development as well as equality and development. In Latin America, the number of social programs has been increasing but it remains important to strengthen the social protection systems. Women and young generations play an important role in the society. A cooperation between the EU and Latin America could help foster the social projects. Second, **Ricardo Ffrench** reminded that economic development is about growing *faster* in comparative terms to the others, but Latin America has failed to catch-up. He gave the main order of magnitude in the comparative parameters, showing the respective roles of macroeconomic and microeconomic factors, the fact that internal markets are important with respect to external trade flows, and overall that capital flows create big distortions. He showed the gap between financial and real development and the distortions through the exchange rates due to the wild opening of capital movements. The Chilean example is clear by comparing the investment rates during the military regime with free speculative capital and the better results after with some regulations. The conjuncture is important but in Latin America there is much heterogeneity although all have not sufficiently changed their structural features. But the favorable external factors were not well used. Financial globalization has been very negative for the region by creating pro-cyclical movements. The savings are not adequately channeled to real investment.

The fourth session, and last session of the International Seminar was untitled “**Proposals for a Latin American-European joint response to global trends and challenges**” and was composed of three speakers: **Barbara Stallings** (Wm. R. Rhodes Research Professor Watson Institute for International Studies, Brown University Professor at Brown University, past-Director of Division Economic Development, CEPAL), **Sebastian Rovira** (who talked in the name of Mario Cimoli, Deputy Executive Secretary, acting of CEPAL/ECLAC, Chief of the

Division of Production, Productivity and Management, Officer in Charge of Division of International Trade and integration), and **Jose Antonio Ocampo** (Member of Board of Directors of the Central Bank of Colombia, former Executive Secretary CEPAL).

As the first speaker, **Barbara Stallings** presented a view on the relations between the United States and Latin America and China and Latin America, in order to get a point of comparison. After a historic reminder of the post WWII world, she compared the US approach under President Trump to the Chinese approach under President Xi Liping. While the United States prefers a bilateral approach and volatility in all topics, leading to a withdrawal of the TPP and no correct dealing with the two main problems of immigration and trade balance, China has chosen a much more assertive strategy.

The second speaker, **Jose Antonio Ocampo** introduced five mechanisms that can be important and on which Latin America and the European Union should work jointly, in order to change the systems that have proved inefficient.

The last speaker of the session was **Sebastian Rovira**, who talked on behalf of Mario Cimoli. He stated that the strategy of Latin America ECLAC with the European Union was to foster ties and cooperation, in order to reduce the uncertainty of the current situation. Moreover, it is clear that the biggest current challenges in Latin America are today social inclusion and climate change.

The conclusion panel followed on. José Antonio Ocampo introduced the debate, reminding that on regional integration, it was not properly said that the Andean Community (CAN) in spite of the departure of Venezuela, has worked reasonably well and goes on. The members of the Jean Monnet Network gave some reactions to the questions and expressed their thoughts about the conference before closing the International Seminar. As a whole, comparative analyses of Latin America and the European Union can benefit for future improvements, and a cooperation between both regions is important for providing an exchange of best practices from which solutions to current issues could be built and monitored together.