

## The Rio Summit of June 1999: Its Implications for the Summit of the Americas Process

### Executive Summary

Much was expected of the Rio Summit of European and Latin American leaders, held in Rio de Janeiro, Brazil in late June 1999. There was hope that the Summit would launch free trade negotiations between the European Union (EU), MERCOSUR, and Chile. However, contrary to these hopes, little of substance was achieved. A lack of consensus among EU partners (particularly France) on the issue of agriculture and the timetable of the talks resulted in a considerably less ambitious agreement on “bilateral, gradual, and reciprocal trade liberalization.” Agriculture was included, but the EU did not commit to a timetable. This failed to meet the expectations of MERCOSUR and Chile.

Cultural, political, and social links were also issues at the Rio Summit. The Summit ended with a political declaration calling for a “bi-regional strategic alliance,” along with a vague plan for cooperation initiatives on issues relating to economy, politics, education, and culture.

The implications of the Rio Summit for the Summit of the Americas process are not yet clear. On the trade agenda, the lukewarm results of Rio may encourage Latin American and Caribbean (LAC) countries to increase their support for the Free Trade Area of the Americas (FTAA), which would offer access to the coveted US market. However, support will be linked to US progress in obtaining fast-track negotiating authority from the US Congress, and there is a risk that, without European competition, pressure for fast-track will be weakened. On other issues, there is a striking similarity between the non-trade action items of the Rio and the Summit of the Americas processes, which will most likely result in mutually reinforcing agendas.

The experience of the Rio Summit has a number of implications for Canada’s role as host of the 2001 Summit of the Americas in Quebec City. Organizers should prepare to deal with the demands of civil society groups for access to negotiations, given the strong representations on this issue that were made at Rio. Another issue is how to manage expectations of the Summit. The risk that meager outcomes on the trade front may weaken interest and commitment on the political front could be mitigated by a very focused, realistic, credible and responsive agenda for the Canadian Summit, as opposed to an overly ambitious and rhetorical one. Finally, Canada may also want to address some of Latin-America’s non-trade concerns, such as the search for more equitable models of public policy in areas such as health care, education, tax systems, accountability of institutions, and transparency in decision-making.

### Sommaire

On attendait beaucoup du Sommet de Rio qui a rassemblé à la fin du mois de juin 1999 les dirigeants européens et latino-américains à Rio de Janeiro, au Brésil. On avait espéré que le Sommet aurait marqué le lancement des négociations de libre échange entre l’Union européenne (UE), le MERCOSUR et le Chili. Mais, contrairement à ces espérances, la montagne a accouché d’une souris. En effet, l’absence de consensus entre



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les partenaires de l'Union européenne (notamment la France) sur la question de l'agriculture et du calendrier des pourparlers s'est soldé par un accord considérablement moins ambitieux portant sur la "libéralisation graduelle, bilatérale et réciproque des échanges." Certes, l'agriculture avait été incluse dans les discussions, mais l'Union européenne ne s'est pas engagée à respecter un échéancier, contrairement aux espoirs du MERCOSUR et du Chili.

Les relations culturelles, politiques et sociales ont également été abordées lors du Sommet de Rio, qui a pris fin par une Déclaration politique appelant à une "Alliance stratégique bi-régionale," étayée par un vague plan de coopération sur les questions d'ordres économique, politique, éducatif et culturel.

Les répercussions qu'aura le Sommet de Rio sur le Sommet des Amériques ne sont pas encore bien claires. En ce qui concerne les échanges, les résultats mitigés du Sommet de Rio pourraient encourager les pays d'Amérique latine et des Caraïbes à renforcer leur soutien à la Zone de libre échange des Amériques (ZLÉA), laquelle pourrait leur ouvrir les portes du marché américain tant convoité. Toutefois, cela dépendra du feu vert que donnera ou non le Congrès américain à une procédure accélérée des négociations, et il est à craindre que sans la concurrence européenne, les pressions en ce sens sur le Congrès seront moins fortes. S'agissant des autres dossiers, on constate une similitude frappante entre les questions non commerciales dans le cadre du Sommet de Rio et celles à l'ordre du jour du Sommet des Amériques, ce qui aura vraisemblablement pour effet de les renforcer mutuellement.

Le Sommet de Rio aura plusieurs répercussions sur le rôle du Canada en tant que pays hôte du Sommet des Amériques de 2001 qui aura lieu à Québec. Les organisateurs devraient se préparer à répondre aux demandes de participation aux négociations formulées par les groupes de la société civile étant donné les démarches pressantes qui ont été faites en ce sens à Rio. Un autre défi sera de gérer les attentes pour ce Sommet. Le risque que de piètres résultats sur le front commercial puissent affaiblir l'intérêt et l'engagement des nations sur le front politique pourrait être atténué en fixant au Sommet du Canada un agenda réaliste, crédible, et responsable par opposition à un programme par trop ambitieux et sans substance. Pour finir, le Canada pourrait aussi choisir d'aborder certaines questions non commerciales qui intéressent l'Amérique latine, comme par exemple la recherche de modèles plus équitables de politiques publiques dans des domaines comme les soins de santé, l'éducation, la fiscalité, l'établissement d'institutions démocratiques et la transparence dans la prise de décisions.

## Resumen

La Cumbre de Río de líderes latinoamericanos y europeos que tuvo lugar en Río de Janeiro, Brasil, a finales de junio de 1999, había creado grandes expectativas. Se esperaba que la Cumbre emprendiera negociaciones para el libre mercado entre la Unión Europea (UE), MERCOSUR y Chile. Sin embargo, contrarios a estas expectativas, los logros fueron pocos. La falta de consenso entre los socios europeos (especialmente Francia) sobre el tema de la agricultura y el cronograma de negociaciones produjeron un acuerdo considerablemente menos ambicioso para una "liberación comercial gradual, bilateral, y recíproca". Si bien la agricultura fue incluida en la agenda de la Cumbre, la UE no se comprometió a ningún programa de negociación, contrariando los planes de MERCOSUR y Chile.

Otros asuntos que se trataron en la Cumbre de Río fueron los vínculos culturales, políticos y sociales. La Cumbre finalizó con una Declaración Política para una "alianza estratégica biregional" y un plan vago sobre cooperación en asuntos económicos, políticos, educativos y culturales.

Cuál será la repercusión de la Cumbre de Río en el proceso de las Cumbres de las Américas es algo que aún no está claro. Con respecto a la agenda comercial, los tibios resultados de Río podrían alentar a los países

de América Latina y el Caribe (ALC) a que brinden un apoyo más enfático al Área de Libre Comercio de las Américas (ALCA), el que promete acceso al codiciado mercado de EE.UU. Sin embargo, este apoyo dependerá de la capacidad del Ejecutivo norteamericano de lograr la autorización para realizar negociaciones por la “vía rápida,” y existe el riesgo de que sin la amenaza de la competencia Europea, la presión para autorizar la “vía rápida” disminuya. En cuanto al resto de la agenda (aspectos no comerciales), hay una sorprendente similitud entre la Cumbre de Río y el proceso de las Cumbres de las Américas, lo que resultará probablemente en programas que se apoyen mutuamente.

La Cumbre de Río ofrece una serie de lecciones para Canadá como futuro anfitrión de la Cumbre de las Américas en el año 2001, en la Ciudad de Quebec. Los organizadores deberán estar preparados para tratar las demandas de los grupos de la sociedad civil que deseen tener acceso a las negociaciones, conforme a lo evidenciado en Río sobre este asunto. La cuestión de cómo moderar las expectativas frente a la Cumbre es otro tema que merece atención. El riesgo de que los resultados exiguos en el frente comercial puedan debilitar el interés y el compromiso en el frente político puede contrarrestarse con una agenda que sea muy precisa, realista, y creíble, en vez de una agenda retórica y demasiado ambiciosa. Finalmente, Canadá podría también tratar algunas de las preocupaciones no comerciales de Latinoamérica, como la búsqueda de modelos más equitativos de política pública, en áreas como la salud, la educación, los sistemas impositivos, la responsabilidad de las instituciones y la transparencia en la toma de decisiones.

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## The Rio Summit

Nearly 50 European and Latin American leaders gathered in Rio de Janeiro, Brazil in late June 1999 to strengthen economic and political relations between the two regions. Contrary to what Latin American countries had hoped for, little progress was made on the trade front. The Summit ended with a Political Declaration calling for a “bi-regional strategic alliance,” along with a vague plan for cooperation initiatives in three broad areas: political (democracy; governance; human rights; the fight against terrorism; illicit drugs; fighting poverty), economic (trade liberalization), and educational, cultural and human issues (education; science and technology; civil society). These action items mirror the four baskets of the Summit of the Americas Plan of Action of April 1998 (education; democracy and human rights; economic integration and free trade; eradication of poverty and discrimination).

The cornerstone of the Summit was to be the launch of free trade negotiations between the European Union (EU), MERCOSUR and Chile. Lack of consensus among EU partners (particularly France) on the issue of agriculture and the timetable for the talks, led to a considerably less ambitious agreement on “bilateral, gradual and reciprocal trade liberalization.” However, parties agreed not to exclude any sector, thus ensuring the inclusion of

the controversial issue of agriculture (see below). The EU did not commit to a final date for tariff and service negotiations; rather, negotiations will be tied to progress at the Seattle Round of the World Trade Organization (WTO) negotiations, beginning in December 1999. The agreement failed to meet the expectations of MERCOSUR and Chile, which wanted a detailed timetable for negotiations, and a methodology to deal with the agricultural issue.

## Europe-Latin America Relations

Profound changes in the global political economy over the past 15 years have prompted Europe (particularly Spain) to seek closer ties with Latin America and the Caribbean (LAC). When the European-Latin American dialogue was institutionalized by the Rome Declaration of 1990, the North American Free Trade Agreement (NAFTA) did not exist, nor were there plans for a Free Trade Area of the Americas (FTAA). Europe’s rapprochement with LAC is seen by many as a move to reclaim its historic ties and to challenge US political and economic hegemony in the region. Many countries of Latin America are also interested in containing American hegemony.

In addition to changes in the international context, internal moves to consolidate democracy and deregulate economies in the majority of LAC

countries have revived the ties between the two regions. Particularly striking has been the presence of Spanish companies in the recently privatized economies, to the extent that there has been some talk about a Spanish “reconquest” of the region. Since the late 1980s, firms like Telefónica Española, Repsol, Endesa and the Santander Bank have invested \$20 billion (US) in the region (especially in Argentina, Peru and the Caribbean), buying everything from oil to banks and hotels. While Europe’s priorities in the region seem to be in the field of investment, the paramount concern of LAC countries is improved access to the European market, particularly for agricultural products.

The European initiative is taking place in the context of close, yet declining commercial links. The EU is Latin America’s second most important trading partner, MERCOSUR’s largest trading partner and its largest source of foreign direct investment. However, in the 1990s Latin America’s exports to the EU have fallen from 24% to 13.5% of total trade, according to an Institute for European-Latin American Relations (IRELA) report (June 7, 1999). Western Europe and East Asia have gained at Latin America’s expense in the European import market, while the EU has lost to Asia and the United States in its trade with Latin America. Mexico, whose trade with the EU has fallen by 30% since it joined NAFTA in 1994, is a clear example of how the EU has lost ground to the USA in the region. Today, European exports to Latin America represent only 6 per cent of the EU’s total foreign trade.

Another motivation behind the Rio Summit was a desire to strengthen cultural, political and social links. Despite the common heritage and resulting political and cultural ties with Europe, there is a perception in the old continent of a progressive erosion of European cultural influence in Latin America. The EU remains the largest source of foreign aid to Latin America, although revisions to the fourth Lomé Convention scheduled for the year 2000 may represent a significant cut in development assistance. Still, examples of cultural and ideological affinity with Europe are many. MERCOSUR itself is one of them. When it came to designing the institutional structure and scope of the agreement, member countries chose to adopt the EU model of

“deep” integration ( having a common market as a goal, creating supranational institutions, aiming at macroeconomic coordination, etc.), rather than the North American format of “shallow” integration (a preferential trade agreement without a supranational institutional structure, etc). Moreover, Spain’s drive to extradite and try former Chilean President General Augusto Pinochet, supported by most EU countries, illustrates that European interest in the region is motivated by more than commercial relations.

## Why Now?

A year after the launch of hemispheric free trade negotiations, and only five months before the start of a multilateral round of the WTO, the Rio Summit sought to invigorate both regions for the upcoming negotiations. As a recent IRELA report (July 30, 1999) put it:

Essentially, the Rio Summit was a form of demonstrative diplomacy, a public display of alliance-building at the highest political level . . . The main point was to demonstrate the basic coincidence of their political and economic interests and concerns, as a means of reinforcing their own (and each other’s) position in the international system.

Along with these strategic objectives, the Rio Summit offered a number of mutual benefits for both the EU and LAC, such as:

- increased bilateral trade;
- increased political leverage vis-à-vis the United States;
- development of a common agenda on issues beyond the two regions, such as the WTO negotiations;
- consolidation of an existing trend of economic cooperation (Mexico and MERCOSUR have been negotiating accords with the EU for some time); and
- confidence-building (smooth relations at the regional level have provided a favourable

framework for dialogue for problematic bilateral relations such as the United Kingdom-Argentina relations).

Some specific benefits for Europe were:

- reaffirmation of the political, economic and cultural presence of the EU in Latin America;
- palatable investment opportunities in Latin America;
- a counterbalance to US influence in the region; and
- the possibility of a common EU foreign policy for Latin America and an opportunity to act as a single actor.

For LAC countries, closer cooperation reflected:

- a desire for improved access for agricultural products to the European market;
- a search for symmetry in economic and political relations with Europe in the face of US unilateralism; and
- a search for alternate models of public policy, resulting from disenchantment with the so-called neo-liberal economic agenda or the “Washington Consensus.”

## The Achilles Heel: Agriculture

The main obstacle for further commitments on the economic front has been the highly contentious and politically sensitive Common Agricultural Policy (CAP) of the EU. The CAP has been by far the most important EU common policy and a central element in its institutional system. It was built upon the principles of market unity, European Community preference, and financial solidarity. The objectives of the CAP are: to increase productivity; ensure a fair standard of living for the agricultural community; stabilize markets; ensure food supplies; and provide consumers with food at a reasonable price.

Heavily subsidized agricultural exports and limits on agricultural imports have had negative consequences for LAC and other agricultural producing countries. As the biggest agricultural producer in the EU, France is reluctant to open its

market, fearing competition from MERCOSUR's efficient agri-business. MERCOSUR's beef, chicken, fish and sugar producers operate with lower costs than their European counterparts. Farm products account for almost half of MERCOSUR's exports to the EU.

Prospects for European concessions on the issue are dim, given that the EU expects to expand soon to include Poland, Hungary, Slovenia, and the Czech Republic, all nations with significant agricultural production. MERCOSUR's position is that European concessions on the agricultural front are a *sine-qua-non* condition for further opening of its economy.

## What does the Rio Summit mean for the Summit of the Americas process?

While both the Rio and the Americas summits are processes driven by the needs of countries to respond to global political and economic trends, there are important differences between the two. The Summit of the Americas is an intra-regional process launched in 1994, in which countries negotiate individually, even though they may belong to a sub-regional bloc. Inter-American institutions, such as the Organization of American States (OAS), the Inter-American Bank (IDB) and others, play a prominent support role in the process which aims to “. . . preserve and strengthen democracy, promote prosperity through economic integration and free trade, to eradicate poverty and discrimination and guarantee sustainable development.” (First Summit of the Americas, Declaration of Principles and Plan of Action, Miami 1994). Since the Miami Summit, there have been two other meetings of Presidents and Prime Ministers of the hemisphere: the Bolivia Summit on Sustainable Development (1996) and the Second Summit of Americas in Chile (1998).

Conversely, the Rio Summit is an inter-regional or bi-regional process (in fact, a consultative group only) first announced in 1997, in which countries are encouraged to negotiate “en bloc.” The main players are the EU, MERCOSUR and the Andean Community. The objective of the process is to “. . . strengthen the links of political, economic, and cultural understanding between the two regions in order to develop a strategic partnership.” (Declaration of Rio de Janeiro, 1999).

The closest to an inter-regional forum is the Ibero-American Summit (Spain, Portugal and Latin America). Latin American support for this forum is decreasing as a result of the Pinochet affair, and several countries, including Chile and Argentina, have decided not to attend the Summit's next meeting in Cuba in mid-November 1999. In any event, there are no plans yet for the next bi-regional meeting, but there is speculation that it may be held in Spain in 2002 under the Spanish presidency of the EU.

The implications of the Rio Summit for the Summit of the Americas process are not clear at this point. On the trade agenda, the lukewarm results of Rio may encourage LAC countries to increase their support for the Free Trade Area of the Americas (FTAA), which would offer access to the coveted US market. However, support will be linked to US progress in obtaining fast-track negotiating authority, from the US Congress, and there is a risk that without European competition, pressure for fast-track will be weakened.

On other issues, there is a striking similarity between the non-trade action items of the Rio and the Summit of the Americas processes, which will most likely result in mutually reinforcing agendas. It should be noted that the Rio process lacks institutional backing by the OAS, IDB and the Economic Commission for Latin America and the Caribbean (ECLAC) enjoyed by the hemispheric Summitry, not to mention the tremendous groundwork that has already been done since the Miami Summit of 1994. The Summit of the Americas has established a Summit Implementation Review Group, or SIRG, with government representatives from each of the 34 countries of the region who report on a regular basis on the national implementation of Summit mandates. The OAS, IDB and ECLAC provide technical support to the SIRG and report on their own contributions to the Summit process.

Latin American countries will pursue their trade and non-trade priorities wherever they can find the ready political will and financial support to realize their objectives. In light of this, sustained

commitment and initiative on the four baskets of the Summit of the Americas (education; democracy; poverty; and economic integration) is essential on the part of the largest and most developed hemispheric partners — the United States and Canada.

### **What does the Rio Summit mean for Canada as the host of the next Summit of the Americas?**

From 1999 through 2001, Canada will host a series of hemispheric events: First Spouses Summit (September 1999), FTAA Trade Ministerial (November 1999) OAS General Assembly (2000) and the Third Summit of the Americas in Quebec City (2001). The relevance of the Rio Summit to Canada is twofold: first, Canadian organizers could benefit from lessons learnt from the Rio experience; second, the Rio Summit might be considered by our southern partners as a reference point for the Canadian Summit.

One feature of the Rio Summit that organizers of the Canada Summit 2001 might want to note is the pressure from civil society groups seeking access to negotiations. The *Civil Society Forum for a Dialogue Europe, Latin America and the Caribbean* met in parallel to the Heads of State and Prime Ministers' gathering. The Forum was organized by REBRIP (Brazilian Network for a People's Integration), a Brazilian network of labour and social organizations, at the initiative of the Hemispheric Social Alliance, a growing network of NGOs from across the hemisphere concerned with the social and environmental effects of free trade and economic integration. Delegates discussed issues such as: the challenges faced by states and peoples as a result of globalization; democratic participation in economic integration processes; the link between sustainable development and economic, social and cultural rights; and international financial flows, foreign debt and their impact on society at large.

After two days of discussions, the Civil Society Forum approved a Declaration deploring "... the situation of mere spectators to which the peoples

of the region are relegated” and the lack of transparency in negotiations which “definitely reduce the legitimacy of the decisions that were adopted.” The Declaration identified the eradication of poverty and social exclusion as two central issues to be addressed in the context of international trade agreements, and underlined the need to make the social dimension a fundamental priority of such processes.

Similar civil society gatherings have taken place during the first and second Summits of the Americas, and the Canadian Summit is bound to be no exception. Canadian hosts should be prepared to deal with demands of increasingly organized society groups. This may prove to be a difficult challenge as Canadian organizers already recognize the strength and rigidity of resistance by many players to opening the door of the negotiating chamber more than a crack to the objectives of civil society.

Managing expectations surrounding Summits is another issue that organizers of the Canadian Summit should ponder. What is feasible at these Summits? What can they really deliver? The risk that meagre outcomes on the trade front may weaken interest and commitment on the political front could be mitigated by a very focused, realistic, credible and responsive agenda for the Canadian Summit, as opposed to an overly ambitious and rhetorical one. There is also the risk that trade issues will be dealt with at arms length from other issues upon which they impact such as health care, education, tax systems, accountability of institutions and transparency in decision-making. However, it remains essential that Latin America’s non-trade concerns are realistically addressed.

*The full text of the “Declaration of Rio” can be found at [www.iwpextra.com/tr99025.pdf](http://www.iwpextra.com/tr99025.pdf)*

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Canadian Foundation for the Americas  
Fondation canadienne pour les Amériques  
Fundación Canadiense para las Américas  
Fundação Canadense para as Américas

1 Nicholas Street, Suite 720  
Ottawa, Ontario  
K1N 7B7 Canada  
Telephone: (613) 562-0005  
Fax: (613) 562-2525  
E-mail: [focal@focal.ca](mailto:focal@focal.ca)  
Web Site: [www.focal.ca](http://www.focal.ca)