

## **19<sup>th</sup> PECC General Meeting**

### **“PECC at 30: New Vision for APEC and Toward Further Regional Economic Cooperation”**

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For Sixth Session -

Roundtable Discussion “The Future of Global and Regional Cooperation: Looking toward the G-20 and APEC”

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### **“The Future of Global and Regional Cooperation: Looking toward the G-20 and APEC. A Latin American Perspective”**

I would like to begin by expressing sincere thanks to the Japanese Committee of PECC for inviting me to speak in this important panel, as the only panellist coming from a country that is not a member of the G 20.

It is a good time to address the subject of prospects for cooperation in the framework of the G 20 and APEC, speaking from a Latin American perspective.

I would like to elaborate very briefly on a few propositions: first, in the context of economic recovery, Latin America has growing potential for cooperation with the Asia Pacific region. Or perhaps, to avoid generalizing too broadly, selected countries in the region have this potential. Second, policy dialogues between the G20 and APEC can be of great mutual benefit, especially by reaching out to additional countries, and within that context, relations between the Asia Pacific region and Latin America can take a big step forward.

Latin America comprises countries of various sizes and levels of development in South America, Central and North America plus the Caribbean. Perceptions of Latin America are changing. A recent edition of *The Economist* featured a special report on “The Rise of Latin America”. In the same vein, JP Morgan Latin America Equity Research has released a Report on LatAm 101, “The Case for Latin America”. To some, these headlines may come as a surprise. Long regarded as chronically backward, crisis-ridden and mostly irrelevant in the international system since it was little more than “the backyard of the US”, Latin America was often simply ignored, or treated with “benign neglect”. *The Economist* points out that the region is increasingly “nobody’s backyard”, while stressing the importance of cooperating with the US to consolidate the region’s economic, social, and political gains.

Today, Latin America accounts for about 8.5% of the global economy. This is about two thirds the size of China. While the region was hit by the global economic crisis, this time Latin America has been able to withstand the severe external shock, and is on track to achieve a solid recovery ahead of other parts of the world. Governments and other

actors in the region appear to have assimilated the lessons from past crises, especially the debt crisis of the 1980s (the “lost decade”) and the Asian financial crisis. Over the medium and long term, Latin America’s share in the global economy will rise significantly, perhaps even overtaking Europe. It is fast becoming a more interesting partner for other regions throughout the world.

The fundamentals of Latin America are improving significantly. As Chile’s Finance Minister Felipe Larraín pointed out in a recent address, Latin American fiscal deficits have been falling, and the current account situation in most economies is very close to balance; the weight of the external debt today is less than half what it used to be in the debt crisis of the 1980s (about 20 to 25% of GDP); sovereign bonds issued by some Latin American countries today are placed at record low spreads over US Treasuries, and are rated investment grade. This also benefits qualified Latin American private sector borrowers, making them more competitive internationally. Every year we see more multinational companies that come from Latin America, competing successfully in highly demanding international markets.

Inflation has been sharply reduced in most countries, to one digit figures; and trade openness is steadily increasing, which is helping to diversify trade in terms of both markets and products; while in Mexico 80% of trade is conducted with the US, in Central America and the Caribbean the percentage is down to 41%, and in South America to 17%.

According to Minister Larraín, greater macroeconomic discipline is increasing the region’s resilience vis-a-vis an adverse international environment; there is clearly no “decoupling” from the developed economies, but less pronounced dependence compared to our past, that is, while we are affected by a downturn in the advanced industrial economies, this by itself will not derail Latin America’s economies; and in the context of the crisis, East Asia and especially China, by continuing to demand lot of our exports, particularly but not only commodities, have contributed to soften the impact of the downturn in the US and Europe.

This positive view should not be understood as a reason for complacency. To avoid repeating mistakes of the past, which cost Latin America dearly, important challenges must be faced without delay. The modernization of state institutions is an urgent task. Achievements in this area are still few but they demonstrate that developed country standards can be implemented in the region. Providing public safety for individuals and institutions is a challenge, but again there are important cases where this has been achieved. Spreading out the benefits of development so to have more equitable and integrated societies, improving the quality of education at all levels, working with SMEs to better integrate them into the economies, including foreign trade, and raising productivity – all these great tasks require the generation of political will and the mobilization of large technical and economic resources.

The outlook of individual countries has improved significantly. I will mention only a few examples. Brazil, now the 8th largest economy globally, is the region’s powerhouse. Brazilians have left behind their long inward-looking tradition. They feel comfortable as a member of the G20, and they have realized their potential vis-a-vis the Asia-Pacific region. They are relevant actors in key aspects of international trade policy,

in energy policy, climate change, and the agenda of social cooperation. We should not forget that in 1997, long before BRIC was invented, PECC, under the leadership of Edgardo Boeninger, was the first Asia-Pacific forum that paid attention to Brazil, when President Fernando Enrique Cardoso addressed the PECC XII General Meeting in Santiago.

Colombia and Peru are, under different circumstances, making impressive progress in tackling challenging domestic agendas. Under the leadership of President Uribe and now President Santos in Colombia, and President García in Perú, both countries have become more stable and secure, and thus are now able to focus on ambitious goals of economic and social development. With dynamic private sectors and consistent policies of trade liberalization, Colombia and Perú are emerging as important regional actors.

Mexico is a highly resilient economy as well as a vibrant civil society that is on course to continue on a path of growth and development not only within the NAFTA, but also vis-a-vis Latin America and the Asia-Pacific region. Its wide network of FTAs is of great importance for future diversification. Internally, the rule of law will eventually prevail, overcoming current challenges.

Chile, under the leadership of the government of President Piñera, is returning to a path of dynamic growth, even after the country suffered severe damage from a major earthquake early this year. Chile has become the second Latin American member of the OECD. This will reinforce Chilean commitment to good practices in many areas of public policy and management. With about half of Chilean exports going to destinations in East Asia, the vigorous development of the Asia-Pacific region and the cooperation agenda in APEC are of central importance for Chile.

In the international economic crisis, the G 20 has become the key forum for cooperation towards restoring conditions for growth.

It is important to realize that the G20 process is dynamic, that the G20 has to stay open and flexible, as well as connected to the rest of the world. This requires an active diplomacy of engagement between the G20 and relevant international groupings.

The G20 is strong in the areas of macroeconomic and financial issues. APEC is strong in trade and a host of issues on the development agenda. Thus I would argue that the global grouping and the regional forum can usefully complement each other. Building and expanding on the close relations between ASEAN and the G20 would have the potential to construct a much needed global-regional bridge. On the G20 side this would bring the dozen or so members that are not in APEC closer to the Pacific region. On the APEC side, it would bring members not in the G20 closer to the forum for discussion of global issues.

Latin America would greatly benefit from such an approach. One of the most important Latin American diplomatic outfits, the Rio Group, now led by Chile, was interested in participating in the Seoul meeting of the G 20 but was unsuccessful as there were other priorities. While the G 20 cannot expand its membership to become one more global assembly, I believe Latin America can play a larger role in this forum.

There is no doubt that in the context of the crisis and the post-crisis period, the G 20 is the key forum for restoring international conditions for growth.

To conclude, I would like to suggest that APEC and the G 20 can usefully complement each other. The G 20 is strong on macroeconomic and financial issues. APEC is strong on trade and a host of other issues on the development agenda. Building bridges between the global and the regional level would be very useful to strengthen support for policy accords. ASEAN and the G 20 already have close relations; APEC should take inspiration from this constructive approach. This would bring the G 20 members that are not in APEC closer to the Pacific region. This would be relevant for countries in Europe but also for emerging countries like South Africa and Saudi Arabia, and for Latin American countries Brazil and Argentina. On the APEC side, it would improve access to the economies not in the G 20, including my own country.

What I am suggesting is that open regionalism could be fruitfully practiced by engaging in dialogue between the global and the regional level, thus sharing experiences and working together on the agenda of shared policy concerns.