

Grace Jaramillo, compiladora

# Los nuevos enfoques de la integración: más allá del nuevo regionalismo



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# Co-operation between the European Union and Latin America: privileged relations?

Marianne L. Wiesebron\*

## Resume

The relations between Latin America and the European Union (EU) have evolved quite substantially over the decades. From non-preferential agreements, the relations between both regions have become strategic and deal with many issues, besides those related to trade. Political dialogue, social cohesion, academic co-operation are all part of the structural bi-regional package. However, the question is, in how far are these other issues really relevant for this bi-regional cooperation, as the actions of the United States of America (USA), lead to reactions of the EU. These are concentrated in the trade area. Furthermore, the negotiations in the World Trade Organization seem also to play a foremost role in the attitude of the EU. Agricultural subsidies by the industrialized world form a major obstacle in the progress of north-south negotiations. The south, therefore, does not want to yield in areas of government procurement, services and investments. Trade is still the most important aspect of the EU-Latin American bilateral co-operation and is the key to successful bi-regional co-operation. The very varied and extensive relations between the EU and Latin American do, however, set them apart from all others.

Key-words: association agreement, Doha Round, Free Trade Agreement, Integration processes, new regionalism, strategic partnership, World Trade Organization.

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“Un diálogo de estas dimensiones no se resume: se acumula en un patrimonio común de intercambio en dos sentidos.” (Declaración final de Biarritz, 2004)

Europeans and Latin American political, business and academic leaders have been stressing, mostly since 1989, the strong convergence between both continents, based on historical and cultural links. The Guadalajara Declaration of 2004 could be considered a good reflection of the complexity of these relations that go far beyond mere trade interests. This is also reproduced in the third generation bilateral agreements already signed between the European Union (EU) and Mexico, and even more so with the fourth generation agreement which was signed with Chile. Such a fourth generation agreement should be signed one day between the EU and the Mercado Común del Sur (Mercosur), and is considered of high priority by the EU, although the negotiations are dragging on. The EU did also start negotiations with the other regional blocs, such as the Andean Community and the Central American Common Market (CACM), even though they are economically less important than the one with Mercosur. This study proposes to analyse how the relations between both continents have developed, in how far these relations are about more than trade, in how far these relations are based on equal partnerships, as is claimed by the EU. Are the social and political aspects mere European cherries on a cake for Latin America or do they really mean something concrete?

### The multilateral context and regional integration

Before starting to study these various aspects, a number of general factors must also be looked at. When integration processes are studied, the multilateral framework plays an essential role, more precisely, the ongoing negotiations at the World Trade Organization (WTO) (Faber, 2002: 51-71). The easier negotiations advance in the WTO, the less need powerful countries and blocs feel for bilateral deals and prefer to work within a multilateral, as that might supposedly benefit greater numbers.

Conversely, when the multilateral system is not progressing, bilateral agreements are sought out with great urgency.

WTO negotiations got a special impulse through the 2001 Doha Round, aimed to increase the liberalization of world trade. The EU and Brazil, as two major economic powers, have both been trying to evaluate which course would be more beneficial for them, negotiate within a multilateral or bilateral context. The Brazilian government has achieved quite a number of successes within the WTO framework, in litigation but also in setting up ad hoc groups to counter the power of the USA and the EU. In particular, the Group of 20, the G-20, which was established at the eve of the Cancun Ministerial Meeting in 2003, has been quite successful. Countries of Latin America, Africa and Asia, under the leadership of Brazil and India, form this G-20. The position of the G-20 is simply that there will be no progress in any sector as long as nothing is done concerning the agricultural subsidies, disbursed by the First World, mostly the EU, the European Free Trade Association (EFTA), the USA and Japan, to the tune of about a billion dollars per day. Another major problem is the definition of a subsidy. Till now, no real progress has been made. The promise of the EU to reduce its agricultural subsidies slowly by 2012, is too little, too late. Many ministerial and other top-level meetings with the most powerful actors have been held since without any agreement in sight. This shows the difficulties of multilateral negotiations. The most recent meeting was organized in Potsdam, in Germany, in June 2007, between the USA, the EU, Brazil and India, representing respectively the ‘north’ and the ‘south’. Brazil and India left the meeting, as no results were booked. The subsidies the north gives to its farmers remain the biggest stumbling block and the north shows no intention to give them up. Moreover, Brazil and India insisted on a differentiated treatment for poor countries, to take into account the existing economic asymmetries between countries. This hurdle leads to an increased interest in bilateral agreements, free trade agreements (FTAs), regional trade agreements (RTAs) and preferential trade areas (PTAs) (Radtke, 2001: 1-11; van Dijk, 2002: 73-94).

The advantage of bilateral agreements is that powerful states can get advantages that more difficult to obtain through the multilateral chan-

nels. Some powerful countries have only discovered this possibility quite late. In fact, some countries did only start to negotiate free trade agreements (FTAs) very recently, because the multilateral system suited them perfectly. The USA signed its first FTA with Canada in 1988, Japan only this century, in 2002 with Singapore (Melchior, 2003: 5, 19-28). China and India are also just starting negotiating regional trade agreements (RTAs). Moreover, China only joined the WTO in 2001 and with Russia these negotiations are still ongoing. At the same time, another phenomenon is also going on, one agreement seems to lead to another. Since the nineties there has been an enormous multiplication of FTAs and RTAs. Integration processes have also changed. Previously those were limited in a number of aspects: restricted to countries in geographic proximity, or to countries of similar economic development, limited as to the number of participating countries, and regional co-operation was only mildly successful. RTAs took off after the Second World War period, the first wave of integration processes started at the end of the fifties and lasted roughly to the eighties. The European Economic Community, set up initially with 6 members in 1957, can be considered successful. Those started in Latin America, did not develop as expected in the sixties and seventies: the Asociación Latinoamericana de Libre Comercio (ALALC), established with seven members in 1960), the Mercado Común Centroamericano, originally with four states also in 1960, and the Grupo Andino was set up by five countries in 1969. The processes started to change in the eighties: for instance, ALALC became the Asociación Latinoamericana de Integración in the Treaty of Montevideo of 1980, a much more ambitious and complex treaty. Noteworthy is the fact that the south already takes economic asymmetry into account: "tratamientos diferenciales en base al nivel de desarrollo de los países miembros" (ALADI, Tratado de Montevideo, 1980, art.3 d).

However, processes of integration started changing drastically in the nineties, and have been defined as New Integration. According to Grugel, this is a government strategy developed to reduce risks as much as possible in a globalized world (2004: 603-608). This strategy implies two simultaneous developments: the deepening of a number of processes that already exist, and the expansion of the numbers of partners. The EU and

Mercosur are cases in point: both are deepening their own integration and increasing the number of member states. In the EU, the fifteen became suddenly 25 in 2004 and have increased to 27 in 2007, encompassing practically the whole of Europe. Mercosur has a fifth full member since 2004, Venezuela, still in transition phase, but it is also expanding its associate members in South America, bilaterally and as a bloc. Thanks to a Brazilian initiative, negotiations were started in 2004 for the integration of all independent states of South America, first called the Community of South American Nations, and, since 2007, the Union of South American Nations (Unasur) should lead to a treaty relatively fast (end 2007), if everything goes according to schedule. Unasur should become much more than a FTA, aiming to the creation of a single market, aiming at improving infrastructure through the Initiative for Infrastructure Integration of South America (IIRSA), at energy co-operation at the I Cumbre Energética Suramericana (2007), and at social cohesion. The possible introduction of a single currency, a single passport is also being discussed. This integration process appears quite ambitious.

Two other new factors are also occurring in integration processes: firstly, an tremendous increase in economic asymmetry as agreements are signed between states from the First and the Third World, the North American Free Trade Agreement (NAFTA) being the foremost case in point, as the first world power, the United States of America (USA) and Mexico, a newly industrialized country became partners in a FTA. Secondly, agreements are not confined any more to neighbours and are becoming more and more intercontinental, as is the case of all the agreements between the EU and Latin American countries and blocs, where the economic asymmetry is also part of the equation. According to Melchior, the economic impact decreases with distance (2003: 6-9). But Aguirre Reveles and Pérez Rocha (2007) do certainly not agree with Melchior's model in the detailed study they made of the impact of the EU-Mexico Global Agreement.

Although the EU represents only a relatively small share of Mexican trade, certainly compared to the lion's share which is Mexican-American, its impact is negative in all areas, and only compounds the negative impact of American trade, instead of achieving a more socially acceptable

result, as the EU pretended would be the case. In fact, the subtitle of their article is: "A warning to the global South". The authors list in detail the problems created by the European transnational corporations (TNC), and specify that there has been no job creation, on the contrary. The job reduction will be aggravated in the rural areas, when, in 2008, Mexican farmers will have no more protection from the European agricultural sector. It will further intensify the rural exodus, set in motion by NAFTA.

At the same time, they also stress also that the other aspects, which would make the Global Agreement stand apart from a FTA are not addressed at all. The human rights issue is not tackled, and they give as example that some actors from civil society, who did protest during the Guadalajara EU-LAC Summit Meeting in 2004, have been arrested and some have been kept in jail for over two years without any intervention or questions from the EU. Aguirre Reveles and Pérez Rocha express serious doubts about projects of sustainable development, as they seem to serve the TNC but not the local population. So, these authors consider the difference with a standard FTA mere rhetoric (*idem*). Samuel Pinheiro Guimarães does also share the view that agreements with the USA, when the discussions of a Free Trade Area for the Americas was still on the table, or with the EU, in the framework of an agreement with Mercosur, would be equally bad for Brazil (Guimarães, 2004: 109-119).

At the moment, the EU-Mercosur negotiations are at a standstill, although the EU has insisted again and again that the Association Agreement is an absolute priority. Especially since the Doha Round is not progressing, even though the EU stresses the continued importance of the WTO, the EU's objective is setting up many FTAs and the "key economic criteria for new FTA partners should be market potential" This is all stated very clearly in the European Commission's Working Document: Global Europe: Competing in the World (COM (2006), 567 final, in particular p. 16) In that same paper is also indicates unambiguously that these agreements should have a very wide scope, including investments, intellectual property rights, etc. The whole document focuses only on trade and related issues. This seems to make the EU approach similar to that of the USA, which is negotiating FTAs with very specific objectives: securing intellectual property rights, known as the TRIPS-plus, as well as

access to government procurement and investment. TRIPS-plus goes well beyond the Trade-Related Aspects of Intellectual Property Rights as defined within the WTO. This grants enormous protection to the pharmaceutical industry to the detriment of generic medicine, for instance. One of the main purposes of the FTA Chile-USA has been setting up this TRIPS-plus (Roffe, 2004).

These same objectives appear to have become the main priorities for the EU. This document contains no social, political, cultural aspects, only the importance of science and technology to enhance the strength of European competition in a globalized world (COM (2006), 567 final). Of course this aggressive approach can only work if the other partner's are willing to accept the EU's conditions. Till now Mercosur has stood fast in its requirement of a solid *quid pro quo* and refusing to give in unilaterally. Therefore, the big question is: are the EU prepared to concede on agriculture and how much? Will that be enough for the member-states of Mercosur?

Although, the EU often implies that much of the lack of progress is due to internal trouble within Mercosur, the main issue still remains a fair access to the European agricultural market in the EU. If Mercosur is such a priority for the EU, that answer must become positive, otherwise the deadlock will remain. One of the reasons stated by the EU to make Brazil a strategic partner (2007), is that Brazil should help the EU-Mercosur negotiations along. Brazil is considered a privileged partner. More generally, Brazil, as only Latin American strategic partner, it will also play that role for the whole of that region. Of course the strategic partnership covers much more, as Brazil has become a powerful global player, one of the BRIC's (Brazil, Russia, India and China). All the BRIC's have now become strategic members besides the USA, Canada and Japan. This shows the growing importance of Brazil. The latter is leading the way in the area of renewable energy, for instance. (European Commission, May, 14, 2007. (E/2007/889). But Brazil is also important in the development of south-south relations, an alternative to the agreements with the EU and the USA.

These last years, many integration processes are developing south-south, within the various continents, Latin America, Africa and Asia, but

also between these continents, A specific question for south-south co-operation is, do the interested parties competitors produce competing or complementary goods? That might especially be the case when the main exports are agricultural produce and raw materials. The risk is less if the industry and services sectors are well developed. Brazil plays a foremost role in these processes of continental and intercontinental south-south integration. IBSA (India Brazil, South Africa), might be one of the most interesting forms of co-operations (Lai, 2006; Arbix, *et. al.*, 2002). Mercosur, which does negotiate as a bloc, has signed a couple of agreements, with India and the Southern African Customs Union (SACU), both in 2004, and is negotiating quite some more, such as the Council of the Gulf States, etc. Chile has also been very active, negotiating and signing FTAs with Asian countries, such as South Korea, in 2003, to give one instance. Chile, due to its geographical position, feels it has a natural affinity with countries in the Pacific region. In principle, it favours what has been dubbed as open regionalism (Ibañez, 1999).

Gudynas considers this concept a misnomer, as nobody really defined open regionalism, particularly not the Economic Commission for Latin America and the Caribbean (ECLAC) which coined the term. It is too focused on the market and takes no account of the “politics of development: international politics, including ideas about globalization, and grassroots politics” (2005). The debate on (new) regionalism still leads to many studies (See for instance, Michael Schulz *et al.*, 2001: 12-17). However, we will now look at the relations between the EU and Latin America.

### Historical overview until 1989

Up until the First World War (WW I), the main contacts between Latin American countries continued to be closest with European countries. After independence, Portugal and Spain had been replaced, in the areas of finance and economics, foremost by Britain (under the *Pax Britannica*), while France and Germany played lesser roles in trade. Culturally, however, France was the main inspiration.

Although the Monroe Doctrine dates from 1823, the USA only became an active international participant from 1898 onwards, but its activities were for a long time restricted to Mexico, Central America and the Caribbean. The US dominance became stronger after WWI, and overpowering after WWII (under the *Pax Americana*), not only the aforementioned regions but also in the rest of Latin America. In southern Latin America, the presence of Europe continued strong culturally and socially, not surprising in view of its numerous European immigrants. But all in all, Europe’s presence in Latin America had become very low key and remained so till the 1970’s, even if the European Economic Community developed some activities towards Latin America from when the Treaty of Rome was established in 1957. Already in 1958, the European Commission sent a Memorandum to most Latin American governments signalling its intention to establish close(r) cooperation with that region. However, the different initiatives developed in the sixties remained very modest, as the European Council was not interested in proposals by the Commission or Latin American ones (Hoffmann, 2004: 11).

In 1970, some progress was made with the establishment of a regular dialogue between the Group of Latin American Ambassadors to the Community (GRULA) and the Commission, which should foster closer political and economic cooperation. Nevertheless, the first generation bilateral agreements were only signed with Argentina (1971), Brazil and Uruguay (1973) and Mexico (1975) and were non-preferential. On the other hand, the former British Caribbean colonies, which had become independent, much more recently, were integrated in a preferential trade agreement, the Lomé Convention of 1975. A political dialogue between Latin America and the EEC was started in 1974; the Inter-Parliamentary Dialogue between the European Parliament and the Latin American Parliament (Parlatino) and is held on a regular basis, alternating between Latin America (the first) and the EU (the second) (Hoffmann 2004, p. 12). In the first years, the issues focussed on human rights, the importance of democracy and the role parliaments have to play in democracies, besides aspects as economic cooperation, technological cooperation and scholarships for visits to European institutions. A total of 17 EU-Latin



American inter-parliamentary conferences have taken place since 1974; the most recent was held in Lima in June 2005. (*Europa-América Latina: 20 años de documentos oficiales (1976-1996)* 1996: 45-51, 74-103) (Dabène, 1997: 106-110, 134-139).

The eighties saw two major problems between both regions. In the beginning of the eighties, the Commission and the Permanent Representatives Committee (COREPER) suspended the dialogue with GRULA, as a consequence of Cuba joining GRULA in 1980, and of the Malvinas/Falkland War (1982). In 2007, the 25<sup>th</sup> anniversary of this event was commemorated on both sides and is still a point of contention. Argentinean imports to the EEC were stopped from 10-4 till 20-6 in 1982. The meetings between GRULA and the Commission were only resumed in 1989. However, in this decade, the Commission started the second-generation agreements, still non-preferential, but with the intention of increased bilateral economic cooperation. Another modification was that these were not only signed with countries (Brazil in 1980) but also with blocs, such as the Andean Pact in 1983 and the Central American Common Market in 1986, as the EEC wanted to further regional integration (Moussis, 1996: 538-539; Hoffmann, 2004: 13-15).

### Changes from 1990 onwards

With the admission of Portugal and Spain (January 1<sup>st</sup>, 1986), Spain, in particular, tried to foster closer relationships between the EEC and Latin America and for this reason, in 1991, also set up the Iberoamericana Summit, between Portugal, Spain and most Latin American countries. All the commemorations in 1992 concerning 500 years of European, i.e. Spanish presence in Latin America were certainly helpful, as were the various forms of integration and co-operation that were occurring in Latin America itself. The latter also stimulated these dialogues and closer collaboration, such as the Rio Group. Of utmost importance was also the return to democratic regimes by 1990. Chile was the last South American country to end its military regime in 1989. Nicaragua held elections in

1990 (*Europa-América Latina*, 1996: 115-129; Hoffmann, 2004: 14-15; Dabène, 1997: 134-139, 158-166; Sberro, 2001: 57) <sup>1</sup>

In the nineties, in fact, the relationship between both regions has become closer. In 1990, the EEC and the Rio Group signed the Rome Declaration, which is the renewal of a regular political dialogue. It is decided that from 1991 onwards, a yearly institutional meeting will be held between the ministers of foreign affairs from the EEC and the Rio Group (*Europa-América Latina*, 1996: 161-167)<sup>2</sup>. The Rio Group, formed in 1986, was a merger between two groups, the Contadora Group (Mexico, Colombia, Venezuela and Panama) and the Support Group (Argentina, Brazil, Uruguay and Peru), and became a platform for regular political consultation, to foster consensus in the region, but also, if need be, to settle disputes within the region, which were the original objectives of Contadora and the Support Group. The majority of countries of Latin America have become a member of the Rio Group. The relations between the EU and Latin America became even more significant by the end of the decade, as 1999 saw the start of the bi-regional meetings between Heads of State and of Government. The first EU-Latin American and Caribbean Summit took place in Rio de Janeiro, in that year. The second Summit (2002) occurred in Madrid, the third in Guadalajara (2004), the fourth in Vienna (2006) and the fifth bi-annual Summit is foreseen in Lima in 2008. The resulting declarations are often very comprehensive and deal with many topics, starting with political aspects such as underlining the importance of multilateralism and the respect of international organizations such as the United Nations, a clear joint signal against unilateral actions without backing of international institutions, but also, more specifically, the importance of social cohesion, fostering regional integration, joint policies for higher education, even establishing common knowledge areas. The Vienna Summit was less harmonious than the previous one in Mexico, as it became a political plat-

1 Spain and Portugal included a specific part on relations with Latin America as part of their admission: "Declaraciones de intenciones sobre América Latina, Tratado de adhesión de España y Portugal a la CE", 12-6-1985.

2 "Declaración de Roma sobre la relaciones entre el Grupo de Río y la Comunidad Europea, Roma, December 20th, 1990".

form for some heads of state, in particular, President Chavez, instead of a place to work on strategic bi-regional co-operation (Atkins, 1999: 193; Tulchin & Espach, 2001: 25, 52-56, 127-128).

The EU developed also two more crucial programmes with Latin America, the result of specific financial and technical aid destined to Latin America and Asia (1990-1995), one at the level of investments (AL-INVEST) and the other at the level of academic exchange (ALFA). The objective of the first is to help small and medium-sized enterprises in Latin America, especially those seeking sectoral or multisectoral co-operation, to stimulate working with Small and Medium sized Enterprises (SME) in the EU. To complement AL-INVEST, EC- Investment Partners was also launched (1992) for Latin America, Asia and the Mediterranean. In 1994, university exchanges between both regions got started: América Latina – Formación Académica (ALFA). This was a way to interest Latin American academics for the EU instead of the USA (van Eeuwen, 1997: 357) In spite of many problems, lack of substantial funds and tedious bureaucracy, ALFA 1(1994-1999) can be considered a success. It accomplished a substantial increase in the collaboration between Latin American universities. This was quite a new development as Latin American countries, which, for a very long time, had been back to back, due to historical and geographical reasons. An exception to this rule was the co-operation set up between a number of public universities from Mercosur countries, in the same year as the Asunción Treaty, in 1991: the Asociación de Universidades Grupo Montevideo. Meanwhile, the EU set up a slightly different ALFA 2. In 2005, ALFA 2 was stopped due to lack of funds, although the official reason was the need for evaluation, as it is very intricate. The ALBAN programme set up in 2002 is much simpler but only unilateral, in the direction of Europe, while ALFA was a truly bi-regional programme. Other financial means are reserved for environmental, economic and urban co-operation.

By 1995, new forms of co-operation were being developed, which were exclusive for Latin America and the Caribbean. An important document, EU-LA: the present situation and prospects for a closer partnership 1996-2000, served as its basis. The following factors were considered important: the consolidation of democratic processes in Latin America, the combat of

poverty and social inequality, the improvement of its economy, but also the processes of integration on that continent, of which Mercosur is without doubt the most significant. In fact, one priority was to fortify relations with Mexico, to offset the American influence and loss of market share after the creation of NAFTA, with Mercosur, because of the importance of this bloc and Chile, as associate member of Mercosur. The partnership between both regions is, on the one hand, based on over five centuries of shared historical and cultural links and exchanges, but, on the other, is also considered vital because of the changing world order.: UE-AL: actualidad y perspectivas del fortalecimiento de la asociación (1996-2000), October 23, 1995 (Europa-América Latina, 1996: 373-396).<sup>3</sup>

Meanwhile, in this same decade, the EU had started signing third-generation agreements either with countries or with regions:

1990: Argentina, Bolivia, Chile, Mexico

1991: Uruguay, Venezuela

1992: Brazil, Paraguay, inter-institutional agreement with Mercosur

1993: Andean Community, Central American Common Market

1995: Mercosur

1996: Chile

1997: Mexico

1999: new negotiations started with Mercosur (FTA)

2000/ 2001: Mexico (FTA)

2002: Chile, a fourth-generation association agreement, signed in 2002, at the bilateral EU-LAC Summit, at Madrid.

The third-generation agreements include democratic clauses and were not only signed with Latin American countries but also with Asian countries, although the latter are not impressed with this clause. For Mercosur this clause had already become a part of the Mercosur Treaty. It was explicitly added in 1998, but had already been mentioned in the Presidential Declaration of Las Leñas in 1992, in the Protocolo de

<sup>3</sup> The ACP countries are excluded from this project, for the rest the Latin American continent and Cuba are included. Cuba is participating since the nineties. (Europa-América Latina, 1996, Note 1, p. 374).

Ushuaia sobre Compromisso Democrático no Mercosul, Bolívia e Chile (1998). Thus Mercosul avoided a *coup d'état* in 1996 in Paraguay.

In the twenty-first century, the first fourth-generation Association Agreement has been signed with Chile. Negotiations are under way with two other blocs, besides Mercosur, with the Andean Community and with Central America, an outcome of the Vienna Summit. More generally, the EU also mentions negotiating an agreement with the whole Latin America, which would be a European version of the FTAA.

### Conclusion

On the one hand, relations between the EU and Latin America seem privileged. They include much more than mere trade agreements. There is a regular structural political dialogue, at bi-regional level, either in an EU-LAC context, or between bilateral partners. There are structural meetings between the ministers of foreign affairs. Social Cohesion Fora are becoming structural too and aim at stimulating the dialogue and cooperation on equality, the eradication of poverty and social inclusion between the two regions. In September 2007, such a Forum will be held in Santiago, as a preparation for the 2008 Lima Summit. There is co-operation at the academic level, etc.

On the other hand, it seems that the EU interests remain foremost economic, as its initiatives are, on the whole, reactions to American actions, to the establishment of FTAs by the American government with Latin American countries or blocs. Furthermore, the speed of the European activities also depends on the intensity of the American involvement on that continent. The European Commission's recent developed strategies do not bode well for the FTAs the EU wants to sign with Mercosur, amongst others (COM (2006), 567 final). This agreement with Mercosur, if it materializes, will show if concessions were made in the agricultural sector, and how much, and also how the main interest of the EU other sectors were treated, such as the TRIP-plus, government procurement, investments, services. The other topics, social, cultural, political and academic co-operation, should be considered a bonus. If the

EU is not willing to reciprocate, then the EU will loose out and the south-south integration processes will only accelerate.

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