



Policy Brief

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The EU and Latin America: the other transatlantic relationship

By Vanessa Matthews

Background

The European Union's interest in strengthening its relations with Latin America stems partly from the region's economic potential and partly from the cultural ties between the two continents.

That interest is, however, spread unevenly across the EU Member States: it is extremely high in some countries and relatively low in others, posing a significant challenge for efforts to develop an effective common policy.

Latin American countries gained independence from their (primarily) Spanish and Portuguese colonisers in the late 19th century. Although democratic political systems were established in the region immediately afterwards, authoritarian rule and military coups have plagued the continent for decades. Social conflicts were perceived as security threats by governments, but a change in priorities eventually drove them towards a strategy of cooperation, and democracy has once again begun to take root.

These countries have experienced steady economic growth, but this has

failed to deliver adequate domestic benefits, with the gap between rich and poor continuing to widen.

Many have responded to globalisation by turning to their neighbours and establishing regional organisations. Even though these have not lived up to initial expectations, they have given the countries involved – and the region as a whole – a stronger political and economic voice.

Regional integration

The first regional economic organisation established in South America was the Andean Pact, in 1969. This encompasses Bolivia, Colombia, Ecuador, Peru and Venezuela (which has announced plans to withdraw), and aims to pursue economic and social integration and create a customs union (along EU lines).

This integration process was initially based on an inward-looking trade model, but soon evolved into a more open form of regionalism, creating the climate needed to remove tariffs and duties, and establishing a free trade area in 1993. The 1997 Protocol of Trujillo gave the organisation a new

name – the Andean Community of Nations (CAN), boosted its political weight and created an institutional structure.

The drive to create a free-trade area between the Andean Pact countries was only completed at the start of this year, when Peru fulfilled its tariff-reduction requirements. The resulting free circulation of goods and people within the five CAN countries has fostered a high level of integration in the region and progress is now also being made towards the free circulation of services and capital.

Central America has also been actively pursuing regional integration despite the many hurdles created by recurrent conflicts and natural disasters. The process began in 1950 with the creation of the Organisation of Central American States (ODECA), and continued with the establishment of the Central American Common Market (CACM) in 1960 between El Salvador, Guatemala, Honduras and Nicaragua (with Costa Rica joining in 1963).

Despite some progress, however, regional tensions halted ODECA's

work and it was not until 1993 that the process was relaunched with the creation of the Central American Integration System.

A third regional organisation is the Rio Group (GRIO), also called the Permanent Mechanism of Political Consultation and Coordination. This was created by the 1986 Declaration of Rio de Janeiro and resulted from the merger of the Cantadora Group and the Support Group (initially created to resolve conflicts in Central America).

GRIO is composed of 19 member countries from across Latin America and the Caribbean and, although it is not an institutionalised body, its annual summits provide a productive regional political forum.

Mercosur (Mercado Común del Sur or Mercado Comun do Sul), which brings together Argentina, Brazil, Paraguay and Uruguay, was created by the 1991 Treaty of Asunción (with Venezuela set to join this year). It was officially created “to increase and improve the participation of the four economies in the world economy”.

Existing economic cooperation agreements between Argentina and Brazil provided the new organisation with the building blocks and immediate precedents to establish a common market and customs union.

In 1994, the Protocol of Ouro Preto gave Mercosur a dedicated institutional structure and launched a common market between the member countries. Then, in 1998, a new consultation mechanism was introduced, giving Mercosur a political voice.

Although they are not members, Bolivia and Chile both have free-trade agreements with the organisation.

The Latin American Integration Association is an economic organisation created in 1980 by the Montevideo Treaty. It is composed of all the members of Mercosur and CAN plus Chile, Cuba and Mexico.

It focuses primarily on trade relations and supports regional and social developments, especially the creation of a Latin American common market.

The primary platform for relations between all the Americas is the Organization of American States (OAS). This is considered to be the oldest regional organisation, as it dates back to the Commercial Bureau of American Republics in 1890 and, by 1948, had expanded to include all the states of North and South America.

OAS’ declared goal is to promote and protect democracy in the hemisphere. It also aims to encourage human rights, peace and security, and to make progress in other areas of common interest and on issues of concern to both continents.

The South American Community of Nations (CSN) is the most recent effort to establish a regional organisation in Latin America’s southern cone. It was created by the merger of Mercosur and CAN in 2004 under the Cuzco Declaration, and aims to set up an EU-style organisation to integrate the countries of South America by bringing together the various regional integration initiatives and pooling resources and know-how. Although it is still in its infancy, expectations are high.

The existence of so many regional organisations with overlapping objectives has created a complex web of initiatives and institutions, which makes it difficult for the region to speak with a unified voice. However, the sheer determination of these countries to work together to attain mutual goals is in itself a remarkable achievement.

EU-Latin America relations

The EU plays a sizeable economic role in Latin America. It is the region’s biggest foreign investor, with investments totalling 254.2 billion euros in 2003; it is both Mercosur and Chile’s largest trading partner;

and it is second only to the US in terms of trade with the entire Latin American continent. The EU-Latin America trade relationship is primarily based on the export of raw materials from Latin America to the EU and the import by Latin America of manufactured goods from the Union.

The EU established its first formal ties with the region three decades ago to support the integration process begun by the Andean Pact. Since then, it has backed most Latin American regional organisations through bi-regional fora and initiatives, and established bilateral ties with Chile and Mexico.

The proliferation of regional organisations has had an impact on the EU’s approach, resulting in different types of relationships with different countries or groups of countries.

The most advanced level of agreement between the EU and a third country is an Association Agreement, which focuses on boosting economic and political relations. All the Union’s current cooperation and association agreements with Latin American countries include issues such as democratic principles and human rights, scientific, environmental and technical cooperation, and the fight against drug trafficking. Indeed, the majority of the current agreements integrate political dialogue, cooperation and trade relations.

Eleven Latin American countries get preferential access to EU markets under the Generalised System of Preferences Plus (GSP+) in return for their efforts to promote good governance, stamp out drug trafficking and encourage sustainable development. The Union has also invested in specialised programmes for areas such as education, investment and the information society.

However, although the EU is Latin America’s primary source of international aid, to date it has not used this to throw its political and economic weight around in the region.

State of play

The EU's bilateral and bi-regional relations with Latin America have evolved alongside developments in the region.

Bilateral ties

In those cases where Latin American countries do not belong to regional organisations, the EU has established links through bilateral Association Agreements – with Mexico (in 1997) and Chile (in 2002). These agreements have proved fairly successful, and are being used as a reference point in the current negotiations on a future EU-Mercosur Association Agreement.

The Union has also established bilateral trade relations with Argentina, Brazil, Chile, Mexico, Paraguay and Uruguay. These are the only agreements with countries in the region which focus exclusively on trade. In other cases, trade issues are covered within the scope of the Framework and Association Agreements.

Bi-regional

There are two levels of bi-regional relations: sub-regional and regional.

The first official ties between the EU and CAN were launched under the Framework Agreement on Cooperation signed in 1983

and renewed in 1993. This was elevated to a political dialogue in 1996 under the Rome Declaration and focused on regional integration, democracy, human rights, and the fight against drug trafficking.

Since then, EU-CAN relations have strengthened, culminating in the 2003 Political and Cooperation Agreement. This is currently being evaluated as the preliminary to negotiations on a fully-fledged Association Agreement.

The 1996 EU's Interregional Framework Agreement with Mercosur enabled it to provide the region with institution-building and technical know-how, and is being used as a benchmark in the current negotiations on the Association Agreement.

EU-Central American relations got underway in 1984 with the San José Dialogue, which aimed to support the peace process and improve regional integration and democratisation. This matured into the Framework Cooperation Agreement of 1993, which emphasised cooperation in development and regional integration.

A Political Dialogue and Cooperation Agreement was signed ten years later to strengthen and

broaden the previous treaties. Since 2004, both sides have proclaimed an interest in having an Association Agreement and work is already underway to assess whether this is feasible and, if so, how the negotiations might be conducted.

Group-to-group

The EU-Rio Group, which meets annually, was set up in 1986 and established a political dialogue designed to advance the interests of both sides. It was intended to be the first platform for EU-Latin American relations encompassing the whole of the continent, but as already mentioned, not all Latin American countries are members.

The more recent EU-Latin America/Caribbean (EU-LAC) partnership involves all countries in the region.

While this is primarily a political dialogue, key economic and cultural issues are also addressed, including financial relations (focusing on trade and investment) and cooperation in diverse areas of interest to both regions. It fosters common action on global political and economic issues, as distinct from the bilateral and bi-regional agreements which focus on specific areas of concern to each region and country.

Prospects

Since 2003, a wave of political change has swept through Latin America. Elections throughout the continent have resulted in a political tilt to the left, although to different degrees. The region is also playing a more assertive role on the international stage and is trying to punch closer to its real weight.

This momentum, coupled with the growing animosity towards the US among many Latin Americans, has opened a window of opportunity which makes it easier for the EU to deepen its already established dialogue with the region.

The EU's relations with Latin America have developed at a steady

pace, but have never gone beyond the terms of the formal agreements between the two sides. This may reflect continuing adherence to the early 19th century Monroe Doctrine, which stated, in essence, that the US would not interfere in European wars or internal affairs and, in return, expected Europe to stay out of American affairs.

This has been the benchmark for US relations with Latin America ever since and has influenced all other countries' relations with the region. However, the time may now have come for Europeans to move beyond such outdated reservations and hesitations.

For their part, Latin American countries remain focused on economic policies as a means to develop and strengthen regional integration. Yet Latin America and the Caribbean still suffer from some of the most unequal distribution of income and wealth in the world.

Disenchantment with democracy, uneven social development and persistent lack of infrastructure are just some of the barriers to creating an environment in which sustainable development can be achieved.

A combination of all these elements has led to domestic social unrest and political instability in individual countries, but this upheaval has been contained within the countries concerned and has not spilled over into regional turmoil.

The EU has tried to address these issues in its relations with Latin America. The European Commission's December 2005 Communication on 'A stronger partnership between the European Union and Latin America' stresses the need to resolve these problems. However, the Union could do more to support the efforts made by Latin American countries and reward their progress to date.

CAN's Integrated Social Development Plan and the Brazilian government's Bolsa Família (Family Fund) provide two examples of where the EU can help foster progress by 'spreading the word' about such examples of best practice across the region.

However, the Union appears to lack the political will to go further. Although Latin America is a top priority for some EU Member States (most notably Portugal and Spain), it hardly features at all on the foreign policy agendas of many others. As a result, there is insufficient interest in developing adequate policies which could deliver concrete results.

The Vienna summit

On 12 May, Vienna will host the fourth EU-Latin America/Caribbean (LAC) Summit.

The two sides have identified 12 issues of mutual importance: democracy and human rights; multilateralism; the fight against terrorism; combatting drugs and organised crime; the environment; energy; regional integration; trade, investment in infrastructure and the information society; employment; social cohesion (with the focus on tackling poverty, inequality and exclusion); development; and the sharing of know-how in the areas of culture, technology and education.

Although these issues have been constant themes since the EU-LAC relationship was launched, only a handful have been visibly pursued at meetings between the two sides, with a particular focus on multi-lateralism, social cohesion and the information society.

It is clear that the high rates of poverty and social exclusion in Latin America and the Caribbean are barriers to sustainable development. This cannot be achieved without greater social cohesion and the Commission has, therefore, rightly made it a priority in its relations with Latin America.

If economic growth is meant to reduce poverty, then social policies must ensure an end to the current situation in which half the

population is excluded from the benefits of economic, social and political progress.

Key issues

All the 12 issues outlined above share one common denominator: namely, the importance of sustainable development.

In light of Latin America's problems, the overlap between many of its regional organisations and the EU's commitment to sustainable development, the summit should focus on promoting this.

The emphasis should be on what the Union can do to help Latin America get closer to achieving this goal and on promoting sustainable development at the global level. This would do much to enhance the working relationship between the two sides.

The summit will take place against the background of rising tensions in the Doha Round of world trade negotiations.

The Latin American and other countries – led by, among others, Brazil – are pushing for better access for their agricultural products to the EU's domestic market, while the Union wants to lower the barriers to industrial goods and services across the world. Inevitably, the mood at the Vienna summit will be affected by the ongoing WTO negotiations in Geneva.

Expectations have been raised by both sides in the run-up to the summit, but questions remain over whether all the rhetoric about creating a stronger partnership can be matched with adequate deeds.

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