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**European Union-Latin American Relations  
in a Turbulent Era**

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# European Union-Latin American Relations in a Turbulent Era<sup>1</sup>

Joaquín Roy<sup>2</sup>

## I

### Setting and Context

#### Introduction

The mere mentioning of “the Trans-Atlantic Relationship” generates a standard interpretation. Customary understanding claims that it is supposed to deal with the links between Europe and the United States (moderately expanded to include Canada, a country taken for granted). This is a view shared both in Brussels and Washington. This geographical concept very rarely refers to include the role of Mexico, for example. This “relationship” is never understood as triangular, formed by three partners (United States/Canada, Europe and Latin America/Caribbean). A quadrangular format, including Africa, is contemplated only in a bilateral sense (usually when one of the important partners (the United States or Europe) is considered as a protagonist. In sum, “Atlantis” (as an entity shared by all) is as mysterious and difficult to grasp as the myth of antiquity, as a problem that this volume surely tries to grasp and analysis.

In any event, the evidence shows that the link between Europe (as such by itself or as European Union and some of its important states) and North America is incomplete without taking into account the existence and the role played, actively or passively, by the countries south from Rio Grande and Key West. In a planet that is already dominated by the heavily stereotyped phenomenon of “globalization” the North-Atlantic relationship is incomplete without the consideration of the action south of U.S., in Latin America. This notion is even more acutely dramatized when considered within the bilateral relationships of Europe and the United States, separately, with Latin America/Caribbean. In both cases, the historical hegemons owe part of their global influence to their links established with the south.

Focusing on the subject of this essay (European-Latin American relations), two outstanding dimensions deserve special attention not only for European and Latin American interests, but also because of their impact on the status of the North-South relationship in the

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<sup>1</sup> Gratitude is due to James Aggrey, Beverly Barrett, Maxime Larivé, María Lorca, and José Antonio Sanahuja for providing materials, editing assistance and organizing economic data. A handful of generous EU officials have provided facts, references and other details.

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Americas. These two dimensions are the traditional axis formed by trade/investment/aid and the on-going phenomena of regional integration and diverse economic and political cooperation systems, the trade mark of the European Union (EU). Both angles were dramatized in the long preparations and implementation of the EU-Latin America/Caribbean summit that took place in Santiago, Chile, in January of 2013. This periodic (at two-three years intervals) gathering of the heads of government/states of both continents (the largest of summits only surpassed by the United Nations) has been setting the agenda for the economic, political and development aid agreements between both regions. These events have been also the scene of meditation about the state of the Latin American and Caribbean respective integration systems, with the EU as a point of reference, if not as an outright model. However, as we will see in the course of this essay, the economic crisis affecting Europe during most of the new century has exerted a negative impact on the EU-LA links.

The future of the relations between the European Union and Latin America, after a hypothetical additional important enlargement in the rest of the decade of 2010-2020, will depend on the confluence of at several factors necessary to accomplish a considerable change (positive or negative) from the current inertia. Some factors depend on the role Latin American governments, playing as agents, and the regional integration systems they have been developing. Other factors are located in Europe and its vicinity. While the Latin American factors are based on the will and success in completing the institutional framework of the integration entities, the European factors depend on the nature of the next enlargements, and the attitude of the main EU actors in shaping the new relationship. What will be the shape of Latin American integration in the next decade? How important will Latin America be for a newly refurbished Europe? How the economic crisis will affect the European-Latin American relationship. How external powers as China and the perennial presence of the United States will fill the vacuum left by a potentially weakened Europe? These are crucial questions to be answered, or at least to be taken into consideration.

On the other hand, Latin America has changed. It is not a solid bloc, with differences in the internal political and economic fabric of the countries. Their approaches to foreign policy are varied. Other foreign actors are now acting aggressively in the region (China). Attitudes towards regional integration are as many as the number of countries. Neo-populist regimes coexist with full democracies. Temptations of returning to authoritarian solutions are evident. Europe is seen in an ambivalent way.

Europe has also changed. It is not the same as at the end of the Cold War, or the setting of the Maastricht Treaty in 1992. The euro and internal mobility have increased the pace of integration. But the failure of the constitutional project in 2005 raised doubts in the nature of the process. The spectacular enlargement of 2004 modified the EU forever. All this, in addition to the internal shifts in Latin America, has forced observers to carry out new analyses on the relationship between the two blocs, based on the tenets of the vanishing dictatorships of the 60s and 70s and part of the 80s, and the status of panacea that regional integration has enjoyed since then. Nonetheless, what still counts are the facts, mechanisms, and resources that dominate this relationship. We may then proceed to briefly speculate about its future.

## **The EU deals with Latin America**

The official portrait and story of today's relations of the EU with Latin America boasts that for the last decade the two regions have regulated their diverse links through a formula known as "Strategic Partnership". Crafted in the context of the first bi-regional Summit in Rio de Janeiro (Brazil) in 1999, the concept, spirit and details of this agreement have ruled over all the

agreements and conduct between the two blocs.<sup>3</sup> Major decisions are made in those biannual summits, which have been held alternatively in Latin America and European capitals (sometimes coinciding with the EU rotating presidency),<sup>4</sup> and are attended by all member states' representatives at both sides of the Atlantic at the highest level of prime ministers, ministers of foreign affairs, and other representatives of the Latin American (and Caribbean) countries. Gatherings were held in Rio de Janeiro (1999), Madrid (2002),<sup>5</sup> Guadalajara (2004),<sup>6</sup> Vienna (2006),<sup>7</sup> and Lima, Peru (2008).<sup>8</sup> The latest summit took place in May of 2010 in Madrid<sup>9</sup> and the next is scheduled to be held in Santiago de Chile in January of 2013.<sup>10</sup>

In addition to this decision-making framework, during those years, when the EU-LA-Caribbean summit does not take place, another forum convenes in the form of a meeting between the EU and the Rio Group, composed of ministerial representatives of Latin American and Caribbean countries. The most recent was the EU-Río Group Ministerial Meeting<sup>11</sup> that took place in Prague in 2009.

The two regions are in fact the most “natural allies” of the planet (along the links between the United States/Canada and Europe itself), bonded by solid cultural, historical, and economic ties. Politics is a dimension that remains under study, taking into account different interpretations of democracy and political approaches. In the political reality, both regions cooperate very closely at different international levels, maintaining an intensive “political dialogue” at all levels. They also interchange in many nuances across a wide regional level, evident also at sub-regional scenarios. For Brussels, Latin America is subdivided along bureaucratic parameters, which respect the sub-regions as self-defined by Latin Americans. From this perspective, the EU (as a whole) deals with the entities known as Central America, the Andean Community, and MERCOSUR, as well as with the Caribbean. As an expansion of special bilateral agreements (i.e. with Mexico and Chile), the EU has been negotiating

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<sup>3</sup> For an overall panorama, see the edited volume by Freres/Sanahuja (2006).

<sup>4</sup> For analytical essays on the summits: Chanona (2007) and Cieslik (2007).

<sup>5</sup> European Commission. EU-LAC Summit. Madrid 2002. [http://ec.europa.eu/external\\_relations/lac/madrid/dec\\_02\\_en.pdf](http://ec.europa.eu/external_relations/lac/madrid/dec_02_en.pdf). For a review of this summit, see: Sanahuja (2002, 2003).

<sup>6</sup> European Commission. EU-LAC Summit. Guadalajara 2004. [http://ec.europa.eu/external\\_relations/lac/guadalajara/decl\\_polit\\_final\\_en.pdf](http://ec.europa.eu/external_relations/lac/guadalajara/decl_polit_final_en.pdf)

<sup>7</sup> European Commission. EU-LAC Summit. Vienna, 2006. [http://ec.europa.eu/external\\_relations/lac/vienna/index\\_en.htm](http://ec.europa.eu/external_relations/lac/vienna/index_en.htm); For an evaluation: Domínguez 2007.

<sup>8</sup> European Commission. EU-LAC Summit. Lima 2008. [http://ec.europa.eu/external\\_relations/lac/index\\_en.htm](http://ec.europa.eu/external_relations/lac/index_en.htm). For an update of the relations after this summit, see Kanner 2008.

<sup>9</sup> [http://www.eeas.europa.eu/lac/index\\_en.htm](http://www.eeas.europa.eu/lac/index_en.htm); Madrid, 18 de mayo de 2010 9931/10 (Presse 131) VI Cumbre UE-ALC, Madrid, 18 de mayo de 2010. Declaración de Madrid [http://www.eu2010.es/export/sites/presidencia/comun/descargas/Cumbre\\_UEALC/may18\\_madriddeclaracionES.pdf](http://www.eu2010.es/export/sites/presidencia/comun/descargas/Cumbre_UEALC/may18_madriddeclaracionES.pdf); For an evaluation: Malamud 2010, Nejamkis (2010) and Arenal/Sanahuja (2010).

<sup>10</sup> See website: <http://www.gob.cl/cumbres/celac-ue/>

<sup>11</sup> EU, [http://www.eeas.europa.eu/la/riogroup\\_en.htm](http://www.eeas.europa.eu/la/riogroup_en.htm)

agreements with single members of the existing blocs (Perú, Colombia, Brazil, and additional ones on the horizon).

On a juridical level, the areas where the EU shows its preference in policy terms towards the region are reflected in the document entitled "EU-Latin America: Global players in Partnership (2009).<sup>12</sup> This "Intent of Action" represents an update to the previous Communication, "Stronger Partnership between the European Union and Latin America" (2005).<sup>13</sup> In addition to traditional general themes and issues, the EU and Latin America engage in specific and crucial areas in the new century, i.a. macro economic and financial matters; the environment, climate change and energy; science, research and technology; migration; and, employment and social affairs.

The perspective of the EU is clearly expressed in more concrete terms in the Regional Strategy Paper<sup>14</sup>. As its name shows, it is the EU's regulation that self-defines the policy and financial details towards Latin America, most specifically in the sensitive areas of economic and social development cooperation programs. As expanded in section below, Brussels has been channeling an impressive level of assistance<sup>15</sup> in excess of € 3 billion for the current seven-year period, beyond each EU member state maintaining its own development assistance programs, as well as NGOs. Spain has been heading the list as the major donors.<sup>16</sup> Additionally, the European Investment Bank (EIB)<sup>17</sup> is entrusted with the potential use of € 2.8 billion.<sup>18</sup>

Beyond those programs, where the European Commission (and now the European External Action Service) has a commanding role as major agent of the interests of the European Union, relations between the European Parliament and counterparts in Latin America (as well as with the inter-Latin American PARLATINO) have also increased in the last decade. Joint efforts are channeled through EUROLAT, a bi-regional body, meeting alternatively in Europa and Latin America. Their decisions have a great impact in reshaping programs crafted by the Commission, and ultimately approved by the Council (with the co-decision powers of the EU Parliament representing a dimension to reckon with in the future) (.Sanahuja 2009; Stavridis 2010, Fernández 2010).

### **The economic dimension: trade, investment, aid**

The economic relationship between the European Union and Latin America can be inspected in three sectors: trade, investment and development aid. Each one shows shows

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<sup>12</sup> EU, [http://www.eeas.europa.eu/la/rsp/07\\_13\\_en.pdf](http://www.eeas.europa.eu/la/rsp/07_13_en.pdf)

<sup>13</sup> EU, [http://www.eeas.europa.eu/la/docs/com05\\_636\\_en.pdf](http://www.eeas.europa.eu/la/docs/com05_636_en.pdf)

<sup>14</sup> EU, [http://www.eeas.europa.eu/la/rsp/07\\_13\\_en.pdf](http://www.eeas.europa.eu/la/rsp/07_13_en.pdf)

<sup>15</sup> EU, [http://ec.europa.eu/europeaid/where/latin-america/index\\_en.htm](http://ec.europa.eu/europeaid/where/latin-america/index_en.htm)

<sup>16</sup> For an evaluation of Spain's assistance: Fernández Carcedo 2010.

<sup>17</sup> <http://www.eib.org/projects/regions/ala/index.htm>

<sup>18</sup> For an evaluation, see: Ayuso 2010.

interesting aspects confirming perceptions and offering backing evidence for the preferences of each part (CEPAL, 2009, 2010).

In the first place, the overall pattern of the main trade partners of the EU for the period of 2006 to 2011 shows a steady presence of some countries in the top 10 positions. The United States, China, Russia, Switzerland, Norway, Turkey, Japan, India, Brazil and South Korea. Of special importance for this study is the role played by Brazil. Note the rise of the predominance of China in recent years. At the same time there has been a slight decrease of the United States operations (see Graphs # 1 and # 2). Regarding the specific exchanges with Latin America, records show that since 2002 the EU has shown a deficit in trade of goods, but after a bottom slump in 2008, figures of 2010 shows an improvement to €5.868 billion. (See Graph # 3).

In terms of world percentage of trading with Latin America, figures are very modest. The EU's exports to Latin America represent only 6.23 percent of total, while imports figures are similar (6.02 percent) (see Table #1 ). By sector, the exchange between Europa and Latin America reflects the strengths and needs of each partner. Europe sends to Latin America mainly manufactured goods, and Latin America sells the EU mostly natural resources products. (See Graph #4 ).

As a reflection of the special interest of the European Union in the Latin American economic, investment figures show enough evidence that Foreign Direct Investment (FDI) in Latin America and the Caribbean has continued the long term positive trend (reaching 150 billion) (Graph #5). In recent years, this trend has even been faster than the global average trend. However, data shows that most of the inflow is concentrated in only a small number of countries. These are Brazil (66 bn), Mexico (19bn), Chile (17bn), Colombia (13bn). An interesting dimension is the fact that the actual reinvestment of earnings have increased to 46%, confirming the European confidence in the progress of the Latin American economies. However, the bulk of FDI for the South America sub-region still goes to the natural resources sector, although Brazil is an exception. In Central America, Mexico and the Caribbean the majority of investments are in the service sector (53%) and manufacturing (40%). There is also investment in tourism and export of manufactured goods in the free zones. Overall, data shows that investment in South America has picked up after the crisis of 2008, while in Central America and Mexico has remained steady. However, in global terms, while Europe is still the major investor, the European economic crisis has impacted the flowing towards Latin America. Spain, a major player, has diverted energies to other EU countries.

FDI in medium and high tech sectors is increasing but is limited to Brazil and somewhat to Argentina and Mexico, and is still only at 36% (in Asia it is 80%). High tech investment is only 3%, but it is worth noting that the majority of the foreign investors in this sector are from Europe or the US. In sum, the EU remains the main investor in the region. Comparatively, percentages speak by themselves: the United States invested 18%, Japan 8%, and the EU around 40%.

In development aid, the EU (its 27 Member States and the EC institutions) is the major agent in Latin America.<sup>19</sup> Spain is the leader in this modality. In global figures, Europe contributes with over \$5.8 billion, of which \$1.2 billion come from EU programs, and the rest from national Member States programs. Spain is the leader, contributing \$1.5 billion, followed by Germany (1 billion) and France (800 million) (Table #2, Graphs #6, #7). The major threat for these operations is the economic and financial crisis that has forced most countries to cut budgets

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<sup>19</sup> For overall and detailed data of EU's development aid, see: <http://development.donoratlas.eu/Query3.aspx>; For a detailed report by the EU Commission, see: [http://ec.europa.eu/europeaid/files/publications/europeaid\\_annual\\_report\\_2011\\_en.pdf](http://ec.europa.eu/europeaid/files/publications/europeaid_annual_report_2011_en.pdf)

and internal contributions to NGOs). On the negative side, one has to take into account the serious deterioration of European economies and the corresponding financial crisis. As a result of this, the EU Commission presented plans to reduce the funding for Latin American development projects. Part of the logic is to concentrate development cooperation in some specially needed countries, terminating as a result direct programs in 11 Latin American countries, still eligible for regional budgets.<sup>20</sup> Some EU Member States that have been hit more heavily (Spain in the lead, but also France and Italy) are at the same time identified as the most active in spearheading relations with Latin America, in a variety of sensitive sectors. Calls for austerity measures decreed by international agencies and the EU itself have forced some national governments to execute spending cuts in easy-to-target areas, such is the case of foreign aid, slashed in half in certain countries.<sup>21</sup>

## II

### Subregional and special relations

#### Central America

The European Union and the Central American<sup>22</sup> countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) have maintained a solid relationship for at least a quarter of a century, composed of a political dialogue, important development cooperation, and a favorable trade regime for both regions (Sanahuja, 2004, Roy ). The political relationship stems from the implementation of the San José Dialogue in 1984, in an essentially context of internal armed conflicts, affecting most Central American countries during this period. Europe, with its experience in resolving centuries-old animosities, saw a golden opportunity in contributing to the pacification of the area. This challenge significantly was set in the backyard of the United States, in a dangerous era where the threat of a Marxist takeover of certain countries (Nicaragua, El Salvador) was more than a hypothesis. At first, the U.S. government (especially during the Reagan administration) was reluctant to see the European involvement, but by the early 1990s the record was extremely positive. The Peace Accords of 1992 had a large impact from the European efforts. After a long period of cooperation, in June 2007 the EU and Central America

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<sup>20</sup> European Parliament. “EU must not slash development aid to Latin America, say MEPs” Plenary Session Development and Cooperation – 12-06-2012; <http://www.europarl.europa.eu/news/en/pressroom/content/20120612IPR46647/html/EU-must-not-slash-development-aid-to-Latin-America-say-MEPs>; for a description of EU’s development programs, see documentation: “Partners in Development”. [http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/178a\\_latinam\\_dev\\_coop\\_guide\\_2010\\_en.pdf](http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/178a_latinam_dev_coop_guide_2010_en.pdf)

<sup>21</sup> As a dramatic example, the projected budget of the Spanish government of €2.6 billion in 2011 was reduced to € 1.2 for 2012. Leading Spanish autonomic regions, such as the important case of Catalonia, have been forced to execute similar measures: from a budget of €49 million in 2010, funding was cut in half for 2011, and for 2012 was reduced to €15 million, a total reduction of 80%. Ironically, those governments are seeking the help of the EU, the entity that ordered Spain to reduce spending.

<sup>22</sup> [http://www.eeas.europa.eu/ca/index\\_en.htm](http://www.eeas.europa.eu/ca/index_en.htm)



began negotiating an Association Agreement, using as a base the previous EU-Central America Political Dialogue and Cooperation Agreement of 2003.

Since then, several stages of negotiations have taken place, although progress has been slow, due to difficulties in the area, challenging agreement on concrete common positions on regional integration. Beyond this, separate negotiations have taken place pertaining to the full participation of Panama in the process of integration, known as the System of Central American Integration (SICA).<sup>23</sup> Finally, as a result of the Madrid summit of 2010, Central America and the EU have found a nearly complete approach to completing their Association Agreement. In terms of financing for development cooperation, the Regional Strategy Paper 2007-2013 shows the EU as the major donor to the area. The EU is also the second major trade partner for Central America after the United States.<sup>24</sup>

## **The Andean Community**

The Andean Community<sup>25</sup> was founded in 1969 as a reformation of the Andean Pact. Today it has four members (Bolivia, Colombia, Ecuador, and Peru), with the attitude of each towards the collective entity quite varied. The EU's approach of political dialogue was initiated in 1996 with the Declaration of Rome (1996), and consolidated with a Political Dialogue and Cooperation Agreement (2003), which regulates the current relationship. As in the case of the other sub-blocs, the EU and the Andean Community also maintain institutional links within the framework of the forums between the EU and the Río Group.<sup>26</sup>

Negotiations for a complete Association Agreement failed in 2008, but were followed by a new approach, including an option to deal with individual countries - a reverse of past policy, in part due to the difficulties imposed by Bolivia, and also to comply with the requirements of the World Trade Organization (WTO). Negotiations subsequently began with Peru, Colombia and Ecuador in February 2009, and were successful in March 2010 in the cases of Peru and Colombia, with Ecuador opting for a delay. This *tour de force* angered Bolivia, adding its complaints to Venezuela's decision to leave the Andean Community and join MERCOSUR. The forming of the Bolivarian Alliance of the Peoples of the Americas (ALBA, in Spanish), under the aegis of Venezuela was a major factor for the competition posed for the Andean group, which seemed at moments on the verge of dissolution. Meanwhile, Chile, formerly a member (and today only an Associate) decided to wait for better times. The fact that Perú and Colombia have also engaged in free trade arrangements with the United States only added more fuel to the fire.

## **MERCOSUR**

As mentioned above, MERCOSUR<sup>27</sup> has been the EU's favorite sub-regional bloc in Latin America. Founded in 1991 by the Treaty of Asunción, it is today officially composed of

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<sup>23</sup> See website: <http://www.sica.int/>

<sup>24</sup> [http://www.eeas.europa.eu/ca/rsp/07\\_13\\_en.pdf](http://www.eeas.europa.eu/ca/rsp/07_13_en.pdf)

<sup>25</sup> See description: <http://www.comunidadandina.org/>

<sup>26</sup> EU, [http://www.eeas.europa.eu/andean/index\\_en.htm](http://www.eeas.europa.eu/andean/index_en.htm)

<sup>27</sup> Website: <http://www.mercosur.int/>

four countries (Argentina, Brazil, Paraguay and Uruguay). As mentioned above, Venezuela joined the group, although full membership has been pending, because acceptance is subject to unanimity among members, and Paraguay did not endorse accession, questioning its democratic credentials.<sup>28</sup> Nonetheless, and in spite of the difficulties of the past in fulfilling its promise, and official aim, of building a common market, the EU has been supporting MERCOSUR via several initiatives, among them the Inter-Institutional Agreement to deliver technical and other support.<sup>29</sup>

As early as 1995, the EU and MERCOSUR signed an Interregional Framework Cooperation Agreement, effective in 1999. In 2001 both blocs opened negotiations for a much awaited Association Agreement based on the usual three pillars for this kind of relations between the EU and Latin American groupings: political dialogue, cooperation and a free trade area. However, negotiations were suspended in 2004 because fundamental differences existed in the sensitive realm of trade. The other issues continued to be advanced, and at the EU-LA Summit (held in Lima in 2008) new areas were added to the relationship: science and technology, infrastructure and the trendy issue of renewable energy.<sup>30</sup>

At the Madrid summit of May 2010 considerable progress in the negotiations towards a much desired Association Agreement were announced, that would ideally lead to a free trade area. The MERCOSUR decision of August of 2010 to complete the requirements of a customs union reopened the path towards that end.<sup>31</sup> A new round of negotiation took place in November of 2011. It has been expected that an agreement would be reached on time for the January 2013 summit. However, two crucial details continue to be a major obstacle for progress in the negotiations. Both regions coincide in identifying their sensitive sectors. For the EU the prime objective is the exporting of manufactured goods, a sector that is labeled as protective by MERCOSUR. The region primes the exports of its food products, while the EU insists in protecting its territory and production via the Common Agricultural Policy (CAP).

Nonetheless, the leading role of MERCOSUR in EU relations with Latin America is shown by the fact that in 2009, EU-MERCOSUR trade equaled all the EU figures with the rest of the Latin America grouping. The year before, the EU was MERCOSUR's first trading partner, with 20.7% of total trade of the southern bloc. By the end of the decade, the EU was the already the largest investor in MERCOSUR. Globally, the subregion ranked 8th among EU trading partners, with 2.7% of total EU trade.

Development assistance from the EU to Mercosur is provided via its 2007-2013 Regional Program, which was adopted in 2007 within the context of the Regional Strategy for MERCOSUR. This program sets aside €50 million for projects in the main areas of cooperation: institutional strengthening, preparing for implementation of the Association Agreement, and participation of civil society. The record shows that the EU is the major donor of assistance to MERCOSUR.

As mentioned above, MERCOSUR has witnessed a spectacular increase of European investments, surpassing the historical supremacy role of the United States. Key sectors such as banking, telecommunications, and water supply have become a European terrain. However, recent confrontations with some governments (as it is the case in other subregions, with Bolivia

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<sup>28</sup> However, the dismissal of president Fernando Lugo in June of 2012 precipitated the suspension of Paraguay as member of MERCOSUR, making accession effective.

<sup>29</sup> For a description of EU's relations with the bloc: [http://www.eeas.europa.eu/mercosur/index\\_en.htm](http://www.eeas.europa.eu/mercosur/index_en.htm)

<sup>30</sup> For a review of the relationship, see Bizzozero 2010.

<sup>31</sup> For a pre-summit evaluation, see Peña 2010.

and Venezuela) have led to nationalization processes (the latest involved the oil conglomerate YPF-REPSOL) that have placed doubts on future involvement of European firms due to the perceived lack of legal security.

### **Specials relationships**

Respectful of individual linkages enjoyed by some Latin American countries with the EU, the latter has signed special agreements with certain states that do not belong to any of the Latin American sub-groupings, or are partners of other regional networks beyond the Latin American territory. These are the cases of Mexico and Chile, which enjoy special free trade agreements with the EU. Since their inception, EU trade with these two countries has increased more than 100%.

As mentioned earlier, Chile was a member of the Andean Community in the past, but abandoned this membership during the years of military dictatorship under General Pinochet. With the return to democracy, Chile proceeded to develop one of the most open economies, including free trade agreements with many countries and regions of the world, such as the United States and the EU.

In December 1990, the EU signed a first Framework Co-operation to restore political relations as a bloc with Chile. This Agreement was replaced in June 1996 by another Framework Cooperation Agreement, with the primary objective to establish a political and economic association. The EU and Chile later negotiated and signed an Association Agreement in 2002,<sup>32</sup> effective as of 2005, covering fundamental areas in the traditional trio formed by political, commercial and development assistance issues. Additionally, the EU and Chile signed an Agreement on Scientific and technological Cooperation in 2002. In 2005 the two parties adopted a Horizontal Agreement on air transport - all of which having had a considerable impact on trade and development cooperation<sup>33</sup>

Mexico for its part for two decades has enjoyed membership in the North American Free Trade Area (NAFTA) with the United States and Canada. In 1997, Mexico also signed a partnership agreement with the EU, the Economic Partnership, Political Coordination and Cooperation Agreement<sup>34</sup>. It is the commitment that governs all sectors of the relationship between the two parties, including sensitive topics such as democracy and human rights – two areas which Mexico was earlier reluctant to touch. On the purely commercial level, the agreement means that the establishment of a free trade area also fostered an increase in investments. Furthermore social cohesion, a crucial area in any Latin American country, represents an integral part of these processes.<sup>35</sup>

Although considered to be outside the strictly Latin American context, reference should be made to the special relations between the EU and the Caribbean. Mostly dotted by former British colonies, in addition to independent and semi-colonial islands of Dutch and French origin, the majority of the autonomous states are members of the Caribbean Community

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<sup>32</sup><http://europa.eu/rapid/pressReleasesAction.do?reference=IP/02/1696&format=HTML&aged=0&language=en&guiLanguage=en>

<sup>33</sup> [http://eeas.europa.eu/chile/csp/07\\_13\\_en.pdf](http://eeas.europa.eu/chile/csp/07_13_en.pdf)

<sup>34</sup> [http://eeas.europa.eu/mexico/index\\_en.htm](http://eeas.europa.eu/mexico/index_en.htm); [http://eeas.europa.eu/mexico/docs/com08\\_447\\_en.pdf](http://eeas.europa.eu/mexico/docs/com08_447_en.pdf)

<sup>35</sup> For a revision of this experience, see Sanahuja 1998.

(CARICOM). Founded partially under the inspiration of institutional example of the EU, the path towards true integration has been slow. CARIFORUM is the framework established with the support of the EU as way of coordinating the Caribbean portion of benefits for the Africa, Caribbean and Pacific (ACP) group of 76 nations, receiving benefits originally under the Lomé Convention, and now the Cotonou Agreement.<sup>36</sup>

In this setting, the Dominican Republic (endorsed by Spain), and Haiti (sponsored by France) have been added. Cuba, which is the only Latin American country with no established cooperation or trade agreement, was the subject of a critical Common Position imposed by the EU in 1996. However, as a measure to ease the way towards a more fluid relationship, Cuba became a member of the Africa-Caribbean Pacific (ACP) framework, pending its application to sign the Cotonou Agreement – which never took place due to the confrontations between Brussels and Havana (Roy 2009). The relationship with Cuba has been one of the areas of disagreement between some of the earlier EU member states and the new member states after the 2004 enlargement. While Spain, due to its historical special relationship with Cuba, has a record of maintaining solid links with its former colony, no matter who has been in power in either country, some new members of the EU, formerly under Communist domination, have shown a hard line attitude, making a full normalization of relations difficult.

### III

#### **Clouds, uncertainties and hope**

As the above analysis has revealed, one of the EU's main objectives in its involvement in Latin America has historically been the expectation of spreading European values, as understood after World War II (Roy-Domínguez 2005, 2008, 2010). European model of integration, as a base for economic and social progress and political reconciliation, has been an integral part of the EU ideals that have been shared with Latin American countries. But on balance EU institutions have indications, beyond a certain degree of satisfaction, to also feel considerable frustration regarding the accomplishments of regional integration.

One wonders why the Latin American systems of integration lag so much behind the point of reference (or the outright model) of the European Union. Why has that region of the world that is closest to Europe in history and cultural origin, not succeeded in adopting the European path, in spite of the considerable financial efforts dedicated by Brussels to Latin America? Why is there a recurring contrast between official declarations vouching for the last quarter century to pursue the goal of integration similar to the EU, and the empirical reality, which is riddled with shortcomings and failure? What do Latin American leaders mean when they declare that the region needs “its own model of integration”, sidelining the influence of the EU precedent? What is this elusive Latin American alternative? It is time then for offering some tentative explanations.

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<sup>36</sup> European Commission. Relations with the Caribbean.

[http://ec.europa.eu/development/geographical/regionscountries/eucaribbean\\_en.cfm?CFID=1306536&CF\\_TOKEN=53102587&jsessionid=2430648ae4ad105f444d;](http://ec.europa.eu/development/geographical/regionscountries/eucaribbean_en.cfm?CFID=1306536&CF_TOKEN=53102587&jsessionid=2430648ae4ad105f444d;)

## Areas of concern

In contrast with the historical tensions between the United States and Latin America, to a great extent caused by proximity, the relationship with Europe should be in principle different in this sense. However, the changing nature of planetary links inserts in the EU-LA relationship variations of the traditional sources of friction. One is standard migration; the other is drug and human trafficking. An additional novel source of concern is arms trading. In a way, these apparently separated areas are connected within a new and expanded concept of security, beyond the traditional war and strategic confines.

During the first decade of this century, European interests for security problems in Latin America still ranked very low (Felmann, 2006). Some think-tanks and defense observers (especially in Spain) were at the origin of a trend of paying attention to the linkages between governability and security (Sepúlveda, 2005). The spillover to other countries of the terrorist and narco-trafficking problems in Colombia worried researchers. The collective EU structure expressed opposition to the US strategy under the “Plan Colombia”, which was branded as militaristic (Roy, 2001). The Venezuela connection caught the attention of governments and researchers. The incomplete regional integration plans in Latin America were perceived as potential victims of the intra-Latin American conflicts in the making (Malamud, 2005b).

It was in the second part of the decade that Spanish researchers, pushed by funding coming from the Defense ministry, began to focus closer on the military equipment build-up in Latin American armed forces. Ironically, companies in Spain and other European countries were contributing to this trend, competing among themselves and with the United States in supplying modern weapons to an array of governments of all sorts of ideological inclinations (Ministerio de Defensa, 2009, 2010; Fuente Cobo, 2010). Observers has debated if this rearmament, a customary arms race, or a traditional standard modest renovation of the existing old equipment. In any event, two novelties in this overall phenomenon have attracted the attention of analysts. On the one hand, the arms-buying operations offer the paradox that in spite of the increase in volume of acquisitions of weapons, Latin America still ranks lower than other regions in the world regarding percentage of the government expenditure on military and defense projects (1.4 percent). On the other hand, another interesting factor is the fact that left-leaning governments have joined the ranks of an arms-acquiring activity, something that in the past they criticized as typical of right wing dictatorships (Malamud/García Encina, 2006; Alda Mejías, 2010).

Among the active buyers, some countries are undisputed leaders. The first is Venezuela. President Chávez has been acting independently in the building of its armed forces, converted to “revolutionaries”. He also faces the potential for confrontation because of disagreements with neighboring Colombia, over controversies around alleged covering up for the narco-trafficking activities of the FARC or simple mundane rivalries. It is on the record that Venezuela has been vividly opposed to the Plan Colombia, lately reformatted into the Patriot Plan.

In this and a wider context, the Venezuelan government has been searching for alternative supplies. The favored new beneficiaries have been Russia and China. When the sale of Spanish EADS-CASA transport planes was cancelled (under the pressure from the United States, claiming a potential double use of technology) Chávez looked again at the Russian alternative. Although Chávez’s collaboration with Iran remains a project in the making, concerns have been raised about the potential use of enriched uranium as base for the production of nuclear weapons. An additional item of concern is the decision to insert the armed forces in the process of regional integration in South America and the Caribbean, a novelty in a region where the projects and existing organizations had been concerned solely with free trade.

Organized crime and uncontrolled migration (with poverty as a reason behind) are some of the factors that threaten some European social scenarios and foreign investment in Latin

America. Inter-continental human transfer trends reversed a historical pattern as Latin American migration to the old continent spectacularly increased, as an alternative to the attraction of the United States. A novel trend regarding emigration paradoxically took the form of obstacles for the return of unemployed immigrants who suffered the impact of the economic crisis in Europe. Pressed by endemic lack of opportunities, emigration to Europe did not stop completely. In spite of the job scarcity, the new immigrants at first resisted the offer (back by monetary incentives and compensation) to leave and return to their native countries. The lowering of income produced by jobs held by undocumented immigrants and the underground economy generated a dangerous boomerang effect. The decrease of the value of remittances hit the local Latin American economies with unexpected force. In many countries whole families and entire communities had been surviving on transfers from relatives residing and working in Europe. The economic crisis obliterated a substantial part of this support.

At the same time, European investments were faced with demands for traditional altruism (something that normally is not expected from U.S. investments), as a sort of non-governmental additional development aid to make up for local shortcomings (poverty, inequality, and sheer underdevelopment). This dilemma had to be reconciled with self-interest which sought political and legal stability, necessary to protect European interests in Latin America. Direct threats against investment occupied top place in the European agenda. As a result, agenda of the EU-LA summit to take place in 2012 in Chile included special attention to this aspect.

### **The Nation and the State**

The main obstacle for the development of an ambitious regional integration entity mirroring the model of the EU is the unfinished task of consolidating a polity that matches the pressure of meeting the needs of national identity. National integration still takes precedent over continental cohesion. For this reason a limited number of intellectuals and technocrats have found it very difficult to convince elites and society of the benefits proposed by what appears to be a “loss” of national personality.

Under these circumstances, the inability of certain governments to cope with the pressures of instability, corruption, poverty, inequality, and endemic criminality present endogenous threats to achieving regional integration in Latin America. The prospects of the appearance of “failed states” are daunting: The usual conclusion is that the “state” has failed the citizens in providing for basic services and protection. The monopoly of economic control and force has been translated in Latin America as a guarantee for the continuation of income disparities and social exclusion, as well as outright discrimination for reasons of race, gender, and economic level. Personal security has been translated into repression. Human rights are reduced to the maintenance of the law and order (although crime is endemic). Judicial and legislative institutions are found to be weak and impotent. The few times when police and the armed forces are present, they serve to maintain the traditional structures where possibilities of change are few. It is then said that what has failed is the State.

In reality, what has failed is actually the Nation. The nation-state, as a European invention, mostly crafted by wars, is an elusive dream in Latin America. The concept of nationality based on will, option, and a desire towards the future (as in the French and U.S. traditions) has been a nice paper project, never accomplished. Paradoxically, an unfinished nation could be the ideal base for an effective regional entity, in which the displaced and marginalized people could identify themselves.

Emigration has recently built an identity (*latinoamericano*) that does not exist in the normal existence of each of these countries. The use of this term is further reinforced when the

phenomenon of immigration is set in the domestic context of the United States. “Hispanic” and “Latino” are words originating from the experience of a new life in the United States. Ironically, the force of migration could manage to produce, what treaties and declarations have failed to accomplish. However, for that project to be successful, the current and future regional integration schemes would have to complete the magic four freedoms of a common market, as in the EU: Free trade and a customs union would have to be completed, with full freedom of movement of capital and services. But the key for a full integration is the free mobility of labor, something that the existing integration and economic cooperation networks do not seem to be able to fully contemplate.

Latin America has lacked a Jean Monnet, who could sell a brilliant idea to be transformed into a “bold step”, as in the initial phase of the EU. Well-intentioned, some of the most influential *pensadores* seldom managed to infiltrate the centers of power, still obsessed by the attraction of domestic control and the imitation of the model of the combination of *prócer*, “founder” and “father of the land”, sometimes fusing with the concept of the nation, with semi-religious connotations, as in the notorious cases of Bolívar and, most specifically, Cuba’s José Martí. Some recent attempts to give rise to such “technical” person have been detected in the work of technocrats behind the scene, though their decisive impact has been limited.

As a result, the overwhelming centrality of the presidential figure in the Latin American nation-states imposes a formidable obstacle towards a move to a sharing of sovereignty. The recent appearance of neo-populist regimes (a trade mark of the history of Latin America) is not helping in taming this endemic regional characteristic. Moreover, the scarcity of economic capital resources, and the deficient use of natural resources convert the pooling of products into a cumbersome task, subjected to a lack of confidence and competition to protect scarce own resources. As a result of national competition the building of joint institutions, distrusted as new competing bureaucracies, is a never-ending process. Finally, the pressure posed by invitations to sign flat and direct individual trade agreements with the United States makes supranational Latin American integration appear as a competitor with uncertain advantages. However, there are other positive factors that make the pursuit of a Latin American path of integration viable and with a moderate prognosis for the future.

### **A tortuous path towards integration.**

The endemic confrontations between France and Germany, and most of the European empires and modern countries, that led to the formation of the EU as a remedy, cannot be compared with the concrete number of wars involving some Latin American countries in historical events. Brazil, the largest nation-state, owes its independence not to an anti-colonial struggle, but to the abandonment of the Portuguese monarch, who ironically took refuge there after the Napoleonic invasion of the Iberian Peninsula. The independence struggles in most of the rest of the Hispanic American area were initially resistance against the Napoleonic invasion of Spain.

In theory, then, the comparatively pacific background in Latin America should result in a deeper integration, stronger than in Europe. In fact, war could not be used as a springboard for the foundation of integration schemes as it was in Europe. In sum, taking into account the European wars, Latin America lacks that “foundational justification”. However, other factors (geography, political resentment, concrete border disputes) have instead presented difficulties for the strengthening of regional projects.

Recently, Latin American sectors that are skeptical to the deepening of the arrangements of economic cooperation, welcomed the endorsement of what they perceive as an ambivalent

European example. This trend stresses the negative approach towards what erroneously is interpreted as “loss of sovereignty” or “cession of national prerogatives.” An expression in English, converted as the *de facto* official EU language (with the futile resistance of France), supplies a perfect illustration of its innate nature and its practical functioning: In being referred to as “pool”, sovereignty is shared, nor ceded or lost. These two wrong accusations are frequently present in the Latin American discourse when considering the benefits and disadvantages of regional integration. Since a word like “pool” does not exist in Spanish, “shared sovereignty” conveys an incorrectly understood concept, as do equivalent expressions that try to fill the linguistic vacuum, revealing more a conceptual shortcoming, than a linguistic deficiency: hence the European model, in essence, fails in its effective cognitive projection all over the Americas (Serbín, 2010).

What is missing in Latin America is “political commitment” for integration. Without it, there is no effective regional integration. In all the effective stages of the EU, the commitment rendered by the political leadership has been notable. In a way, this requirement mirrors the mandate of Jean Monnet that “nothing is possible without the work of men”. After this, for the project to survive, it requires the existence of effective institutions, ruled by a juridical structure that is accepted by all. Monnet, following the inspiration of Swiss philosopher Frederick Amiel, added that “nothing is lasting without institutions”, the pillars of civilizations, as Monnet convinced Robert Schuman. Political commitment backed by institutions then make the implementation of common policies and actions possible. This crucial condition is missing in Latin America.

An additional factor, close to the “presidential syndrome”, and necessary to explain the difficulties of the advancement of systems for Latin American integration, is the lack of juridical respect for norms and codes. This is a paradoxical phenomenon in a subcontinent obsessed with the codification in the tradition of Roman and Napoleonic laws, bestowed by Spain. But is also certain that the enshrining of presidential decisions sideline stipulations that have been accepted, as well as the basic principles of international norms. From the speed used to announce the new alliances and frameworks, to the rush to terminate commitments subject to international treaties (such as the withdrawal of Venezuela from the Andean Community), the current panorama is truly disappointing, if not alarming.

The rise of the Community of South American Nations, later re-baptized as South American Union (UNASUR) has not advanced to the level of expectations and grandiose declarations to date. Nonetheless, optimistic analyses consider that the process still has an ambitious potential of potentially producing an entity, which follows the effective path of the EU (Peña, 2009). The key of this assessment is the leading role played by Brazil. Serious political incidents in some countries have tested the efficacy of the organization.

The Latin American process of integration has been more inclined to make spectacular announcements of foundation of new entities. The latest addition (on top of the birth of UNASUR) has been the Bolivarian Alternative of the Americas (ALBA), later renamed as the Bolivarian Alliance of the Peoples of Our America, as founded by Venezuela to compete with the remains of the US-dominated FTAA.<sup>37</sup> Ironically, ALBA shows an innovative feature in its geographical structure. While the rest of the experiments and realities in regional integration and cooperation share a common geographical linkage (South America, Andes, Central America, the Caribbean basin, etc.), ALBA is the only entity in which not a single member share any border with any other partner. Contiguity does not seem to be a requirement.

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<sup>37</sup> See website: <http://www.alianzabolivariana.org/>



Moreover, another attempt to create a new framework for regional cooperation and integration took the form of the Community of Latin American and Caribbean States (CELAC),<sup>38</sup> composed of all the Latin American and Caribbean nations. Its purpose is to offer a common front to discuss shared issues and serve as a forum for resolving difficulties. Observers have pointed out that it is like an Organization of American States (OAS)... without the United States and Canada. Founded in Mexico under then auspices of the Mexican government, its next summit is scheduled for Chile, which holds the rotating presidency, when the organization will be run by Cuba, the only country in Latin America and the Caribbean that does not have a full liberal democracy.

Observers have noted that the generalized use of the word “integration” to refer to all these experiments and entities does not correspond with the clear aim and agenda of the organization in question. “Integration” does not seem to match the process offered by Béla Balassa in which systems scale steps from a free trade area to a customs union and the form a common market, with the expectation of crafting an economic union and ultimately a political common entity. Some of the entities explicitly preclude this inference by stating in its title the label “free trade” (NAFTA). The umbrella word use leads to confusion: Community (Andean, CARICOM), Alliance (Bolivarian), Union (UNASUR), Common Market (Mercosur), and even System (Central America).

Moreover, in all of these experiments there is a formidable resistance to the consolidation of independent institutions. Claiming that these entities, as set in the past, lacking budgets and authority, were the culprits of past failures, the process was left in the hands of a Latin American leadership consumed by a fever for “summitry”, although this trend is not exclusive of Latin America but seems to be the norm of governance in the multipolar world. The result has frequently been a string of media declarations, publicity-grabbing headlines, grasping for air to breathe, with no time to evaluate between one announcement of a virtual scheme, and the next similar event.

It all depends on the political will of the diverse leadership of the Latin American countries, and most especially in the Andean region, where the tenuous group (once mirroring the model of the EU on paper) will go. Some countries seem more inclined to opt for a free trade pact with Washington, questioning the validity of the deepening of indigenous blocs. Faced with the choice of only one wish offered by a genie, it is reasonable to predict that these countries would choose a better deal with Washington, than opting for the uncertainty of a regional pact. The latest experiment of a “escape” from the traditional blocs is the formation of the so-called Pacific Alliance, the new conglomerate founded by four Latin American countries with shores on the Pacific Ocean (Mexico, Colombia, Perú and Chile), with other expressing interest in joining.<sup>39</sup>

The conditional backing of Europe may run a similar fate. Threats of Bolivia to leave the Andean group, following the path of Venezuela, have been raised in recent years. The radicalization and nationalization process exercised by Chávez has added more questions than answers for the reinvigoration of MERCOSUR. Across the pond, facing the disintegration of the Andean Community and the instability of MERCOSUR, Brussels seems to have exhausted its energies for pushing veritable integration. As mentioned above, it is not surprising then that the EU has crafted a strategic partnership with Brazil, and offered separate deals to Perú and

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<sup>38</sup> For a description: <http://www.parlatino.org/en/proyecto-de-la-celac.html>

<sup>39</sup> Miguel González, “La Alianza del Pacífico echa a andar”, *El País*, 7 junio 2012. [http://internacional.elpais.com/internacional/2012/06/06/actualidad/1339006403\\_059797.html](http://internacional.elpais.com/internacional/2012/06/06/actualidad/1339006403_059797.html)

Colombia. This trend was unthinkable a decade ago, when the EU was still adamant in expecting the subregional blocs to be able to operate with a complete customs union structure. In turn, several European governments have been re-evaluating their global relationship with a Latin America. This is an entity that has showed evidence that in reality does not exist as a bloc, making bilateral approaches a must (Malamud, 2004b; Arenal, 2009). It is safe to say that the subtle, and then clear shift to a bilateral approach has not been caused directly by a change of philosophy in Brussels, but by the force of the arguments posed by the internal crisis of the Andean Community. It remains to be seen if this new approach will be applied to MERCOSUR. For the moment, the EU still continues officially with the bloc-to-bloc strategy, although the special move towards Brazil should be a subject of scrutiny (Arenal, 2010).

Other obstacles make the EU-LA front difficult. On the one hand, the EU resists reforming the Common Agricultural Policy (CAP). That move would open its market to Latin American products, which are still subject to quotas and quality limitations. Pressed by the serious scenario financial crisis, Europe has recently also attracted the irritation of Latin American governments and societies for restricting immigration, following the pressures of economic deterioration and the rise of unemployment in Europe. The need to replenish its aging populations with new blood, provided by immigration, has been neutralized by the arguments posed by the financial crisis, which has affected some sectors (construction, low level commerce) traditionally serviced by immigrants. Facing huge payments of unemployment subsidies, some countries (especially Spain) have opted for sponsoring repatriation of idle immigrants.

On the other hand, many Latin American countries resist to liberalizing their economies (cases of MERCOSUR and Central America) to the level of European expectations, in specific fields. At the same time, they do not meet the request of the EU for the formation of effective harmonization of tariffs. However, the most daunting obstacle for progress and regional integration is the endemic level of poverty and inequality, the worst in the world. Social exclusion and discrimination fuel the rise of criminality, affecting all sectors of the societies, which in turn advocate the establishment of authoritarian regimes. The alternative is then the rise of populist regimes, usually not inclined to market-oriented regional integration experiments. Hence, the appearance of the ALBA, reduced to be a populist temptation subject to the whims of Venezuela's Hugo Chávez, for as long as he can use the oil largesse as a political weapon.

## IV

### Conclusion

Latin America has been caught between, on the one hand, its ambivalent path towards regional integration following its traditional framework and, on the other hand, the attraction of EU influence. Another challenge was added in the form of the “new regionalism”, a trend in which the performance of Latin America has been mixed.<sup>40</sup> However, the experience shows enough positive signs. The current third wave of regional integration in Latin America is dominated by a variety of options for the insertion in markets, which can be used simultaneously and not exclusively, with mutual benefits (Peña 2009b). The prevailing dissatisfaction with the

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<sup>40</sup> As samples of practical analysis, see: Baier 2006, 2007; De Lombarde 2009; de la Reza 2010, Sanahuja 2007.

existing sub-blocs may lead to different scenarios. The first is to keep on acting as usual by inertia; the second is the perennial temptation of opting for a *tabula rasa*.

According to some Latin American voices, there is a third way. It is based on learning from all the experiences and applying them to new entities, such as UNASUR.<sup>41</sup> Instead of getting rid of all accumulated experience, priority should be given to regional integration as stability, and the creation of an autochthonous trade mark, combined with the acceptance of what is becoming the trend in Europe, the so-called variable geometry. At all times, there is a need to accept the centrality of agreements to be implemented and respected, with a will to change accordingly, and to adapt to the new circumstances. However, while populist temptations have been spreading and the demands for a hard line on security are growing, the protests against inequality, the pressure for uncontrolled mobility could become an integral part of an agenda impossible to meet.

In conclusion then, the EU model is still valid to a certain extent in this context. In the last decade, the survival of the original essential European project was based on learning from past mistakes, and adapting the new bold, proposed frameworks to new circumstances. Perhaps the latest of these self-corrections has been the reform process of the institutions through successive treaties, and the return to the slow, moderate method after the more ambitious option of a “constitution” failed. In this case, Europe has not fallen into the trap to either start from scratch, or to leave the task to inertia. Latin America may adopt some of this experience to redress its own path of integration.

However, a consensus of a conglomerate of observers, representing the most active and influential Latin American and Spanish think tanks, have endorsed the synthetic analysis of a handful of Spanish experts under the sponsorship of government agencies (Instituto Cervantes, 2010). The conclusion was that the balance of EU-Latin America relations is a mix of successes and failures: Advances in the political dialogue are counteracted by shortcomings in the global strategy. The reason for this is that general plans are still anchored in arguments prevalent in the 90s. The so-called “open regionalism” is seen as outdated. But blame is placed on both sides of the equation: the Latin American front lacks clearly shared ideas. While the two main policy priorities continue to be regional integration and social cohesion, insistence on integration has diminished and needs to be reshaped or substituted by a bilateral strategy. Proposals for a deepening of this relationship, bordering the signing of a free trade area between the two regions seldom go beyond the theoretical drawings (Peels, 2008).

The fact is that the new times are dominated by “post-liberal” winds. In consequence, programs have to adapt to this new climate (Arenal 2010a). As a mechanism to correct what is considered as a faulty process is the adoption of concrete objectives, feasible for effective implementation. Priority areas are: better connectivity of the region, support for permanent employment, policies to adapt to effects of climate change, and a solid educational strategy (Alonso 2010). Consensus exists on the argument that social cohesion must be at the front of the bi-regional agenda, while the dispersion of the myriad of programs does not contribute to its accomplishment. The documents elaborated by EU institutions are frequently ignored by Member States. Therefore, there is the need to reinforce the role of the summits in the political area. All leads to the targeting of national sovereignty as paramount of state policies. When facing the reality that some Latin America governments do not adapt to the sub-regional framework, the bilateral approach is the right solution. While full democracy is a goal to be fostered, the existence of populist regimes with little respect for political civil rights, and lack of integration with neighbors leads to the convenience of dealing with them separately (Mangas, 2010).

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<sup>41</sup> For a critical in depth review of the prospects of MERCOSUR and UNASUR, see Mellado 2009.

In sum, there is a consensus based on the reality of an EU that has changed dramatically in the last decade, mostly due to the 2004 and 2007 enlargements, but not exclusively caused by them. Latin America has also changed, surpassing the priority agenda dominated by transitions to democracy and its consolidation. Regional integration and the use of the EU model were found as panaceas to contribute to the advancement of Latin American societies. The traditional focus on the relations between the Latin America and Caribbean subregions with the EU needs to be reshaped. The summits must be redefined to deal with priority areas, to deliberate global issues, and open up new avenues for cooperation. The agenda of the summits must recognize that both regions are important global actors that need to foster triangular frameworks. Bilateral and sub-regional approaches must complement each other. Latin American development must be seen as beneficial for both parties. Sub-national actors must be incorporated into the agenda. Finally, some European states, Spain at the lead, must take a more aggressive and trend setting role.

Regarding the overall impact that the 2004 widening of the EU has had on the European-Latin American framework of relations, it is safe to say that there have been no signs of a decrease in the volume of development aid to Latin America. Internal EU declarations and evaluations during the last decade boasted that the full implementation of the economic conditions of the 2004 enlargement would even increase the commercial links between the regions.

In some areas, especially for political and ideological reasons, the role of some of the new members has been noticed, more as an opposition to specific policies endorsed by old timers, than as a positive contribution. This is the case with the relations with Cuba, an issue where some of the Central/Eastern European countries (Poland and especially the Czech Republic) have been opposing the project of Spain for the reformatting of the Common Position imposed on Cuba in 1996.

A future, step by step, enlargement of the EU (Croatia, Serbia, the rest of the Balkans, even Ukraine) is not expected to have a noticeable effect on the relations with Latin America. Budgetary lines for development assistance are guaranteed at least until 2013, and are expected to remain at a similar level. Trade will probably show an increase, especially if the association agreements with Central America and MERCOSUR are successful. The lowering of barriers for products of the new members will find wider markets in Latin America. The hypothetical membership of Turkey would actually mean that the EU had changed dramatically. Then external relations might be seen in a different framework. However, the current existence of some Latin American states (such as the case of Brazil) as “emergent economies” and members of the BRIC (Brazil, Russia, India, China) will propel the sub-continent to a new level of importance and attraction. European investors could then increase their involvement in Latin America to balance the new and aggressive insertion of China. By properly reacting to this challenge, the EU-Latin America relationship will definitely benefit.

However, as mentioned above in the section dedicated to economic issues, attention should be given to the future impact of the financial crisis. The fact that the center of the financial storm is the banking industry, a leading field in European activities in Latin America, does not raise good prospects for an increase of European influence in Latin America. Only time will tell about the precise impact of the crisis and its legacy on EU-Latin America relations.

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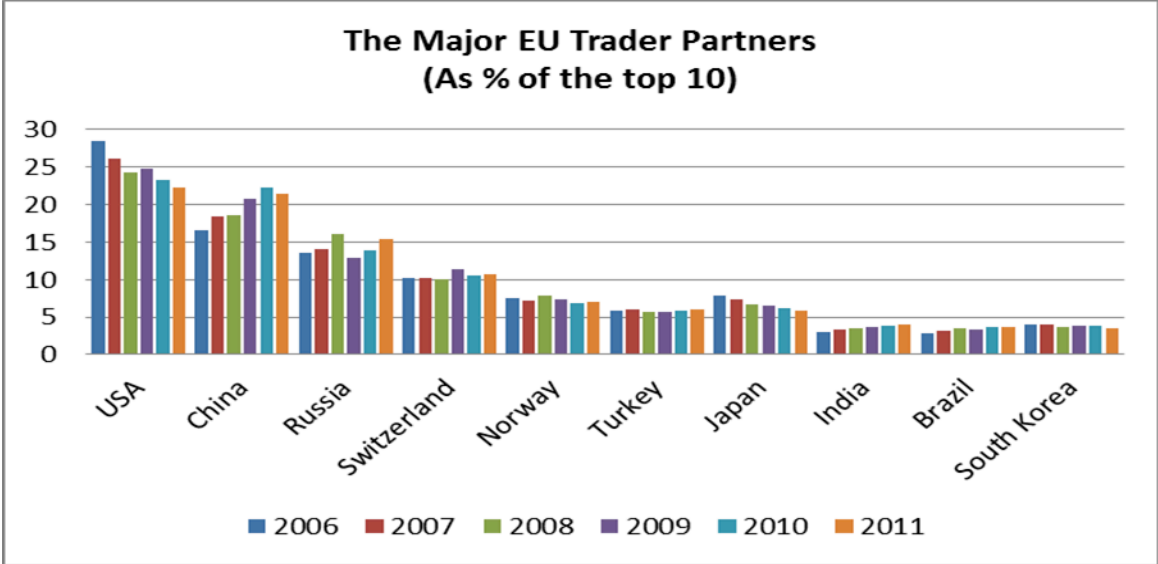
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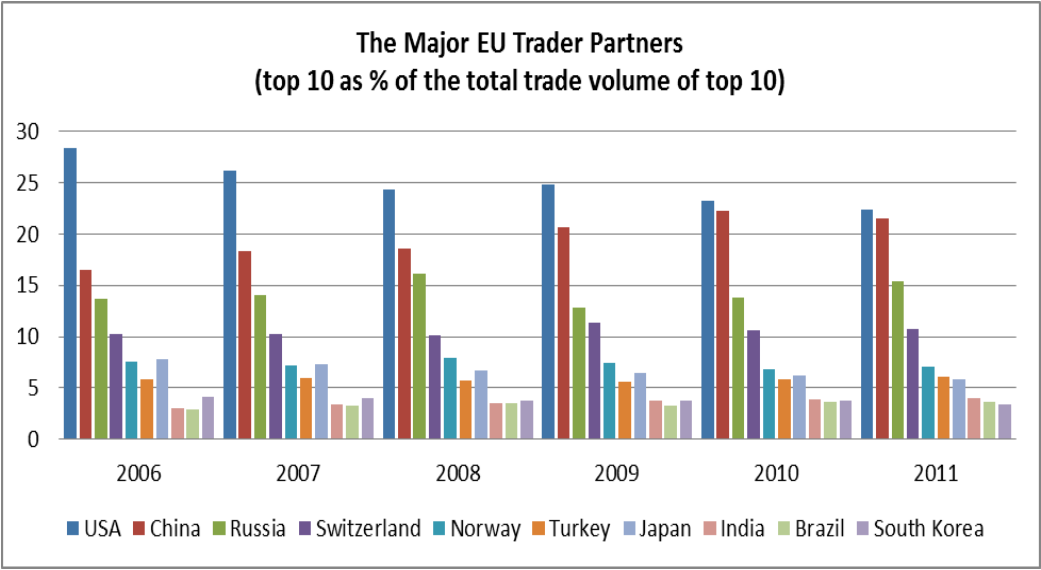
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**Graph # 1.**  
**Major EU Trade Partners**



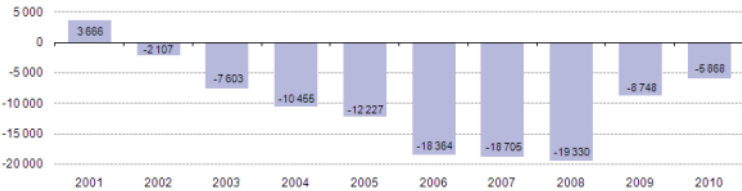
**Graph # 2.**  
**Major Trade Partners. Top Ten**



**Graph #3.**

**EU Trade deficit with Latin America**

EU trade deficit with Latin America



Source: Eurostat COMEXT

**Table #1.**  
**EU-LA export-import**

**Exports and Imports % change**

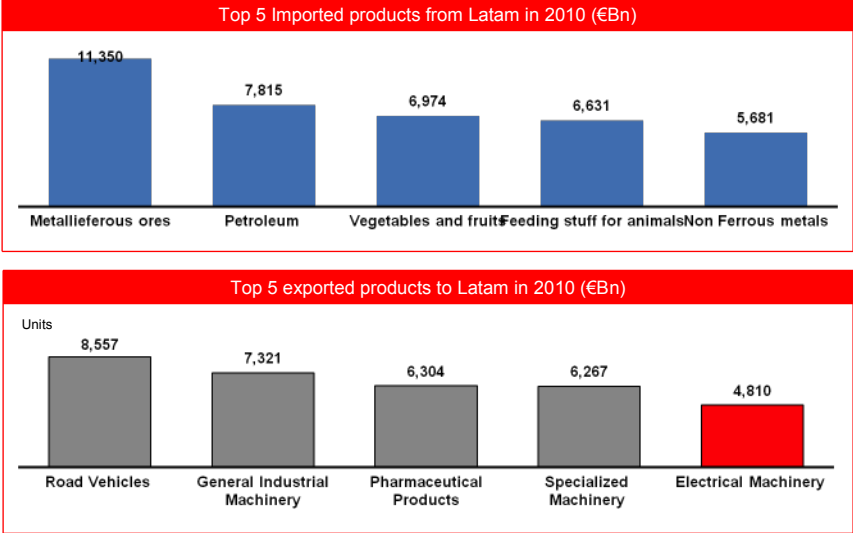
Exports											Imports										
	2003	2004	2005	2006	2007	2008	2009	2010	Average annual growth rate 2003-2010	Share in total extra EU-27 exports 2010		2003	2004	2005	2006	2007	2008	2009	2010	Average annual growth rate 2003-2010	Share in total extra EU-27 imports 2010
Argentina	2 687	3 685	4 053	4 882	5 992	6 091	4 777	7 391	15.6%	0.55%	Argentina	6 344	6 242	6 475	7 371	8 531	10 624	8 203	9 341	5.7%	0.63%
Bolivia	117	136	171	173	199	242	278	306	14.8%	0.02%	Bolivia	110	117	140	153	183	284	238	332	17.1%	0.02%
Brazil	12 397	14 165	16 063	17 738	21 300	26 349	21 629	31 301	14.1%	2.32%	Brazil	19 112	21 719	24 118	27 234	32 832	35 896	25 723	32 272	7.8%	2.16%
Chile	2 962	3 120	3 919	4 281	4 773	5 086	4 530	5 992	10.6%	0.44%	Chile	5 001	7 354	8 155	12 480	12 546	11 305	7 517	9 366	9.4%	0.63%
Colombia	2 043	1 938	2 474	2 766	3 100	3 497	3 310	3 905	9.7%	0.29%	Colombia	2 373	2 970	3 265	3 576	4 082	5 045	3 994	4 725	10.3%	0.32%
Costa Rica	807	750	814	1 092	943	823	589	777	-0.5%	0.06%	Costa Rica	2 652	3 080	3 052	3 018	3 000	3 181	2 785	5 539	11.1%	0.37%
Ecuador	850	720	879	903	900	1 024	987	1 389	7.4%	0.10%	Ecuador	1 315	1 269	1 564	1 609	1 779	2 110	1 896	1 993	6.1%	0.13%
El Salvador	491	407	391	714	557	561	312	311	-6.3%	0.02%	El Salvador	157	182	228	180	196	235	199	203	3.8%	0.01%
Guatemala	476	542	538	685	667	558	492	651	4.6%	0.05%	Guatemala	277	260	318	357	337	389	359	398	5.3%	0.03%
Honduras	281	396	361	290	351	341	231	281	0.0%	0.02%	Honduras	353	336	382	449	436	483	519	611	8.2%	0.04%
Mexico	14 390	14 726	16 837	19 130	20 970	21 934	16 002	21 382	5.8%	1.59%	Mexico	6 547	6 905	9 245	10 564	12 113	13 721	10 040	13 065	10.4%	0.88%
Nicaragua	118	108	115	104	129	126	105	125	0.8%	0.01%	Nicaragua	72	87	102	120	143	187	166	191	15.0%	0.01%
Panama	1 629	1 706	1 492	1 975	2 613	2 669	2 485	2 381	5.4%	0.18%	Panama	566	488	748	1 005	618	837	553	628	1.5%	0.04%
Paraguay	141	156	170	175	224	299	236	379	15.2%	0.03%	Paraguay	291	316	270	299	426	490	360	980	18.9%	0.07%
Peru	881	931	1 087	1 294	1 613	2 192	1 488	2 285	14.6%	0.17%	Peru	2 296	2 575	2 441	3 605	4 200	3 872	3 205	5 114	12.1%	0.34%
Uruguay	395	415	453	813	682	747	680	1 043	14.9%	0.08%	Uruguay	614	635	619	707	800	1 146	918	1 330	11.7%	0.09%
Venezuela	1 732	2 305	2 849	3 495	3 967	4 270	3 700	4 109	13.1%	0.30%	Venezuela	1 919	2 128	3 773	6 147	5 456	6 337	3 904	3 776	10.2%	0.25%
Latin America	42 396	46 207	52 668	60 510	68 983	76 811	61 831	83 997	10.3%	6.23%	Latin America	49 998	56 661	64 895	78 874	87 687	96 141	70 579	89 864	8.7%	6.02%

# Graph #4.

## EU-LA Trade priority products

5

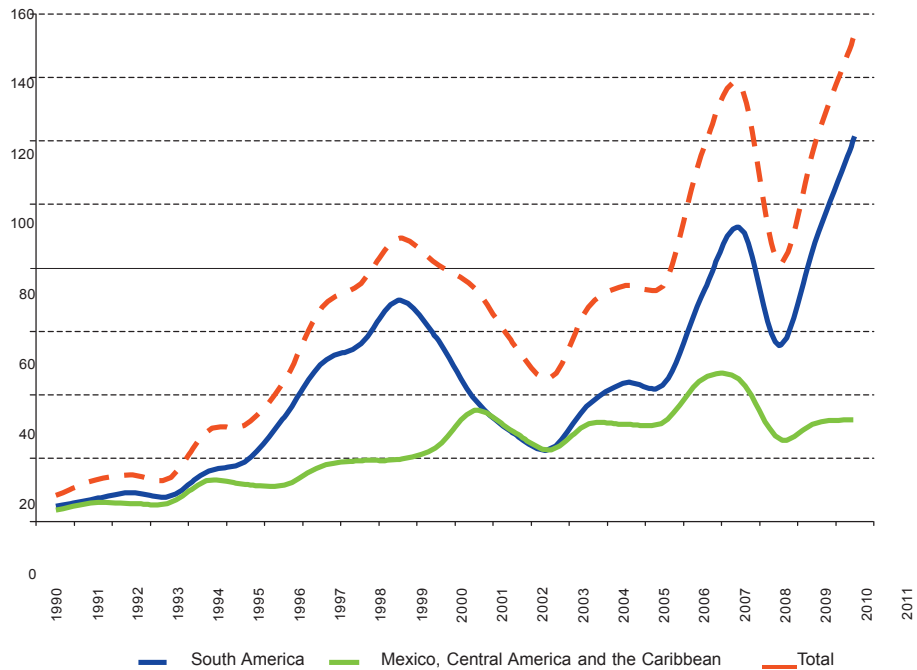
### Top 5 Imported and exported products



## Graph # 5. Foreign Direct Investment by region

### LATIN AMERICA AND THE CARIBBEAN: TOTAL FOREIGN DIRECT INVESTMENT INFLOWS AND INFLOWS BY SUBREGION, 1990-2011

(Billions of  
dollars)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as at 16 April 2012.

Table #2.

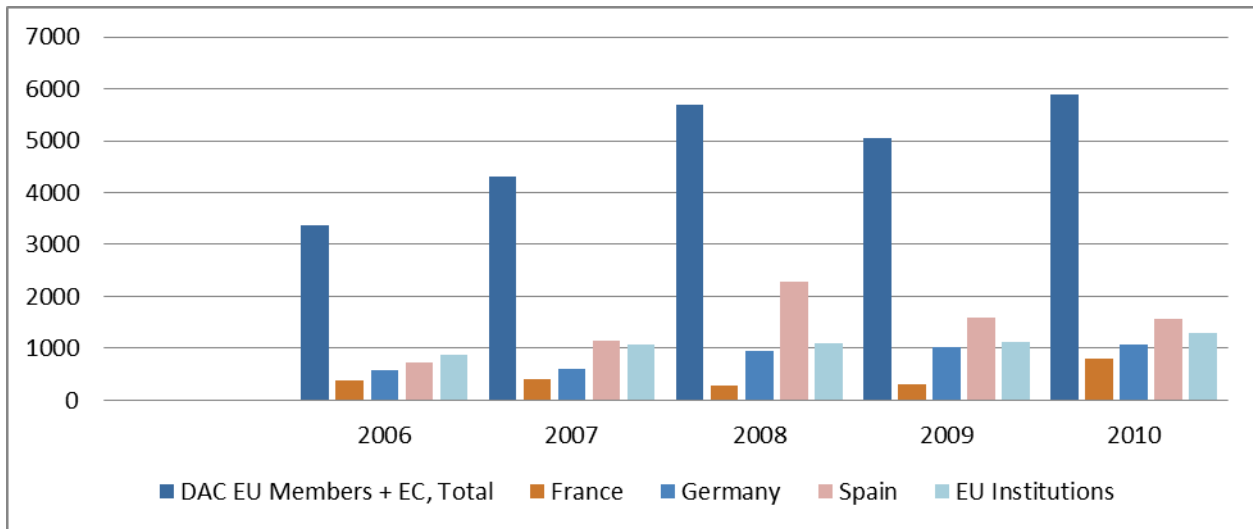
## EU Official Development Assistance (2006-2010)

Recipient		America, Total				
Sector		1000: Total All Sectors				
Flow		Official Development Assistance				
Channel		100: ALL Channels				
Amount type		Current prices (USD millions)				
Flow type		Gross Disbursements				
Type of aid		100: All Types, Total				
Year		2006	2007	2008	2009	2010
<b>Donor</b>						
DAC EU Members + EC, Total		3368.750477	4300.357369	5704.768182	5055.365159	5891.165445
DAC EU Members + EC, Total	Austria	24.174097	27.47491	27.914851	29.487248	38.451853
	Belgium	89.03242	87.405966	125.40763	111.203747	146.403303
	Denmark	65.891157	75.684785	76.359555	66.727579	127.068564
	Finland	32.149294	43.832399	51.118254	46.035016	68.012704
	France	369.608594	406.417882	283.938614	297.091601	804.324268
	Germany	576.46756	608.645263	943.131697	1034.565	1069.341422
	Greece	1.574671	4.768351	7.510416	3.729036	5.523991
	Ireland	19.312054	26.34972	25.627158	22.677291	22.340853
	Italy	91.446645	147.097404	164.750862	101.686686	136.813825
	Luxembourg	27.512096	34.681901	41.459121	38.584297	31.164715
	Netherlands	180.1768	280.22324	239.725	268.66183	229.444943
	Portugal	2.578656	4.928462	4.205473	3.308799	9.978908
	Spain	723.293804	1158.615757	2283.001098	1598.012769	1558.784214
	Sweden	189.20259	202.348563	199.021761	163.949206	170.012554
United Kingdom	96.002366	120.457782	129.321052	144.231555	184.134944	
EU Institutions	880.327686	1071.424987	1102.275632	1125.413513	1289.364416	

data extracted on 25 Jun 2012  
10:28 UTC (GMT) from  
OECD.Stat

**Graph #6.**

**EU Official Development Assistance (2006-2010). Leading Donors. In USD Millions**





**Graph #7.**  
**EU Official development Assistance (2010).**  
**Percent Distribution by Country**

