



DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



**A NEW
EUROPEAN UNION
DEVELOPMENT
COOPERATION POLICY**

**WITH
LATIN AMERICA**

DEVE



DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION

DIRECTORATE B

POLICY DEPARTMENT

STUDY

A NEW EUROPEAN UNION DEVELOPMENT COOPERATION POLICY WITH LATIN AMERICA

Abstract

This study contains an analysis of the key principles of the European Union's development cooperation policy with Latin America. The following issues are of particular importance: i) The relevance of cooperation with middle-income countries, especially those in Latin America and the Caribbean. ii) The objectives that the EU's development cooperation with Latin America and the Caribbean should pursue. iii) The alignment of the regional integration process with the wide range of existing realities and strategies in Latin America and the Caribbean. iv) The promotion of social cohesion policies as one of the core components of the EU's development policy. v) The strategies complementary to the EU's development policy and South-South cooperation.

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AUTHOR(S):

MORAZÁN, Pedro, (Project Director), Economist, SÜDWIND Institute, Germany

FIAPP, International and Ibero-American Foundation for Administration and Public Policies, Madrid, Spain

SANAHUJA, José Antonio, Professor of International Relations, Universidad Complutense de Madrid, Spain

AYLLÓN, Bruno, Researcher (IUDC-UCM), Universidad Complutense de Madrid, Spain

RESPONSIBLE ADMINISTRATORS:

Mario NEGRE, Jesper TVEVAD
Directorate-General for External Policies of the Union
Policy Department
WIB 06 M 051
rue Wiertz 60
B-1047 Brussels

Editorial Assistant: Györgyi MÁCSAI

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LIST OF ABBREVIATIONS

AAA	Accra Agenda for Action
ACP	The African, Caribbean and Pacific Group of States
AL INVEST	European programme to support the internationalisation of small and medium enterprises in Latin America.
ALBA – TCP	Bolivarian Alliance for the Peoples of Our America – Peoples’ Trade Treaty
LAC	Latin America and the Caribbean
FTAA	Free Trade Agreement of the Americas
ALOP	Asociación Latinoamericana de Organizaciones de Promoción al Desarrollo [Latin American Association of Promotion Organisations]
AMM	Macroeconomic High Authority
ODA	Official Development Assistance
GBS	General Budget Support
SBS	Sector Budget Support
CABEI	Central American Bank of Economic Integration
EIB	European Investment Bank
IDB	Inter-American Development Bank
CAD	The OECD’s Development Cooperation Directorate
ADC	Andean Development Corporation
CAN	Andean Community
CARICOM	Caribbean Community and Common Market
CCDT	Code of Conduct on Complementarity and Division of Labour
CDS	South American Defence Council
EC	European Commission
CELAC	Community of Latin American and Caribbean States
ECLAC	Economic Commission for Latin America and the Caribbean
CESCAN	Economic and Social Cohesion of the Andean Community
PCD	Policy Coherence for Development
CSN	Comunidad Suramericana de Naciones [South American Community of Nations]
SSC	South – South Cooperation
TCDC	Technical Cooperation among Developing Countries
DCI/ALA	Development Cooperation Instrument/Latin America and Asia
CSP	Country Strategy Paper
RSP	Regional Strategy Paper
PD	Paris Declaration
EACES	Andean Economic and Social Cohesion Strategy
ECOSOC	United Nations Economic and Social Council
MS.	Member States of the European Union
ENPI	European Neighbourhood and Partnership Instrument
PRS	Poverty Reduction Strategies
EAGGF	European Agricultural Guidance and Guarantee Fund
FIIAPP	International and Ibero-American Foundation for Administration and Public Policies
FLACSO	Facultad Latinoamericana de Ciencias Sociales [Latin American Faculty of Social Sciences]
IMF	International Monetary Fund

FOCEM	MERCOSUR Structural Convergence Fund
FSAP	Financial Sector Assessment Program
GRUCA	Group of Central American diplomatic representatives to the EU
HIPC	Heavily Indebted Poor Countries
DCI	Development Cooperation Instrument
FDI	Foreign Direct Investments
IIRSA	Initiative for the Integration of Regional Infrastructure in South America
IPA	Instrument for Pre-Accession Assistance
LAIF	Latin American Investment Facility (MIAL, Spanish)
OMC	Open Method of Coordination
Mercosur	Southern Cone Common Market
MFF	Multiannual Financial Framework
LAIF	Latin America Investment Facility
OECD	Organisation for Economic Cooperation and Development
MDG	Millennium Development Goals
OAS	Organization of American States
ILO	International Labour Organisation
WTO	World Trade Organization
NGO	Non-Governmental Organisation
UN	United Nations
CAP	Common Agricultural Policy
EP	European Parliament
GDP	Gross Domestic Product
ISDP	Integrated Social Development Plan
NIP	National Indicative Programme
RIP	Regional Indicative programme
LDC	Least Developed Countries
UNDP	United Nations Development Programme
LIC	Low-Income Countries
MIC	Middle-Income Countries
SME	Small and medium enterprise
RED	Renewable Energy Directive
GNI	Gross National Income
EEAS	European External Action Service
SICA	Central American Integration System
SIEPAC	Sistema para la Interconexión Eléctrica de América Central [Electrical Interconnection System for Central American Countries]
RMS	Regional Monetary System
GSP	Generalised System of Preferences
TFEU	Treaty on the Functioning of the European Union
EU	European Union
UNASUR	Union of South American Nations
UNIFEM	United Nations Development Fund for Women
URB-AL	Regional Cooperation Programme of the European Union with Latin America

EXECUTIVE SUMMARY

The development policy of the European Union in the context of bi-regional relations

In political terms, the entry into force of the Lisbon Treaty in December 2009 is the most important milestone in the positioning of Europe as an actor, with its own voice, in international cooperation. The primary objective of development cooperation policy, defined in Article 208 of the Treaty on the Functioning of the European Union (TFEU), is 'the reduction and, in the long term, the eradication of poverty.' Thus, in view of its high poverty rates, LAC should be an area of priority for European Official Development Assistance (ODA). However, the European Consensus on Development indicates that the priority for ODA is 'support to the least developed and other low-income countries (LICs) to achieve more balanced global development.' On the other hand, in paragraph 61 of the Consensus, perspectives of enormous relevance to the majority of LAC countries are left open: '61. *Support to middle-income countries remains equally important to attain the MDGs. Many lower MICs are facing the same kind of difficulties as LICs.*'

In institutional terms, the Code of Conduct on Complementarity and Division of Labour (CCDT), approved in 2007, details the process of strengthening the sole policy of international cooperation. Both instruments have direct consequences for the EU-LAC bi-regional process, insofar as they require, in practice, that ODA be more heavily concentrated in fewer countries, and in selected sectors and on selected issues (Freres, 2011). In addition, the Lisbon Treaty brings about institutional changes that, in the short term, will be determinant for the development of ODA with LAC. Some experts believe that the relocation of what is currently the Directorate of Latin America into a Directorate for the Americas at the EEAS may sharply decrease LAC's relevance in EU development policy (see Freres, 2011; Sanahuja, 2010d).

The concentration of ODA in LICs is drawing reactions and complaints in LAC. In the words of the Executive Secretary of the ECLAC, it may be 'necesario repensar la categoría de 'ingreso medio' --en la que se clasifica a la mayoría de los países de América Latina-- como criterio para la asignación de Ayuda Oficial para el Desarrollo ...' ['necessary to rethink the category of "middle income" – in which the majority of Latin American countries are classified – as a criteria for assigning ODA...']. It is worth noting that the Commission, with the European Consensus and the CCDT in hand, has sought to adapt its cooperation programmes to the diversity of Latin America by making proposals for the future. However, the lack of one or several clear interlocutors in LAC makes it difficult to define shared objectives in the pillar of ODA.

Review of cooperation instruments, the new financing mechanisms

Promoting social cohesion and supporting regional integration stand out as the primary objectives defined at the EU-LAC Summit in Vienna in 2006 for this quinquennium. In addition to these issues, the DCI also includes governance, higher education and sustainable development. The DCI defines geographic areas and specific objectives based on the general objective of European cooperation. However, the discrepancy between the unilateral definition established according to Community rules and instruments (DCI and CDT) and the bi-regional EU-LAC summits remains to be resolved (Sanahuja, 2010d). Not infrequently, the summit process raises questions about the policies already established by Community instruments.

For the 2007-2013 period, the international framework for the programme was formed by the Joint Declaration on the 'European Consensus on Development' of 2005 in relation to the MDGs, and the

Vienna Summit Declaration of 2006, which together defined three areas of priority for the Strategic Partnership: multilateralism, social cohesion and regional integration. The priorities are also based on the combination of various instruments (seven large thematic programmes and national and regional programmes). The negotiations on the multiannual financial framework (MFF) are of vital importance to the future of development policy with the countries of Latin America. ODA is included in current financial perspectives under Heading 4: External actions. Decisions about essential matters such as amounts, sectors and the content of instruments will be the subject of complex debates, given the current precarious fiscal situation of the Member States, which also affects the financial situation in the Union. The Commission proposes a reduction of EUR 88.5 million in the amount devoted to cooperation instruments, especially for geographic programmes such as this.

In recent agreements, there has been a strong tendency to emphasise programme-based aid within the framework of poverty reduction strategies (PRS). This is relevant to Bolivia, Honduras, Nicaragua and Guyana. Also of great relevance is general budget support (GBS) and sector budget support (SBS). Programme-based assistance represents more than 5% of the assistance directed to LAC. This is because the region offers greater capacity for absorption than Sub-Saharan Africa. Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs) are, in our opinion, the most appropriate starting point for horizontal cooperation. Both of these instruments are drawn up through a process of dialogue with each recipient country's national government and other relevant actors. They define the specific objectives and the sectors of intervention of EU cooperation. To date, however, they have not been sufficiently applied to society in general, so as to make demands of civil society as well.

EU Development Policy towards Latin America in the context of the economic crisis

In 2002, the EU committed to a collective increase of ODA. Those commitments were later broadened and approved by the European Council in 2005. The EC's 'development package' (the 12-point action plan and the 2010 progress report) was adopted in April 2010 in the midst of the global economic crisis. However, the Commission's ambitious goals had already been toned down by the Council's conclusions of 14 June 2010, which served as the basis for the EU's official position at the UN Summit on the MDGs in September 2010 in New York (Morazán/Koch, 2011).

In this year's report, the EC states that the negative economic growth rates in the EU as a result of the crisis and the austerity measures introduced by the Member States led to the reduction of ODA. All of this contributes to a negative trajectory in meeting the MDGs. What has happened with the ambitious agenda of the Consensus in its first five years? From the quantitative point of view, the balance is, in a manner of speaking, negative. In 2010, the EU Member States did not manage to meet the intermediate target (0.56%), reaching just 0.42% of ODA/GNI. Unless something extraordinary occurs — and the current situation does not give any indication that it will — the EU will not meet the target of 0.7% by 2015. The risks of a significant reduction in ODA to LAC are enormous and have grown even larger as a result of the political and economic crises in North Africa.

Twelve-point EU action plan and LAC

Initially, and logically, it was believed that the 12-point action plan approved in April 2010 should serve as the basis for the 2010 EU-LAC Summit. However, ODA commitments to the region have not surpassed the limit of EUR 350 million annually, and payments have remained at around EUR 300 million during the past three years. If bilateral support from Member States is totalled, the EU is LAC's first source of assistance. However, the importance of European ODA in meeting the MDGs in LAC is not merely quantitative. As is well known, the MICs of LAC pose a challenge for the MDG agenda,

precisely because the majority of the poor live in these countries, and because the desired results entail much more complex cooperation processes than the traditional ODA instruments. On the other hand, many of the innovative instruments currently under discussion have enormous potential for use in LAC.

More than a sudden withdrawal of ODA, LAC needs the three pillars of the strategic association to be treated differently, so that the objective of reducing poverty, which is in the interest of both regions, can be met. To this end, it is necessary for the EU to recognise strategic areas of mutual interest in order to achieve the MDGs with a renewed development policy.

Responding to the challenges of policy coherence for development and the MDGs

With the Lisbon Treaty, coherence has come to occupy a more central place in EU foreign policy, becoming a legal requirement both for the High Representative and for the Commission. The Consensus emphasises that the 'commitment to promoting policy coherence for development' (PCD) is not only a key political commitment in the context of the MDGs, but also has a firm legal basis in the EC Treaty establishing the European Community (Article 178). The Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee emphasises that 'EU policies in areas such as trade, agriculture, fisheries, food safety, transport and energy have a direct bearing on the ability of developing countries to generate domestic economic growth, which is at the basis of any sustained progress towards the MDGs.' (European Commission, 2005a) The PCD is also an essential tool for the EU to comply with MDG 8. MDG 8 seeks to develop a global partnership for development. The presence of the EU and three Latin American countries (Mexico, Brazil and Argentina) in the G-20 may be an opportunity to find common ground, so that PCD can be implemented jointly. The Latin American countries' insistence on a deeper macroeconomic dialogue is a sign of the existing concerns. The establishment of the Latin American Investment Facility (LAIF) is, therefore, a step forward in the implementation of PCD. Although there have been positive signs, agriculture is an area where the EU has enormous problems in achieving PCD with some LAC countries.

The new EU assistance paradigm and the EU-LAC Strategic Association

The EU formulates the paradigm of 'inclusive growth' in the Green Paper on Development Policy that was submitted for discussion in early 2011. The message of the Green paper could be summarised as: 'towards more growth, less poverty.' However, it is well known that the persistence of poverty in the context of growth varies from country to country and from region to region. Consequently, the Green Paper's four objectives insist on the relevance of development cooperation in the face of the community's current challenges: climate change, the financial crisis and the food crisis.

The EU's application of the development cooperation policy demonstrates that support for 'social cohesion' can contribute positively to the implementation of policies that lead to respect for and compliance with basic labour standards in LAC beneficiary countries. Development policy can thus contribute to the implementation of corporate social responsibility. The issues of labour standards and social protection systems are closely related to the issue of gender equality. On this issue, too, the Commission has been able to implement instruments that have had a great deal of impact.

Recommendations

The eradication of poverty should be kept as the primary objective of EU development policy toward LAC. The opportunity presented by the current crisis in Europe should be recognised; revising the phased plan and adapting it to the bi-regional summits could be a first step. Heed LAC's calls for

agricultural policy to be consistent with ODA. The commitment of ODA to MICs should be maintained. It is necessary to seek a better division of labour among Member States of the European Union and to make use of the new room to adapt ODA to the changes in LAC. MDG 8 should be placed at the centre of the EU's cooperation policy with LAC, selecting areas to implement the new strategy of 'inclusive growth' in LAC. With these changes, the Country Strategy Papers (CSPs) and the Regional Strategy Papers (RSPs) could be revitalised.

The promotion of social cohesion

The concept of 'social cohesion' has been developed and incorporated in large measure in the EU *acquis*, by associating itself with the 'European social model' which seeks to safeguard the social component of integration. It is, in and of itself, a key component of the process of European integration and — equally important — a hallmark of the EU's image in the world (Sanahuja, 2010c). In the new dialogue on economic development, social cohesion has a central role.

In spite its successes in terms of economic growth, as well as a greater capacity to resist the effects of the international financial crisis, Latin America continues to be the most unequal region in the world: the richest 20 % account for 57.1 % of all income, while the poorest 20 % receive scarcely 2.9 % of the wealth (Inter-American Dialogue, 2009). Territorial inequalities, which are also enormous in number in LAC, must be considered in addition to social inequalities of all kinds. Both the United Nations Development Program (UNDP) and the Economic Commission for Latin America and the Caribbean (ECLAC) have focused their attention on the discussion surrounding the role that may be played by the state in reducing inequality and encouraging social cohesion.

Indeed, the ECLAC sees social cohesion not just as a goal, but as a means to achieve balanced development. This vision is encapsulated by the ECLAC motto: 'growth needs equality and equality needs growth'. According to ECLAC (2007), the three main vectors that lead to social cohesion are providing opportunities, developing capabilities and guaranteeing safety nets. The concept of social cohesion is highly normative in nature and thus is considered a guiding principle of public action: social cohesion is a positive condition that must be strived for in order to be achieved. This means that the vision is imbued with values and, in particular, a perspective, the focus on rights. This process involves promoting agreements or pacts (what have been called 'Pactos por la Ciudadanía' [Pacts for Citizenship] (See FIIAPP, 2010) which facilitate policy and statutory changes to address the structural aspects that hinder the full exercise of these rights. In short, it is a matter of creating a virtuous circle: we need to invest in social cohesion to create citizenship and invest in citizenship to create social cohesion.

The strategies for integrating social cohesion into Latin American public policies can be improved substantially. This involves addressing the objectives of social cohesion, developing human capital, and creating safety nets through a comprehensive social policy, in order to be able to overcome the institutional fragmentation and disjointedness that exists in many Latin American countries.

The EU's development policy can contribute to social cohesion in Latin America. The European cooperation programmes supporting social cohesion have developed along two different lines: the national programmes of each country, and the regional and sub-regional programmes. In terms of regional programmes, the most significant of these, the EUROsociAL programme, grew out of an express mandate by the Heads of State and Government of the EU and Latin America and the Caribbean, who met in Mexico in May 2004. In the six years it has been in place, the programme has contributed to spreading the concept of social cohesion in Latin American societies and translating it into actual measures for strengthening institutions and developing public policies for social cohesion.

One of the successes of such programmes is their ability to foster connections among institutions in the two regions by means of exchanges of experience; a peer learning method.

In spite of the differences in focus and the distance between the two regions, an increasingly shared vision of the significance and scope of social cohesion as a key factor in the development and stability of the societies in the two regions is making headway. Social cohesion constitutes a basic component in the dialogue between the EU and Latin America within the framework of the 'Strategic Association' between the two regions.

The issue of social cohesion has acquired such relevance in bi-regional relations that it has institutionalised bi-regional dialogue on the issue in the EU-LAC Social Cohesion Forum – in preparation for bi-regional summits – with the aim of exchanging points of view and learning about experiences on the implementation of policies which contribute to the promotion of social cohesion.

The European Union and the promotion of regionalism and regional integration in Latin America

The EU's strategy of inter-regionalism was outlined by the community institutions in 1994 and 1995, and, with some adjustments and redefinitions, it has remained in force, in its basic components, up to the 2010 Madrid Summit. Like any other objective of external action, the EU's support for Latin American integration responds to a particular combination — not always harmonious — of interests (promoting growth and expanded markets), values (democracy and human rights) and identities (integration and social cohesion).

Association Agreements: an incentive and a tool to support integration?

One of the characteristics that defines the EU as a global actor and, in particular, as an external partner of Latin America and the Caribbean is its support for regional integration and broader forms of regionalism. In this sense, regional political dialogue, free trade agreements and development cooperation should all be factors that contribute to the regional integration of LAC. As regards political dialogue, an instance of particular relevance to the development of political consensus is the Euro-Latin American Parliamentary Assembly (EUROLAT). The signing of free trade agreements between the EU and sub-regional groups in Latin America and the Caribbean implies, in turn, greater economic integration within each group, to the point where they become effective regional 'groups'. The community's development cooperation also seeks to encourage the process of economic integration through regional programmes in Central America, the Andean Community (CAN) and Mercosur.

Ever since this strategy of inter-regionalism was first enacted in the mid-nineties, it has faced obstacles and difficulties, particularly in connection with relations between the EU and Mercosur. The problems of coherence are especially important in relation to trade protectionism. If the EU wants to be an 'external unifier' of the region, it cannot be a hurdle to Latin America's greater involvement in the international market.

What does the evolution of negotiations for the signing of Association Agreements show? The vision of a 'network' of association agreements, defined by the above strategy, is close to becoming a reality: Agreements have been signed with Mexico (2000), Chile (2002), and Central America (2010). There is a 'Multi-party Agreement' with Colombia and Peru (2010), which Bolivia and Ecuador may later join, and in 2010, the negotiations between the EU and Mercosur were reopened. All of this seems to show that setting bilateral agreements in opposition to bi-regional agreements creates a false dilemma, and it

affirms bilateralism as a complement, rather than an alternative, to inter-regionalism. If the negotiations between the EU and Mercosur are concluded in 2011 and 2012, the 'strategic association' between the EU and Latin America will be based, as was anticipated in the mid-nineties, on a broad network of association agreements and free trade areas, whether these are bilateral or interregional in nature.

Association Agreements: an incentive and a tool to support integration?

The negotiations to establish a 'network' of Association Agreements between the EU and Latin America have had mixed results. This is due, in large part, to the ambivalence with which this has been carried out in practice, the problems of policy coherence in the EU, and the successes and setbacks of integration schemes in LAC. The problems of coherence are especially important in relation to the trade protectionism that affects, in particular, EU-Mercosur relations. Within the EU, there are divergent positions and interests in terms of the concessions to be made in relation to access to the agricultural market. To this, we must add the different positions within Mercosur on the issue of openness in manufacturing, services and public procurement. These factors, which are also present in the WTO negotiations, may explain the essential reason why those negotiations were suspended in 2004.

Although the signing of the EU-Colombia and EU-Peru bilateral agreements on the eve of the 2010 Madrid Summit has been the subject of controversy, this may be considered an important step in the creation of a network of agreements. In any case, the agreements that have already been signed may not represent the closure of this issue. In June 2010, Ecuador formally expressed its desire to reopen negotiations and be part of the Agreement. In December of that year, the Bolivian government announced that it would reopen negotiations on the agreement, which, in the medium term, would allow the interregional approach of the relationship between the EU and the Andean group to be re-established. The agreement with Central America signed in May 2010 and in particular the agreement that may be signed with Mercosur may compensate for the failure of the 'group-to-group' negotiations with the CAN, and this implies a significant strengthening of the EU's regionalist strategy. Since the Madrid Summit, the positive signs for this negotiation have multiplied. The Mercosur Summit in San Juan in August 2010 has been of great importance.

In short, an examination of the negotiations between the EU and the various sub-regional groups seems to demonstrate two things: first, that the possibility of signing Association Agreements continues to be a powerful incentive for integration. Second, that the limits of the EU's power as a 'federador externo' [external unifier] may also be defined, as is logical, by the extent of each sub-region's commitment to integration, and by the role that 'South - North' agreements with external actors, such as the United States, have within each sub-region. The cases of the Andean Community and of Central-American integration, in marked contrast, seem to indicate as much.

Regional cooperation and support for integration

An examination of regional strategy documents shows a highly integrated focus – combining political dialogue, trade, and development cooperation – and clear elements of continuity. Finally, with regard to the management of interdependencies, environmental protection, the fight against illegal drugs and the prevention of and response to natural disasters have all been maintained as priorities. Continuity has also been maintained on 'cross-cutting' issues like gender equality and combating discrimination against indigenous persons, persons of African descent and minorities. Together with these elements, new priorities arising out of the process of EU-Latin America and Caribbean Summits of Heads of State and Government have also appeared, specifically, actions to support higher education and the

development of the information society. However, a considerable imbalance exists between the political commitments made at the summits and the financial resources available, which have not increased. In addition, it is worth noting that the procedure of defining the strategy on the part of the EU, which is unilateral in nature in accordance with its own rules, does not adequately fit an 'inter-regionalist' relationship model, like the 'summits', or the more horizontal relationship model of the new generation of association agreements adopted since 2000.

The European Union has been one of the few sources of regional cooperation in LAC and the only one that engages in bi-regional cooperation. It is important to remember that regional integration is one of the eight priority areas addressed in the European Consensus on Development of 2005. Regional cooperation has been markedly asymmetrical, however, since no regional organisation has existed in Latin America, and the 'map' of regional integration has, in reality, been comprised of four sub-regions – Mercosur, CAN, Central America and the Caribbean Community and Common Market (CARICOM) – as well as the specific instances of 'North-South' integration of Mexico and Chile. Under these conditions, supporting Latin American integration is difficult, and the EU has opted for regional programmes based on thematic 'networks' and consortiums, which mostly include decentralised actors – such as local governments and universities – that stimulate the dynamics of 'regionalisation', rather than formal, institutionalised regionalism. The creation of UNASUR in 2008 and, in particular, the appearance of the Community of Latin American and Caribbean States (CELAC) in 2011 may give rise to new possibilities for 'region to region' cooperation on the part of the EU, to the extent that those organisations establish themselves and equip themselves with the power and tools to intensify regional cooperation or to carry out shared policies.

Cyclical change in regionalism and Latin American integration

Given the clear cyclical change that can be seen in regionalism and integration in LAC, it seems relevant to suggest a possible dialogue between UNASUR and the EU, as expressed in the Communication of 2009, 'Global Players in Partnership'. This cyclical change is occurring after more than 15 years of open regionalism on the part of the majority of Latin American countries, which has, in fact, had a net positive effect in the region, especially with regard to the growth of intraregional trade at rates that exceed those of total trade. Most exports in intraregional trade are manufactured goods with higher value added. Since mid-2000, there have been signs of the collapse of the open regionalism model. Growth in interregional trade is lower than total trade.

Among the causes that account for this change, the following may be mentioned: the continuing export pattern that specialises in primary products, encouraged by high demand from Asia; the low degree of complementarity of Latin America's economies; the lesser weight of intra-company and intra-industry trade as a result of the scarcity of transnational supply chains; the increased cost of transport as a result of the lack of physical infrastructure; macroeconomic instability; the persistence of non-tariff barriers; and the tendency to resort to unilateral measures in the event of crisis.

ECLAC recognises that in spite of the new challenges, 'It is [...] essential [...] to deepen the regional integration of Latin America and the Caribbean, especially since intraregional trade actually encourages export diversification, favours small and medium-sized enterprises and comprises higher value added products than exports to the rest of the world.' Thus, the new focus of integration could be characterised as 'post-liberal', since it attempts to transcend the model of open regionalism (Motta and Ríos 2007, Sanahuja 2010). Post-liberal regionalism, particularly the Union of South American Nations (UNASUR), appears to be establishing itself as the most recent attempt to articulate a South American regional economic and political space, and to achieve the objectives of autonomy, international

involvement, economic and social development, and internal governance that have inspired Latin America's regional integration strategies from the very beginning.

Post-liberal regionalism has been put into practice through the Bolivarian Alliance for the Peoples of Our America-Peoples' Trade Treaty (ALBA-TCP) and the Union of South American Nations (UNASUR). Both UNASUR and ALBA-TCP are expressions of a specific interpretation of 'anti-' or 'post'-liberal regionalism, but neither can be considered an integration initiative in the classic sense of the term. Tensions between nationalism and regionalism are not new in the region, but the neo-nationalism that coexists with post-liberal regionalism again poses dilemmas which are difficult to avoid in the construction of effective regional institutions and frameworks.

Post-liberal regionalism has a marked political component. However, as already indicated, ALBA-TCP, with its distinct ideological orientation, as well as UNASUR, which is caught between the MERCOSUR model and a North American-Pacific orientation, both give more weight to the 'positive' agenda of integration. This agenda is centred on creating shared institutions and policies, as well as more intense cooperation in non-trade areas, which has led to the expansion of mechanisms for South-South cooperation and the emergence of a renewed peace and security agenda. There is also greater preoccupation with social dimensions and imbalances, as well as the link between regional integration and the reduction of poverty and inequality in a political context in which social justice has taken on greater importance in the region's political agenda.

Thus, one of the defining characteristics of post-liberal regionalism is the development of sectoral policies that are regional in scope in various areas. Energy, for example, became a central issue of UNASUR's agenda. In this area, a clear complementarity exists between countries with reserves and those where energy shortages can be a 'bottleneck' for growth. This potential is such that the assertion has even been made that South American oil and gas could play the role that coal and steel played in European integration.

The process of creating the CELAC, a mechanism approved at the 3rd Latin American and Caribbean Summit held in Caracas in December 2011, is characterised by high levels of tension over what regional integration means. It is premature to assess the significance of this process. In any case, its eminently political nature is apparent, and it represents Mexico's return to regional affairs, as well as an attempt by Brazil to re-establish a Latin American-Caribbean regionalism that incorporates the various sub-regional groups, beyond UNASUR. (Costa Vaz 2010; Rojas Aravena 2011a, 2011b).

Recommendations

Integration continues to play a key role in the EU's regional strategy; as an external partner, the EU should seek a renewed strategy to support 'positive integration' and shared policies. Sectoral policies on energy and infrastructure address common interests and thus are relevant to the EU's agenda. Greater cooperation in science and technology should be sought, along with greater emphasis on promoting the dynamics of 'regionalisation', support for mechanisms to correct regional asymmetries and better deployment of additional resources. Emphasis should be placed on the key role of Association Agreements, and, lastly, an agenda of expanded political dialogue.

The promotion of South–South Cooperation (SSC)

The distribution of global power and the growth of emerging countries constitute two of the main changes in international relations at the beginning of the 21st century. The changes in global power dynamics, along with the ongoing diffusion of power and vertical and horizontal shifts in power, which are apparent at the global level and in the Latin American region in particular, present serious, urgent challenges for the EU. The strength of South –South relations; the creation of autonomous spaces for coordination and political cooperation among Latin American countries, without European or North American involvement; and the presence of extra-regional actors (China, Russia, India, Iran) are deep transformations that challenge the EU to redefine its strategy and tools to remain a relevant actor in relations with the region.

The nature and demarcation of SSC is a matter of much debate, about which no consensus exists. In terms of its main characteristics, developing countries underscore its functional approach, which is based on jointly identifying proven solutions to development problems, with an emphasis on creating and strengthening capacities. For its beneficiaries, SSC can be adapted to their priorities, whilst providing funding for infrastructure and strengthening their ability to spend when channelled through national budgets.

However, a certain degree of idealisation persists, along with a notable ambiguity and laxity with regard to the definitions of SSC in terms of its scope, from the point of view of its effectiveness and the frequent comparison with North–South cooperation. The increasing number of platforms for debate about SSC presents another challenge for developing countries, especially those from Latin America. They face pressure to make their cooperation practices transparent, and they experience pressure to align themselves with the consensus generated by the DAC/OECD through the Paris Declaration (PD).

Characteristics of SSC: The experiences of Latin America

The experiences with SSC in Latin America have been more dynamic than in any other region of the world. Some of the most significant milestones in the history of SSC have occurred in the region. The concept of Technical Cooperation among Developing Countries (TCDC) came out of the Buenos Aires Conference (1978), while the Caracas Programme of Action on Economic Cooperation among Developing Countries (1981) and the San José Plan of Action (1997), both of which were devoted to investment, trade and finance, completed the reference framework for SSC.

Latin American States manage their SSC with nearby countries of particular interest to them, for cultural, political, historical or security reasons. This does not imply the absence of motives of solidarity. For example, Colombia is concentrating its SSC actions on neighbouring countries and countries in the Caribbean basin. Venezuela divides its attention between this latter approach, with Cuba as its main partner, and Central America, with a lower presence in South America, where it prioritises its political allies (Bolivia and Ecuador). Brazil is the only country in the region that shows greater diversification in its cooperation, which is aimed mainly at Latin America, without neglecting its growing presence in Africa and, to a lesser extent, Asia.

By sectors of activity, in 2009, the SSC in the LAC region concentrated on economic activities (40 % of the 881 projects recorded), social activities (another 40 %) and other sectors (20 %) such as culture, gender, the environment, disaster prevention, strengthening the management of public institutions, etc. (Ibero-American Secretariat, 2010). An overview of SSC would not be complete without mentioning its importance in integration and regionalisation processes (Ojeda, 2010). This variant of SSC is used

within the framework of post-liberal regionalist strategies that seek to rethink and reorient integrationist pathways in Latin America (ALBA-Peoples' Trade Treaty, Mercosur, UNASUR), creating spaces for cooperation that are much more political than in the past.

SSC in the context of the effectiveness agenda:

It is currently difficult to confirm that the Paris Declaration (PD) is a benchmark for any type of regional coordination in Latin America (Prado, 2010). The involvement of Latin American countries in the aid effectiveness agenda has been gradual, with different positions wavering between enthusiasm and total rejection. While Venezuela is proposing a break with the traditional canons of North-South cooperation, Colombia is urging that SSC be aligned with the PD, becoming, among developing countries, one of their main drivers in the region and the world. Including the Caribbean States, only 53 % of countries in the region have subscribed to the PD.

More complicated has been the result of applying the principles and mechanisms established by the PD to SSC. On this point, most Latin American countries do not classify the cooperation they offer as being part of the provisions of the PD. The case of Brazil is representative of this position, as the country signed the PD in its capacity as ODA receiver, but not at all as a country offering cooperation. In the end, there is a preference for the effectiveness of cooperation to be processed in regional platforms or in the United Nations. Argentina and Brazil are calling for these debates to be redirected to ECOSOC's Development Cooperation Forum, created in 2007.

The advance of the 'new donors', especially China, has stirred up some concern in DAC countries regarding repercussions on the application of the effectiveness agenda. The creation of the Working Party on Aid Effectiveness (WP-EFF) within the DAC in 2003 was, in part, a response to this worry. The need for greater evidence on the effectiveness of SSC was made evident at the International Conference on Financing for Development (Doha, 2008). The United Nations recognised that the effectiveness of SSC is very limited in its analysis owing to the absence of evaluations. The great development in regard to the multilateral discussion on the role of SSC and its relationship to the aid effectiveness agenda has been the inclusion of the issue in the G-20 agenda, as well as its inclusion among the nine pillars defined in the Seoul Development Consensus for Shared Growth.

The EU and South-South Cooperation and triangular aid in Latin America

The EU does not have a joint vision or a clear strategic definition to enable it to structure and develop an SSC aid policy and a cooperative response to SSC with sufficient energy, not only in Latin America but also in its relations with other MICs. Upon examination of the Lisbon Treaty and the Treaty on the Functioning of the European Union, it would appear that there are no direct references to SSC or to triangular cooperation as measures or instruments for EU cooperation in development. The absence of direct references to SSC in EU texts and regulations instils the need to begin a process of reflection which could lead to its inclusion in the EU's cooperation policy. The European Commission, for its part, has gradually introduced SSC into its agenda of global cooperation and cooperation with Latin America. The regional plan with Latin America mentions SSC as a useful method to enable less able countries to benefit from 'horizontal' or bi-regional programmes. With regard to the EUROSOCIAL programme, it recommends that it should be renewed, and that 'opportunities for institutional partnerships and triangular cooperation' be explored.

Generally speaking, the EU's involvement in triangular cooperation in Latin America derives its motivation from the role played by emerging countries which exercise a growing influence on their

environment. Among the Member States that are most active in promoting SSC and triangular cooperation, Germany stands out for its track record. Other active community members are Spain, France, Belgium, the Netherlands, Sweden and the United Kingdom.

Recommendations

Begin a process of clarification over SSC and triangular cooperation; the EU should design a strategy on several levels: global, bi-regional and bilateral. The EUROLAC Foundation should incorporate a bi-regional research programme on SSC into its activities. Support for SSC should be included when drawing up the Regional Strategy Papers for the 2014-2020 period. Mixed formulas that include Member States as well as the Commission could be considered.

INTRODUCTION

At the last EU-LAC Summit in Madrid in 2010, the heads of state of both regions reaffirmed their willingness 'to address the global consequences of the economic and financial crisis and to prevent such crises from unfolding again. Today, on the eve of the next Summit, due to take place in January 2013 in Santiago de Chile, Europe seems in a more fragile state as a result of the so-called 'Euro crisis'. The problems of public debt and the vulnerability of the euro are monopolising the attention of the whole of the European Union, to the extent that there is no shortage of voices saying that the entire integration project depends on how they succeed in managing this crisis.¹ It comes as no surprise that the economic crisis is not only altering the coordinates in the sphere of economics, it is also creating new demands in the area of global government that, in one way or another, have an influence on how the EU acts as a global partner, specifically with LAC. The multilateralism of the EU and its eagerness to encourage sustained, balanced economic growth mean that at the same time confidence must be restored in its institutions and, above all, in its financial markets, so it can create a new model and lead by positive example in other parts of the world.

In conjunction with the economic crisis, the events in North Africa throw up new challenges that must be embraced immediately, both by the EU as a whole and by its individual Member States. The Lisbon Treaty is undergoing its first acid test, both economically (the Euro crisis) and politically (the support for democracy in the Arab countries). Both of these phenomena (the worldwide economic crisis and the movement of Arab countries towards democracy) are having a major impact upon the dynamics of EU-LAC relations. However, it is still too early to be able to weigh up the nature of these effects, particularly because they are also conditioned by how LAC reacts to the effects of the world economic crisis and, to a certain extent, the problems of the Middle East.

Perhaps the definition of the guidelines of the multiannual financial framework (2014-2020) serves as a kind of barometer for gauging the direction taken by these new changes: In Chapter 4, 'The EU as a global actor', the financial budget guidelines proposed by the EU forecast growth of as little as 0.8 %, far below the 5 % average of the remaining chapters. The reduction of more than EUR 88 million from the Financing Instrument for Development Cooperation, which includes geographical programmes, is a very significant sign to LAC that the EU is facing enormous challenges in these times of crisis and that its response to them cannot always be in accordance with the long-term objectives hitherto defined.

Latin America, in turn, is not immune to the risks of the crisis. In spite of the fact that, according to IMF estimates, the 4.5 % economic growth figure forecast for the region in 2011 remains solid, LAC growth could be affected by the uncertainty surrounding global recovery. The risks of contamination are pronounced, and it will not prove easy to achieve an adequate balance between these risks to avoid the crisis in circumstances which could see a fall in the price of raw materials, thereby increasing fiscal pressure.² While the economic policies that Latin-American countries are adopting individually may

¹ e.g. http://www.elpais.com/articulo/reportajes/razones/Europa/resquebraja/elpepusocdmg/20110515elpdmgrep_1/Tes

² The director of the IMF for the Western Hemisphere, Eyzaguirre describes the situation as follows: 'Whereas before, when developed economies caught a cold, we would get pneumonia, on this occasion the developed countries have pneumonia, while we just catch a cold.'

impinge on their neighbours,³ it is obvious that the economic rapprochement with LAC is a point that the EU must take into consideration in preparing the strategy for emerging from the crisis.

For this reason, the economic crisis and its various effects, rather than making the reconciliation of both regions less relevant, they are lending it a fresh perspective. At issue here, among other things, is the consolidation of the commitment that was made in Madrid in 2010 to work together towards designing a new international financial architecture. This includes reforming international financial institutions, by enhancing the role and voting rights of developing countries, in exchange for a greater commitment to refurbishing the framework for regulation and international financial monitoring, which will guarantee the stability and solvency of financial systems. The question is whether the principles on which this strategic alliance was constructed can be strengthened, by combining regional integration, social cohesion, development aid and the relationship with other global actors.

This study aims to convey how significant this is, by analysing four important aspects of the 'EU-LAC Strategic Alliance': 1. EU development policy in the context of bilateral relations; 2. The promotion of social cohesion; 3. The promotion of regional integration in Latin America; and, 4. The promotion of South-South Cooperation. The study aims to analyse the relationship between the recent behaviour of aid streams and the progress made in promoting social cohesion and reducing inequalities. At the same time, it carries out an appraisal of the processes of regional integration and the challenges posed by the latter for the EU. In addition, an analysis is made of the aggregate value of intensifying 'South-South' relations compared with the traditional forms of development cooperation. Contributions to the Study were made by experts working at centres of study and analysis in Europe. Also, to start the discussion, experts were invited from LAC to offer their critical reflections on the points of view expressed herein.

The EU's development policy

For LAC, establishing the priorities of the EU with regard to the Millennium Development Goals (MDGs) proves not only a political challenge, but also a design challenge: the strategy of the European Consensus on Development to concentrate ODA in low-income countries automatically entails reducing attention to problems which the average-income LAC countries are facing. At first glance, the economic success and, in more than a few cases, the technological advance of some Latin-American countries with average and above-average incomes, makes the case for reconsidering development cooperation with this region. However, abandoning the ODA with LAC may prove incompatible with the long-term interests of the EU. The new challenges of cooperation with LAC need to be viewed through the optic of shared interests, including the following notable examples: social security, environment and protection for resources, migration, access to public goods, security, etc.

Out of the resources channelled towards geographical programmes, LAC is currently provided with EUR 2 690 million. The 2011 European Commission (EC) report accepts that the negative economic growth rates in the EU as a result of the crisis and the austerity measures introduced by the Member States have led to the reduction of ODA. Considering the enormous dispersal of the aid, the little progress made in the division of labour and the previously mentioned effects of the crisis, we are unlikely to see an increase in the involvement of the EU in LAC.

³ Increased protectionism in Brazil, for example, would have negative consequences for both Uruguay and Argentina, their Mercosur partners. On this point, see: <http://www.infolatam.com/2011/09/28/brasil-estudiara-el-pedido-de-uruguay-sobre-los-impuestos-a-automoviles-importados/>

A potential avenue for redressing any likely backsliding in cooperation flows may lie in strengthening the coherence of the EU's policy coherence for development (PCDs). With the Lisbon Treaty, coherence has come to occupy a more central place in EU foreign policy, by becoming a legal requirement. Agriculture is an area where the EU has enormous problems in applying PCD. As is well known, in this respect, the CAP has provided a motive for conflict between the two regions, whether in the context of the Doha Round or the negotiations for Association Treaties, particularly with Mercosur.

In the opinion of [Camilo Tovar](#), the Asociación Latinoamericana de Organizaciones de Promoción al Desarrollo [Latin American Association of Promotion Organisations], the Summits are important for political momentum and strategic direction, however, they have not provided a decisive scenario in terms of the priorities and the orientation of development cooperation. Cooperation policy has become subordinated to the commercial-economic agenda, where interests hold sway which are not always aligned with ODA principles and objectives. Tovar agrees with the ECLAC analysis about the need to rethink the average income category, and the significance for LAC in focusing attention on inequality and the relevance of the discussion on ODA with middle-income countries and the MDGs in LAC. He also believes that it is crucial to deal with the coherence of policies in favour of development, as a topic on which much remains to be done, both for the EU and LAC. Of particular relevance, in his opinion, is the relationship between development and policies covering trade, agriculture, migration, energy and the environment.

In the specific case of Central America, for [Carlos Umaña](#), international cooperation underestimated the urban dimension when it made rural poverty the focus of attention. The core problems in this region at the moment consist of public safety and violence, more so than the traditional subjects of employment, economic crisis and poverty. Their roots lie in the disruption of the fundamental social fabric, the primary and secondary institutions of society – families, neighbourhoods, schools, rural communities, farms, factories and businesses – the lack of social cohesion between everything that makes society work. In the case of Latin America, he suggests placing the emphasis on Objective 8 of the MDGs: develop a global Partnership for development. This means developing cooperation between the most institutional areas of the MDGs, such as democratic governance, social cohesion, the rule of law and public safety.

The promotion of social cohesion

The EU must not lose sight of the subject of inequality – both in terms of its magnitude and its continued existence – as one of the great challenges for development in Latin America and the Caribbean, not only because the region itself has begun to recognise this issue⁴, but also because LAC is an important growing market for the EU. In contrast to other donors, the EU has tried to accompany Latin America and the Caribbean in the processes of building institutionalism for social cohesion. An important aspect for discussion in view of the 7th EU-LAC Summit in Santiago de Chile is discovering how the EU can continue to support flexible instruments with Latin America, such as peer review mechanisms, in order to promote social cohesion. Latin American and Caribbean countries only count as 'middle-income' countries by disregarding their enormous internal inequalities. The huge differences in income within the countries mean that social cohesion is the main channel open for international cooperation to reduce poverty. Creating agreements and political consensus with a spectrum broad enough to give social cohesion policies the dimensions of **State, and not merely government, policy**

⁴ See: ECLAC (2010): 'La hora de la igualdad: brechas por cerrar, caminos por abrir' ['Time for equality: rifts to be sealed and paths to be opened'].

would ensure their continuity over time. This is essential for undertaking such badly needed and complex transformations, such as fiscal reforms, that are genuinely redistributive, or adapting the outlines of social protection to incorporate excluded sectors.

For [Martín Hopenhayn](#), sufficient reasons exist to justify entirely the currency and continuity of the European Union's cooperation with countries considered 'middle income', such as Latin American countries. To his mind, the following disquisitions may prove of use: 1. Many middle-income countries in LAC have very high levels of vulnerability, poverty and extreme poverty. 2. Key aspects of social cohesion, such as the development of capacities, access to social protection and the opportunities for productive employment are subject to high, and in many cases growing levels of segregation in the region. 3. In Latin America, there is at present a major tendency to adopt a more universal vocation in social protection. On the other hand, he identifies two systemic focal points which complement one another and explain the structural manner of the reproduction of social divides in Latin America: the first shows how the segmentation of productivity, exclusion and rifts in employment are closely related to gaps and hollows in the social protection systems. The second is due to the life cycle, that is, impermeable social grouping that prevents upward social movement. Both demonstrate the extent to which gaps and inequalities are reproduced from one generation to the next, creating the principal obstacles for social cohesion. For this reason, when thinking about social cohesion for orienting policy, it is of utmost importance to encourage highly diverse policies that break these two vicious circles.

For [Fabián Repetto](#), there remain ample questions for Latin America to answer – for which this document will provide input of major relevance and importance. One method of moving towards political systems based on social cohesion, which would prove substantially greater than this sum of scattered actions, consists of putting into practice an outstandingly political strategy; this involves processing conflicts of interests and worldviews in order to achieve the following: (i) the definition of a strategic focus that will provide a guide for decisions in terms of social cohesion; (ii) the design or reformulation of social institutions and the distribution of public spending in accordance with the requirements of this focus, rooted in a solid and progressive tax basis; (iii) the prioritisation of a certain range of programmes that will nurture the priority focus, by capitalising on the lessons learned from recently generated programmes; and (iv) a selection of suitable operational management tools which in practice embody a focused social cohesion in line with the characteristics of each country.

The promotion of regional integration in Latin America

Together with social cohesion, support for regional integration and broader forms of regionalism is one of the most distinctive features of the European Union, in terms of international action, and in particular as a social partner of Latin America and the Caribbean. Like any other goal of external action, EU support for Latin American integration is the result of a particular combination, not always harmonious, of interests, values and identities. Close study of the most significant events – the signing of the agreements of the Association with Mexico (2000), Chile (2002), and Central America (2010); the ‘Multiparty Agreement’ with Colombia and Peru (2010), to which we may subsequently add Bolivia and Ecuador, and the re-opening of negotiations between the EU and Mercosur in 2010 – apparently show that bilateralism is proving to be a supplement, rather than an alternative, to interregionalism. If an agreement is reached in the negotiations between the EU and Mercosur in 2012, the ‘strategic association’ between the EU and Latin America will be based, as was anticipated in the mid-nineties, on a broad network of association agreements and free trade areas. Therefore, it can be inferred that one of the most significant results of the Madrid Summit in 2010 lay in reaffirming both interregionalism and the support for regional integration.

It should be noted, however, that both the ambivalence that coloured how these bi-regional negotiations were put into practice and the various problems of coherence in EU policies, as well as the ups-and-downs which characterise schemes for integration in Latin America, have together had a negative impact on the alignment taking place between these two regions. These problems of coherence are especially important in relation to trade protectionism. In short, an examination of the negotiations between the EU and the various subregional groups seems to demonstrate two things: firstly, that the possibility of signing Association Agreements constitutes a powerful incentive for integration. Secondly, in marked contrast, as the cases of the Andean Community and Central-American integration suggest, the limits of the EU's power as a ‘federador externo’ [external unifier], would shape, as stands to reason, the scope of the commitment to integration in each subregion, in the context of their respective strategies for international involvement, and the role adopted by the ‘south–north’ agreements with external actors, such as the United States, or the EU itself, within such strategies.

Félix Peña offers some concise, yet revealing thoughts on the present disenchantment of Latin America with the ‘strategic association’. To his mind, preparing for the Santiago Summit would require a great effort from all, particularly the European Parliament in order to go beyond a strategy (‘relato’ [story]) concerning the strategic association of the two regions, which would correspond with a global reality that has been profoundly altered, as has been made clear by recent events. With a view towards Madrid, he asks the question: Is Brussels interested in opting for an ‘*aggiornamento*’ (structural change) to its strategy? His question is formed against the background of the fact that, in his opinion, LAC is monitoring the Asian experiment in regional governability with interest, including the very flexible approach taken to economic integration, based more on networks of production and on business links than supranational institutions. The impression exists that, to a certain extent, the ‘Asian model’ offers more attractive components for the region than the ‘European model’.

Francisco Rojas Aravena indicates in his observations that the role of UNASUR and post-liberal regionalism — and the role which the Community of Latin American and Caribbean States (CELAC) could play in the future — may complement, rather than compete with the OAS and the other existing regional organisations. These organisations, based on a distinctly political profile, would afford a point of reference for the EU, provided it bears in mind that other actors – Asian countries in particular – are playing a much more prominent role in the region. Rojas Aravena also insists on a broader political

dialogue that accords a larger portion of its agenda to issues such as migration and the reform of international institutions.

Lorena Ruano offers a no less pessimistic assessment, as to her mind the results of the biregional strategy form an image of comparative failure: a very recent bi-regional agreement (with Central America) and a series of bilateral agreements with individual countries (Mexico, Chile, Colombia and Peru). There is also a 'strategic partnership', which is a bilateral institutionalised political dialogue with the two largest countries in the region, Mexico and Brazil. To her mind, it is vital that the EU does not lose sight of the strategies of other world powers in the region, the US and China. She also believes that it is necessary to dispense with the Association Agreements, since certain countries in the region no longer view them as a strong incentive, given that the Millennium Development Goals have no application to middle-income countries such as the Latin American countries.

While also pointing towards the same restrictions, **Ricardo Sennes** paints a slightly more optimistic overview. Considering that the EU will play a much more restricted role of 'federador' [unifier] in LAC, he makes the suggestion that the EU holds to the traditional line for which it is recognised, by supporting the process of regional convergence and integration, however with a greater focus on priority areas of interest for both regions, in order to overcome the imbalance existing between the expectations created and the resources invested. By way of example, he mentions the incorporation of infrastructure and energy as part of the integration agenda – as also mentioned by Ruano – and the education issue as part of social cohesion policies.

Similarly, **Andrés Serbin** makes a favourable evaluation of the renewed dynamics of conciliation and regional cooperation which 'post-liberal regionalism', and UNASUR in particular, has generated. The organisation has become a notable point of reference in crisis management, such as the events in Bolivia in 2008, or between Colombia and Venezuela at different times of bilateral tension. This could also play an important role in the regional response to the financial crisis, through the ECOFIN Council. The creation of the Community of Latin American and Caribbean States (CELAC), which has been running over the course of 2010 and 2011 constitutes a major point of reference for the EU, in that it provides a new institutional architecture capable of accommodating the entire region.

'South-South' Cooperation

One very important aspect to be taken into consideration with EU-LAC relations concerns enhancing relations, beyond merely trade relations, between emerging countries. The last decade has been the scene of a renewed surge in South-South Cooperation (SSC) and the emergence of the G-20 as the structure of global government, and this provides some indication that the world is changing in a substantial way.

Latin America is the region of the world where the SSC experiences have been the most intense and the most dynamic, and it has made progress and gained positive experiences through its involvement in regional and multilateral debate. The growing recognition of the relevance of cooperation between developing countries as part of the agenda for the effectiveness and the enhancement of SSC in Latin America is an affirmation of regional autonomy and strengthens the leadership of certain countries, with the direct effect of reducing the priority attributed to EU cooperation. Against this background, it is likely that the traditional Euro-Latin American agenda for cooperation, based on social cohesion and integration, should be revised and enriched by the incorporation of decidedly cross-cutting mechanisms based on a shared learning approach, by pooling the successful experiences from each

region and by exploring complementary formulas for cooperation with the capacity to enhance respective strengths.

An important call to attention is made by [Juan Pablo Prado Lallande](#), reminding us of the enormous disparity found in the South and within the South itself in terms of politics, economies and capacities. In certain cases, this diversity may fall back on SSC in a top-down exercise of influence and power. Fernando Nivia advocates something similar where he states that the moment is right to take part in the discussion on the origins of SSC, given that in many instances the tendency in LAC is to exaggerate the discourse on altruism, when foreign policy interests are always very clear, even though many countries do not care to see this declared so openly.

For [Alejandra Kern](#), the impact of the Paris Declaration and by the entire process launched under the OECD to improve the effectiveness of aid runs through, and yet also breaks up the debate on SSC in the region. For her, the essential point of opting for multilateralism should be on the basis of defining a new strategy for cooperation between the EU and Latin America, one that raises the priority of SSC as part of the agenda and in bi-regional documents. Triangular cooperation remains for her an ample field to be explored and analysed. Generating such knowledge would help create a focus on triangular cooperation 'as an element of support for the SSC', by incorporating and strengthening its best principles and practices.

As far as [María Clara Sanín](#) is concerned, it is important to differentiate between the priorities of aid modalities. In no way is the emphasis on social cohesion and integration compatible with SSC and triangular cooperation, since some of those subjects talk about 'what', while others are concerned with 'how'. A key question lies in how the EU can supplement its current aid scheme to the region in social cohesion and integration by incorporating some tools for supporting SSC and triangular cooperation. In her opinion, Colombia has instigated a pragmatic position that forms a bridge between the effectiveness agenda for development of the OECD and SSC.

In the view of [Jorge Balbis](#), it is right to demand that the EU develop a policy for supporting SSC and triangular cooperation, not only with Latin America, but also in its relations with other MIC. However, this policy must not serve as an alibi for losing sight of the importance of North–South cooperation between the EU and LAC. [Philipp Schoenrock](#) makes a similar argument and suggests that an analysis should be made of the countries with lesser and greater capacities in place to receive and offer cooperation. For [Oscar Angulo](#), the alignment of triangular cooperation funds with a strong pivot country such as Chile, Brazil or Mexico carries the risk of favouring such countries even more over their peers in other countries.

This Study should be regarded as the starting point in an open debate that enables an evaluation of bi-regional relations from a more realistic perspective and, above all, by taking into account existing possibilities and limitations during these times of global crisis. The idea here is to extend this debate beyond the European Parliament and to provide a means of elaborating the agenda for the Santiago Summit so that significant progress is made by both parties.

Pedro Morazán

1. THE DEVELOPMENT POLICY OF THE EUROPEAN UNION IN THE CONTEXT OF BI-REGIONAL RELATIONS

by [Pedro Morazán](#)

The development policy is one of the three pillars that support the 'Strategic Association' of the European Union with Latin America and the Caribbean (EU-LAC). As such, the development policy is part of the process of bi-regional political dialogue that began with the San José Dialogue in 1984, made official with the first EU-LAC Summit that took place in Rio de Janeiro in 1999. The bi-annual summits have since become the general framework in which to foster the process of alignment between the two regions, and where the main aspects of development policy might be defined. To conduct an analysis of the relevance, the dimensions and the basic concepts that shape the EU's development policy with LAC, the following factors need to be considered: the general objectives of Official Development Assistance (ODA), as defined in the basic documents of the EU, the tools for its implementation, its alignment with the objectives of international cooperation and the influence of the changing international context.

The Lisbon Treaty, which incorporates the Treaty on the European Union (TEU) and the Treaty on the Functioning of the European Union (TFEU), came into effect on 1 December 2009.

The new Treaty also creates the post of High Representative of the Union for Foreign Affairs and Vice-President of the Commission, whose task it is to ensure coherence in the Union's external action and to assume the 'responsibilities incumbent on it [= the Commission] in external relations and for coordinating other aspects of the Union's external action.' The High Representative shall be assisted in this task by the new European External Action Service (EEAS).

Article 208 TFEU places the Community's development cooperation policy within the context of the principles and objectives of the Union's external action.

Source: EU Cooperation Guide

1.1 Objectives and priorities of European Union Cooperation in Latin America in the context of the EU-LAC Summits

What are the general objectives of European cooperation?

Beyond the expectations arising out of the Summits, the EU's development cooperation policy with LAC has been influenced by the EU's own internal institutional dynamics. In political terms, the entry into force of the Lisbon Treaty in December 2009 is the most important milestone in the positioning of Europe as an actor, with its own voice, in international cooperation. The primary objective of development cooperation policy, defined in Article 208 of the Treaty on the Functioning of the European Union (TFEU), is 'the reduction and, in the long term, the eradication of poverty.' The Lisbon Treaty succeeded in definitively harmonising this objective by defining the strategies and the tools that will give the EU greater legitimacy as a global (multilateral) actor in ODA with the power to negotiate. This legal and institutional consolidation offers opportunities as well as enormous challenges for LAC. Opportunities, because spaces are opened up to overcome, to a large extent, the persistent diversity of geographical orientations in the flows of aid, which had not been changed by the Maastricht Treaty and which reflect historical traditions, and diverse cultural and geographical interests, which, in some cases, are divergent for certain Member States. Challenges, because the definition of strategies and objectives is strongly oriented towards the Millennium Development Goals (MDG) and the framework established in the high-level Forums on aid effectiveness. Both processes give priority to the Least Developed

Countries (LDC) as a destination for ODA at the cost of Middle-Income Countries (MIC), to which most LAC countries belong.

The institutional consolidation of the EU and ODA

The expansion of the Union from 15 to 27 members, largely eastern European states in the process of transformation, effectively resulted in the part internalisation of development policy, and this has also had consequences for cooperation efforts towards LAC. It can be said that, while the entry of Spain into the EU was seen as greater enthusiasm in ODA for Latin America, the expansion of EU15 to EU27 has not exactly produced a revitalising impulse for this relationship.

The **European Consensus for Development**⁵ is perhaps the most palpable sign of initial enthusiasm on the part of the EU for the MDG, particularly shared by the EU15 in 2005. With the approval of this **Consensus**, milestones were set both for the EU as well as the Member States, and which were strongly linked to attaining the MDG. The Consensus indicates that the priority for ODA is 'support to the least developed and other low-income countries (LICs) to achieve more balanced global development.' In this joint declaration, the EU15 committed itself to increasing the budgets allocated by its Member States to ODA to 0.7 % of the gross domestic product (GDP) by 2015, with a collective intermediary target of 0.56 % by 2010. For the fledgling Member States of the EU12, the objectives were lower and yet ambitious, given their own difficult circumstances (see table in the following chapter). This dynamic was based on the Agenda for Development Financing signed in Monterrey which, in fact, did not yet reflect the nuances in the global picture, such as the emergence of new donors, global financial crises and south–south cooperation (see chapter 6).

Even though its implementation is not binding for Member States, the Consensus defines a strategic line to be followed, which does not appear favourable for LAC, given that it clearly encourages the channelling of efforts towards the LAC. On the other hand, in paragraph 61 of the Consensus, strategic perspectives of enormous relevance to the majority of LAC countries are left open:

'61. Support to middle-income countries remains equally important to attain the MDGs. Many lower MICs are facing the same kind of difficulties as LICs. A large number of the world's poor live in these countries and many are confronted with striking inequalities and weak governance which threaten the sustainability of their own development process. The Community therefore continues to provide development assistance based on countries' poverty reduction or equivalent strategies. Many MICs have an important role in political, security and trade issues, producing and protecting global public goods and acting as regional anchors. But they are also vulnerable to internal and external shocks, or are recovering or suffering from conflicts.'

The EU dedicates a percentage of ODA to the MICs which is above the average devoted by the member countries of the OECD to this group of countries. However, different priorities apply between the various Member States when it comes to implementing the consensus in this respect: while the United Kingdom focuses its efforts on the LIC, Spain does so with the MIC of LAC. Other Member States concentrate on their Mediterranean neighbours, while Turkey remains the major beneficiary of European ODA (see Gleen, 2011). In our opinion, the Consensus is maintaining its healthy level of abstraction for not inconsiderable trade risks and it behoves the LAC partner countries to make their

⁵ The European Consensus on Development is a joint declaration that was approved on 20 December 2005 by the three main institutions of the EU and the Member States: the European Parliament, the Council and the Commission: See: http://europa.eu/legislation_summaries/development/general_development_framework/r12544_en.htm

priorities felt, in such a way that the strategic definition allows them adequate capacity in the cooperation instruments.

In institutional terms, the **Code of Conduct on Complementarity and Division of Labour (CCDT)** in development policy, approved in 2007, goes further in the process of strengthening the sole policy of international cooperation. Both instruments (the Consensus and CCDT) have direct consequences for the EU-LAC bi-regional process, insofar as they require, in practice, that ODA be more heavily concentrated in few countries, and in selected sectors and on selected issues (Freres, 2011). The results of the Consensus and the respective phased plan already show that there is a long way to go in defining and executing the common development policy. Not only the tension between Brussels and the capitals of the EU27 Member States, but also the new framework of EU foreign policy raise new questions. In view of the fact that many of the agreements are not binding, the Commission cannot hand out directives to Member States (see phased plan).

The Lisbon Treaty brings about institutional changes that, in the short term, will be decisive for the development of cooperation policy with LAC. The majority of European experts agree that there is more uncertainty than certainty in the region (see Freres, 2011, Sanahuja, 2010d). The Treaty created the post of the High Representative of the Union for Foreign Affairs and Security Policy, currently occupied by Catherine Ashton of Britain, who has been given the reins of the European External Action Service (SEAE). On the other hand, a mingling between the powers of the High Representative and the Commissioner for Development has been identified. Indeed, it is not so much a question of organisation; above all it is a political problem: will development policy be subordinated to external policy and therefore to the strategic interests of the EU? How will the creation of the European External Action Service (EEAS) influence the structure of the delegations and, in particular, the area dedicated to development cooperation?

Various experts believe that the relocation of what is currently the Directorate of Latin America⁶ into a Directorate for the Americas at the EEAS may sharply decrease LAC's relevance in EU development policy (see Freres, 2011: 45/46). As such, it is clear that in the list of priorities of the EU, LAC comes after North Africa, Eastern Europe and the countries in the Persian Gulf, to mention just a few geographical areas. Until now the offices have been responsible for planning and executing the Commission's development policy as part of the Country Strategy Papers (CSPs) and the Regional Strategy Papers (RSPs), with the resulting stress normally having been placed on cooperation policy. Now that the offices of the EU are taking on the character of embassies in geographical areas, they in turn come under the control of the High Representative. Sanahuja (2010d) states that as a result, development policy could lose the independence that is necessary for it to promote its objectives of fighting poverty as an objective and a cross-cutting element of the external action of the EU.(,).

EU-LAC: more trade, less cooperation?

There is no doubt that the higher objective of cooperation is consistent with the process of alignment between the two regions. In view of the high levels of continuing poverty in LAC, the relevance of ODA would be self-evident, were it not for the fact that the Consensus comprises predefined geographical priorities. What is more, this consistency was more a tacit than an explicit principle and over time, due to the concentration of ODA in low-income countries (LIC), this is generating doubts and complaints in LAC. In the words of the Executive Secretary of the ECLAC, it may be 'necesario repensar la categoría de 'ingreso medio' --en la que se clasifica a la mayoría de los países de América Latina-- como criterio para la asignación de Asistencia Oficial para el Desarrollo ...' [necessary to rethink the category of 'middle

⁶ Answering to the former Directorate-General for External Relations of the Commission.

income’ – in which the majority of Latin American countries are classified – as a criteria for assigning Official Development Assistance...].⁷ For this purpose, the implementation of the EU’s global strategies as mentioned above requires greater alignment with the process of biregional summits. On the other hand, the Summits need to offer a more coherent agenda for development and regional strategies with well-defined thematic areas.

ODA in the EU-LAC Summit Process

At the I **EU-LAC Summit, which took place in** Rio de Janeiro in June 1999, objectives were agreed that were better aimed at strengthening political, economic and cultural understanding, announcing principles but without specifying priority areas in the fight against poverty. A ‘Strategic Alliance’ overshadowed by the process of forming a Free Trade Agreement of the Americas (FTAA) seemed rather to point towards the search for common interests in the process of trade liberalisation initiated by the World Trade Organisation (WTO) rather than development policy. The pillar of ‘trade’ took precedence over the pillar of ‘cooperation’ (see Sanahuja).

At the II **Bi-regional Summit in Madrid in May 2002**, the three main pillars of the Strategic Alliance were summarised, and this holds true today: political dialogue, trade and economic relations, and cooperation. Those first two stages saw little of substance surrounding the fight against poverty. In the subsequent process of development of this biregional process, the influence of the failed Doha Round of the WTO can be seen in terms of the ‘trade’ pillar, as can the new impetus of the Monterrey process of the Declaration of Paris and Accra on the efficiency of the ODA in terms of the ‘cooperation’ pillar.

At the III **Summit in Guadalajara in 2004**, the emphasis was placed on multilateralism, regional integration and social cohesion — to reduce poverty and fight against inequalities and exclusion. For the first time the theme of social cohesion was introduced as an essential feature of European cooperation with LAC. Both poverty, which then affected more than 45 % of the population of the subcontinent, as well as inequality, exacerbated by the programmes of structural adjustment as part of the so-called Washington Consensus, acted as a catalyst for cooperation. However, the fight to obtain trade preferences accentuated the differences more than the areas of agreement. In spite of everything, the subject of social cohesion adopted a nebulous form in the Summit Declaration, proposing the measure of an ‘exchange of opinions and experiences’ without a specific action plan (see Fernández Potayo). The EU made available resources of EUR 30 million in the region under the EUROsociAL programme. Also, three working groups were formed on the subject, bearing in mind that the problems between the different regions strongly differed: Europe deals with the subject of the social welfare state and LAC the subject of eradicating poverty and surmounting social inequalities. This has provided a solid basis for alignment, beyond the differences in approach. There is growing conviction among both parties that European cooperation must be purely a supplement to the national efforts made in this direction.

At the IV **Summit in Vienna in 2006**, the emphasis was once again placed on the pillar of trade rather than ODA. It was decided to commence negotiations to sign new Association Agreements between the EU and Latin America, and between the EU and the Andean Community. Perhaps it was on account of the context of international crisis and, above all, the dissimilar internal dynamics of both regions that so

⁷ The idea of ‘average income’ conceals great disparities in the economic and social situation of the countries in Latin America’, according to ECLAC: <http://www.eclac.org/cgi-bin/getProd.asp?xml=/prensa/noticias/comunicados/8/43968/P43968.xml&xsl=/prensa/tpl/p6f.xsl&base=/argentina/tpl/top-bottom.xsl>

little progress was achieved in the V Summit held in Lima in May 2008. The initial enthusiasm began to give way to a kind of routine realism. For the ODA there arose, however, new subjects that went beyond social cohesion and sustainable development. With the Lima Summit, talks began on food safety, democracy and human rights, in addition to the compulsory subjects of trade and regional integration. The creation of an EU-LAC foundation is perhaps the first step as part of the new realism of the Strategic Association. The creation of the EUroCLIMA joint environmental programme could also be a sign of a new orientation for the pillar of cooperation.

It should be noted that with the Consensus and the CCDT in hand, the Commission has sought to adapt its cooperation programmes to the diversity of Latin America and is making proposals for the future. The latest RSPs are proof of this. With regard to the fight against poverty in the poorest countries in the region, the new strategies of Communication sent in 2009 to the European Parliament are confirmed in the Declaration of the VI **Summit held in Madrid on 18 May 2010 and in its corresponding 'Action Plan 2010-2012'**. It is very difficult to be able to determine a clear trend in bi-regional relations, particularly due to the political context in Latin America, which shows, for the moment, a highly dynamic process of redefinition and reconstruction which make it very difficult to implement a long-term association strategy. One trend worth highlighting is a closer cooperation in areas such as climate change, both in terms of mitigation and adaptation. The Madrid Summit echoed this emphasis, not just in the Declaration, but also in the Action Plan and the subregional mini-summits. The signing of the Association Agreement with the SICA (Central American Integration System) marks real progress for ODA in this aspect too. The ICI+ is mentioned as a revised financial instrument for cooperation with industrialised countries (proposed by the European Commission), permitting the financing of non-eligible activities such as ODA for developing countries, which may incorporate the Latin-American countries. However, the lack of one or several clear interlocutors which represent the interests of the entire Latin American region makes it difficult to define shared objectives in the ODA pillar. In addition to this, there is the financial and monetary crisis in the EU that poses a serious threat to the countries closest to LAC, namely Spain and Portugal. The present reality had an impact on the Madrid Summit and in part accentuated, rather than overcame, the lack of clarity surrounding the common objectives (Malamud, 2010).

Align summits with MDG?

Traditionally, the priority areas for community cooperation have comprised health, education, humanitarian aid, food safety and gender issues. As part of a **Global Action Plan**, the Commission has commissioned studies to promote progress in attaining the MDG in these areas. It is highly possible that such a gathering would coincide with the geographical concentration in the countries of Sub-Saharan Africa, and in the best of scenarios in Central America. In any case, the social agenda appears to have opened the way in the majority of Latin American countries during the years subsequent to the failure of the policies of the Washington Consensus, by offering opportunities for alignment with the MDG to the EU's development policy and summits. The summits have highlighted the fact that, in spite of strong agreement on the objectives for reducing poverty, there is not always agreement on the most suitable instruments. However, it is possible to identify starting points for a clearer definition of objectives that go beyond mere assistance to programmes for fighting poverty and humanitarian aid, and which take into account the significant growth in both regions, not only in overcoming global imbalances – be they commercial or financial – but also in the better handling of global assets.

The economic success and, in more than a few cases, the technological advances made by some middle- and above-average income Latin American countries give reasons for rethinking development

cooperation with this region, especially if contrasted with the social and food situation of other regions of the world. Abandoning the ODA with LAC may not necessarily be incompatible with the interests of the EU. Particularly at times of severe crisis such as those which Europe is currently experiencing and the concomitant scarcity of financial resources, the easy answers may have undesirable collateral effects. A broader vision of development cooperation advocates against the suspension of cooperation. For the EU, new challenges have arisen for cooperation with LAC that need to be viewed through the optic of shared interests. The following examples should be mentioned: social security, environment and protection of resources, migration, access to public assets, etc.

The implications for the EU of a low-intensity commitment in the LAC development agenda should not be forgotten. As with other multilateral institutions, the EU could perform better as a global actor – for example, as a member of the G-20 – if it establishes a cooperation alliance with middle-income countries committed to the agenda against poverty, which at the same time would allow it to evaluate the experience gained for other contexts. German cooperation used the term ‘anchor countries’ in reference to dynamic economies that could adopt a stabilising role in certain regions. Brazil, Argentina and Mexico have undoubtedly growing importance when it comes to handling the European cooperation agenda in the region. However, this means arriving at points of convergence where it is possible to apply the necessary measures for the mutual convenience of both regions. It also means that a consensus must be arrived at in delicate areas such as trade and investments, areas where up to now discrepancies have existed.

1.2 Review of external cooperation instruments and the introduction of new financing mechanisms

For the current 2007–2013 period, the main legal and financial instrument for regulating EU cooperation with LAC is the Regulation of the European Parliament and Council for establishing a **Development Cooperation Instrument (DCI)**⁸. Three major strategic lines of assistance are established under the framework of the Lisbon Treaty. These consist of enlargement, neighbourhood and development. The Latin American region is clearly situated in the strategic line of development, since it is neither a neighbour nor an EU entry candidate.

EU assistance is administered through agreements on various levels:

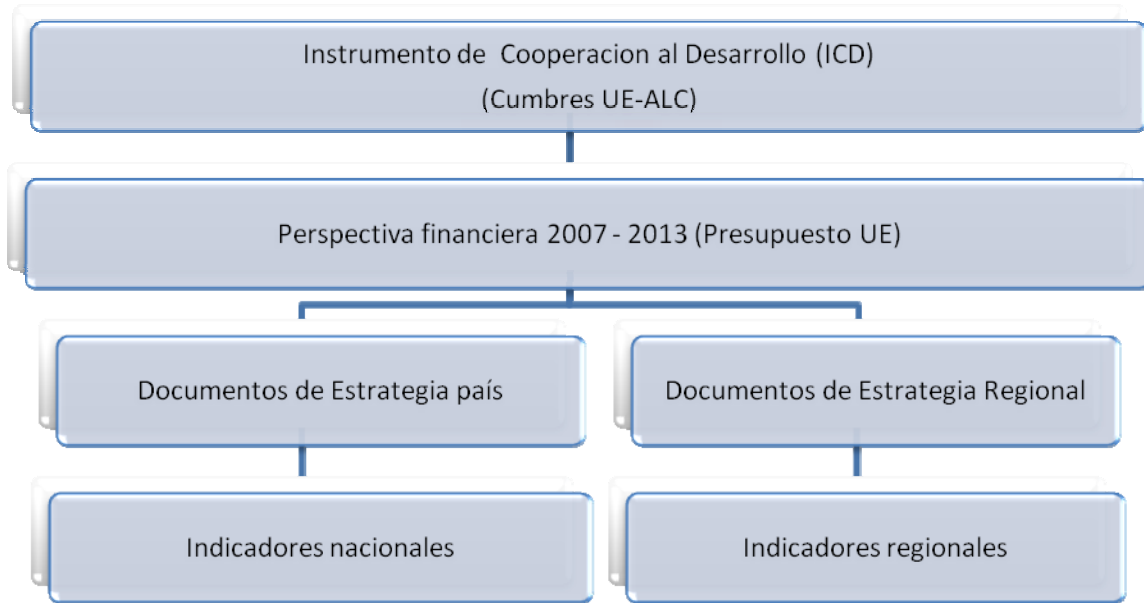
1. At **individual level**, with countries in the region, through bilateral cooperation programmes;
2. With the **three subregions** (Andean Community, Central America and Mercosur);
3. With the **whole of Latin America**, through regional programmes such as EUROsociAL, ALFA, @LIS, AL-INVEST, EURO-SOLAR;
4. Some **special projects** can be financed through thematic programmes.

Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs) are, in our opinion, the most appropriate starting point for horizontal cooperation. The EU has used them to inaugurate new dimensions of its cooperation. Both of these instruments are drawn up through a process of dialogue with each recipient country’s national government and other relevant actors. They define the specific objectives and the sectors of intervention of EU cooperation. To date, however, they have not been

⁸ The Development Cooperation Instrument (DCI) was adopted by the European Parliament and Council in December 2006 and in its remit it covers the region of Latin America.

sufficiently applied to society in general, so as to make demands of civil society as well as other actors such as academia, the press, local authorities and the private sector. . All indicative programmes are transformed into Memoranda of Understanding between the European Commission and each country in question (see: EuropeAid, 2010: 18).

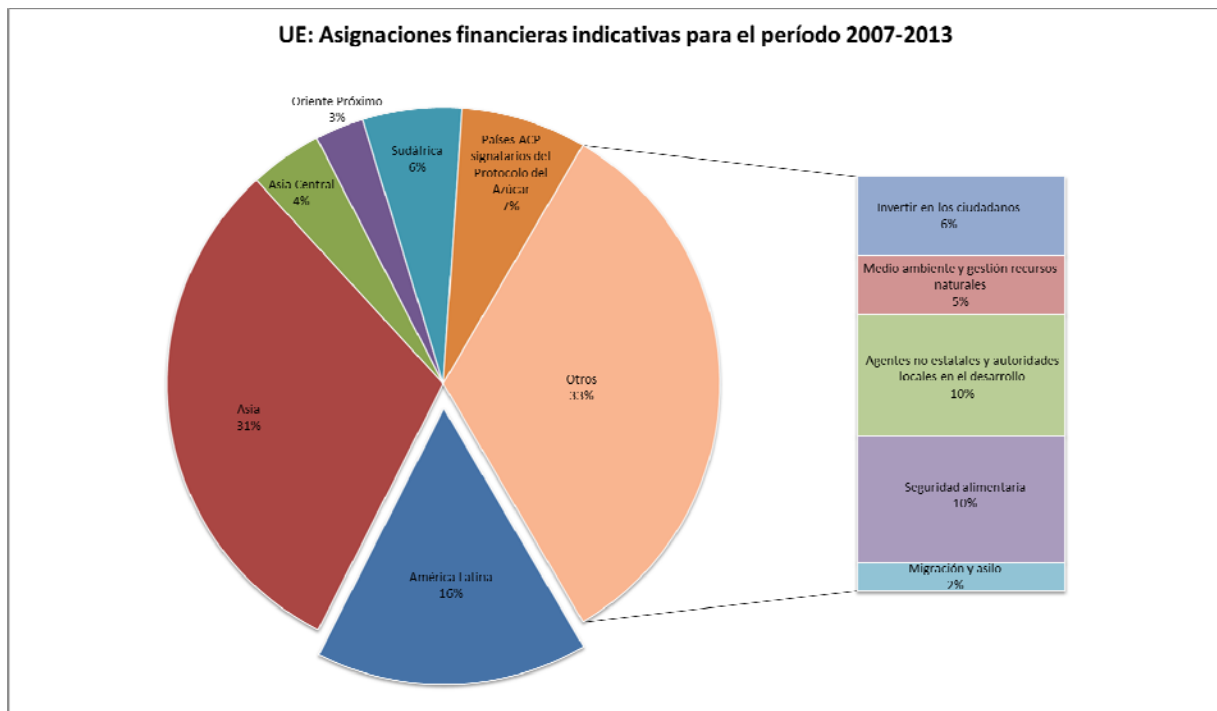
Multiannual Financial Framework



Promoting social cohesion and supporting regional integration stand out as the primary objectives defined on the basis of the conclusions of the EU-LAC Summit in Vienna in 2006 for this quinquennium.⁹ In addition to these issues, the DCI also includes governance, higher education and sustainable development. The DCI defines geographic areas and specific objectives based on the general objective of European cooperation. However, the discrepancy that arises between the unilateral definition established according to Community rules and instruments (DCI and CDT) and the process of bi-regional EU-LAC summits, marked by notable asymmetries and by demands for more horizontal relations remains to be resolved (Sanahuja, 2010d; 18). Not infrequently, the summit process raises questions about the policies already established by Community instruments. Bringing the ODA of the EU into line with the demands of the LAC countries and with the region as a whole is a significant challenge for the EU.

In the current 2007–2013 fiscal period, ODA comes under the heading of 'The EU as a global partner', which, for its part, covers 5.7% of the total budget. The financial framework for implementing this Regulation over the 2007–2013 period amounts to EUR 16.9 billion — EUR 10.1 billion for geographical programmes, EUR 5.6 billion for thematic programmes and EUR 1.2 billion for ACP (Africa, Caribbean and Pacific) States that sign up to the Sugar Protocol (see diagram). Out of the resources allocated for geographical programmes, LAC is currently provided with EUR 2.690 billion (see Table Annex IV).

⁹ For further detail, see the relevant chapters of this study.



For the 2007-2013 period, the international framework for the LAC resources programme was formed by the Joint Declaration on the 'European Consensus on Development' of 2005 in regard to the MDG, and the Declaration of Vienna from the 2006 summit, which defined three areas of priority for the Strategic Partnership: multilateralism, social cohesion and regional integration. The priorities are also based on the combination of various instruments (seven large thematic programmes and national and regional programmes). There are in total 21 programming documents – 17 strategies for countries, three for subregions and one for the region as a whole – with the following priority areas: social policies, institutional capacity and the rule of law, regional integration, the environment, disaster prevention and integrated rural development (EU, 2007, E/2007/1417). A brief synopsis of the instruments is shown in the table below.

At the Lima Summit in 2008, new challenges were identified such as climate change, migration, drugs, energy and trade assistance, which is a topic of increasing relevance for Latin America. The EUroLima Programme was also established, starting out in 2010 with a total budget of EUR 5 million. Another programme with transversal climatic guidelines is the Latin American Investment Facility (LAIF), which will pool together grant resources from the Community and possible additional grant contributions from the Member States. The new environmental and climate change related instruments appear to gather strength in the common interest agenda, which ties in with energy use and the promotion of renewable energies. Latin American countries could assume a positive role in encouraging low-carbon development by promoting renewable energies.

The European Union: Regional Cooperation Programme with Latin America,

Programme	Objective	2007-2010	2011-2013	2007-2013
Total		331	225	556
a) Social-Territorial Cohesion		108		108
URB-AL	Exchange experiences with local collectives in Europe and Latin America about specific subjects and problems relating to local urban development.	50		
EUROSociAL	Increase social cohesion through public policies on education, health, justice, tax and employment.	41		
COPOLAD	Enhance the capacities of the actors with responsibility in matters relating to drugs and encourage the process of elaborating policies in the fight against drugs.	6		
EUROSOLAR/ EUROCLIMA	Share knowledge, encourage structured and regular dialogue at all levels, and ensure synergies and the coordination of current and future actions.	10		
b) Regional integration		72		72
AL-INVEST	Promote the internationalisation of SMEs in collaboration with European partners.	50		
@LIS	Improve the development of the Information Society and combat the digital divide.	22		
c) Latin American Investment Facility (LAIF)	Mobilise additional financing for beneficiary Governments and public institutions to make crucial investments (replace a) and b)).	22	103	125
d) Higher learning and Mutual comprehension		117	93	209
ALFA	Promote Higher Education through cooperation between universities from different regions.	74		
ERASMUS MUNDUS	Promote Higher Education through grants and academic cooperation.	42		
Mutual understanding	Improve the understanding of Latin American decision-makers with regard to European Union policies being developed in Latin America.	1		
f) Reserve and others		13	29	43

Source: ECLAC based on the European Union (2009) Mid-Term Review and Regional Indicative Programme 2011-2013 for Latin America, http://eeas.europa.eu/la/csp/11_13_mtr_en.pdf, consulted on 13 April 2011.

The negotiations on the multiannual financial framework (MFF) are of vital importance to the future of development policy with the MIC, particularly with Latin America countries. ODA is included in current financial perspectives under Heading 4: External actions. Decisions about such essential aspects as amounts, sectors and the content of instruments will be the subject of complex debates, given the current fiscal situation of the Member States, which also affects the financial situation of the Union. In the draft budget presented by the European Commission, Heading 4 'The EU as a global actor' will see in the best-case scenario the lowest growth (0.8 %), while the average growth under all other headings will be in the region of 4.9 %. The Commission also proposes a reduction of EUR 88.5 million in the amount allocated for cooperation instruments, especially for geographical programmes such as the one that concerns us here (see ODI/DIE, etc.).

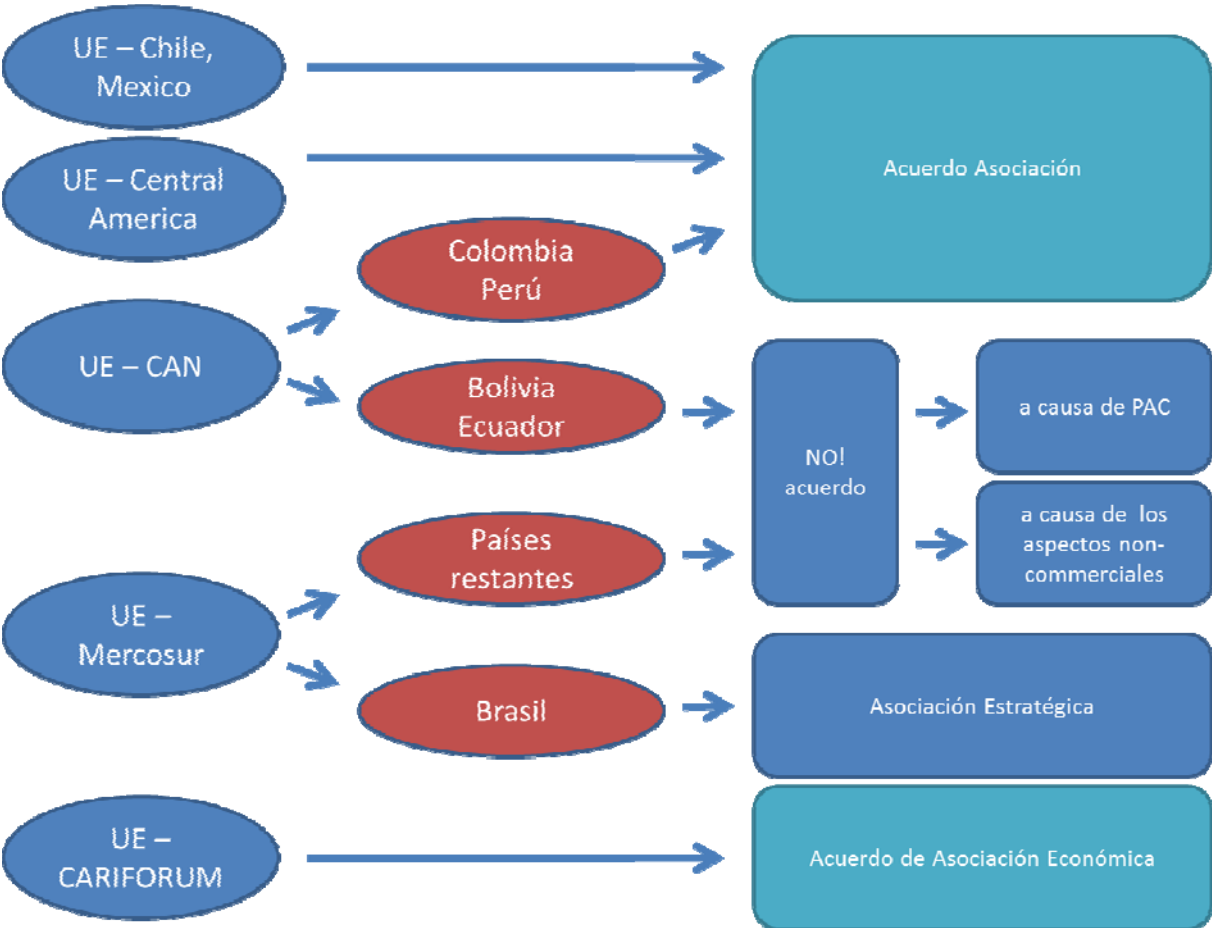
At the same time an increase of EUR 100 million is proposed for the two regions covered by neighbourhood instruments for Eastern Europe and the Mediterranean (see Gavas, 2011).

In recent agreements, there has been a strong tendency to emphasise programme-based aid within the framework of poverty reduction strategies (PRS). This is relevant to Bolivia, Honduras, Nicaragua and Guyana. It is highly likely that with the end of the debt relief processes in the framework of the HIPC initiative, the PRS will become less dynamic. In fact, they were not the reference framework for ODA in middle-income countries. Also of great relevance is general budget support (GBS) and sector budget support (SBS). Programme-based assistance represents more than 5 % of the aid intended for LAC. This

is because the region offers greater capacity for absorption than Sub-Saharan Africa. If the dynamic for encouraging aid efficiency is sustained, the programme-based aid instruments can be expected to gain greater importance in the region (see Sanahuja, 2010d).

The Latin American Investment Facility (LAIF), created in 2009, is a new mechanism for promoting social and territorial coherence and regional integration. Between 2007 and 2010, these themes were promoted in separate programmes. LAIF is a ‘blending’ category instrument which aims to mobilise additional funding by stimulating the beneficiary governments and public institutions to make crucial investments, which, without the support of LAIF, could not be independently financed by the financial market or by the financial bodies for development (see ECLAC, 2010f). The LAIF could support different types of operations, including: (a) subsidies to cofinance investments in public infrastructure projects; (b) financing for loan guarantees; (c) aid for financial interest subsidies; (d) technical assistance; and, (e) risk-capital operations. Eligible financial institutions consist of European financial institutions for multilateral and national development and the Latin American financial institutions where the Member States of the European Union provide capital (ECLAC, 2010f).

EU-LAC: A graphical summary of the subregional association processes



As part of the ‘Aid for Trade’ initiative, the European AL-INVEST deserves mention as a programme aimed at improving the international economic insertion of the region. For this purpose, Latin American SMEs are supported through the internationalisation process. The objective of the current phase IV of the programme is to encourage the Latin American SMEs to become the driving force for local development. To this end, the programme offers the following benefits to SMEs and other participating

organisations such as market studies, business missions, technological gatherings, technical support missions, thematic seminars, internships, and training activities. Phase IV is being implemented by three subregional consortia: Central America-Cuba-Mexico, the Andean Region and MERCOSUR, Chile and Venezuela. All three consortia have the support of the European Consortium for Coordination and Services, led by the Association of European Chambers of Commerce and Industry (Eurochambres).

The Seoul Consensus on development in the context of the G-20 meeting in November 2010 places the emphasis on supporting the economic infrastructure. Here, again, some encouraging results can be hoped for.

1.3 EU Development Policy towards Latin America in the context of the economic crisis in the discussion about aid for Middle-Income Countries

The EU committed to a collective increase of ODA in 2002 during the European Council meeting in Barcelona in March 2002. Those commitments were later broadened and approved by the European Council in 2005 with a view towards the first UN summit where the initial review of the attainment of the MDG was made. It was at this point that the EU and its Member States agreed on a phased plan to attain 0.7 % of the GNI until 2015, with a mid-term goal of 0.56 % for 2010.

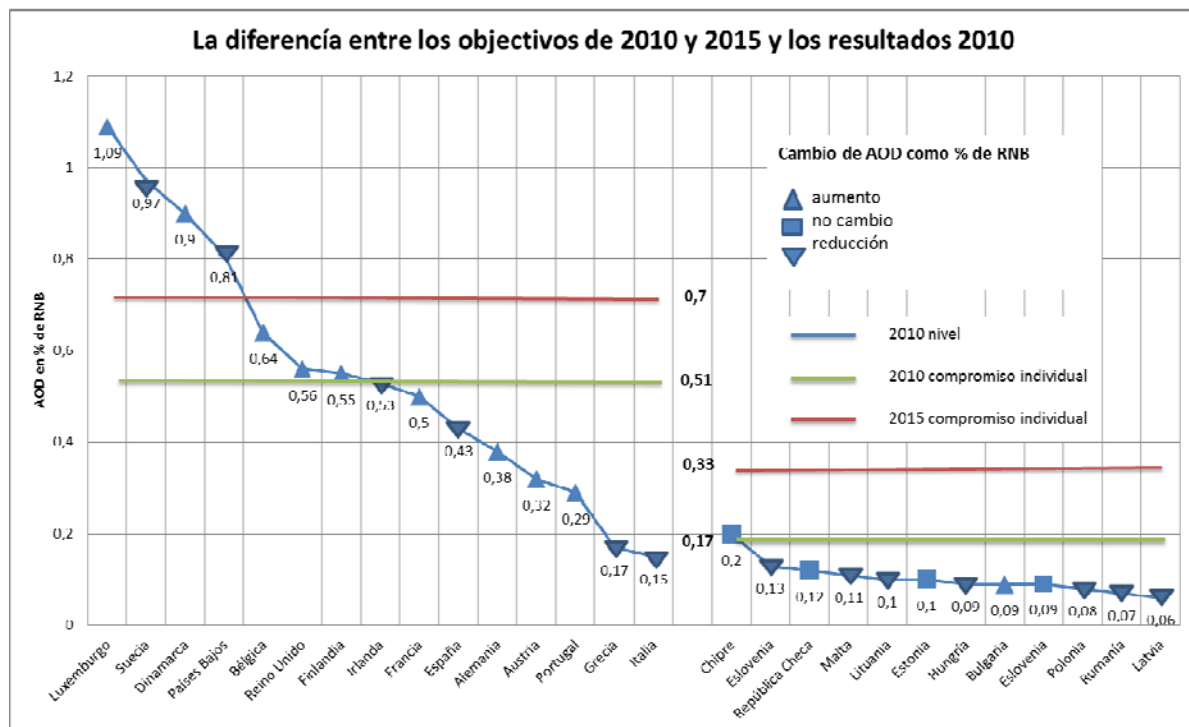
In April 2010, the Commission adopted the 'development package' during the global economic crisis which contained two fundamental reports: the twelve-point EU action plan in support of the Millennium Development Goals and the Progress Report on European ODA in 2010. Both initiatives represent an historic opportunity for all Member States, above all for the so-called EU15 in reference to the MDG. However, the Commission's ambitious goals had already been toned down by the Council's conclusions of 14 June 2010, which served as the basis for the EU's official position at the UN Summit on the MDG in September 2010 in New York. Indeed, the Council eliminated the most important measures proposed by the Commission for achieving the target of 0.7 % of the GNI which sought more binding mechanisms to ensure compliance with the joint challenges by maintaining a fair distribution of the different loads, particularly among the largest donors (Morazán/Koch, 2011).

Phased plan for increasing ODA

Who?	When?	Target?
EU 15	2015	0.7 % ODA/GNI
EU 15	2010 Mid-term goal	0.56 % ODA/GNI
EU 12	2015	0.33 % ODA/GNI
EU 12	2010 Mid-term goal	0.17 % ODA/GNI
EU Member States	Agreed in 2005	50 % ODA increase for Africa
EU Member States	2010	0.15–0.20 % of GNI for the MIC

Source: own development.

In the 2010–2011 report, the EC states that the negative economic growth rates in the EU as a result of the crisis and the austerity measures introduced by the Member States resulted in the reduction of ODA. The low growth of GNI combined with greater public spending has led to cutbacks in the spending on development cooperation, as shown by the graph below. All of this makes for a negative trend in meeting the objectives proposed for attaining the MDG. On the other hand, although the ODA amounts have not been cut back, in areas where there was little or no economic growth the aid may be increased as a percentage of the GNI without necessarily implicating additional resources for receiving countries (see SEC (2011) 500 end; 25).



Source: European Commission (2011b): Accountability Report 2011 on Financing for Development – Review of progress of the EU and its Member States

What has happened with the ambitious agenda of the Consensus in its first five years? From the quantitative point of view, the balance is, in a manner of speaking, negative. In 2010, the EU Member States did not manage to meet the intermediate target (0.56 %), reaching merely 0.42 % of ODA/GNI. This implies a default worth in the region of EUR15 million. As might have been expected, considerable differences remain in the commitment of the Member States. The Scandinavian countries and the Netherlands are maintaining their commitments, while countries such as Italy and even Germany and Spain have reduced theirs, which had been increasing. The reductions further undermine the principle of ‘fair distribution of the load’, which in fact is a voluntary commitment within the EU. Unless something extraordinary occurs — and the current situation does not give any indication that it will — the EU will not meet the target of 0.7 % by 2015. The risks of a significant reduction in ODA to LAC are enormous and have grown even larger as a result of the political and economic crises in North Africa, a neighbouring region of the EU and also of enormous importance as a source of migratory flows.

Considering the enormous dispersal of the aid (see OECD), what little progress has been made in the division of the work, and the previously mentioned effects of the crisis, we are unlikely to see an increase in EU involvement in LAC. So it appears evident that the negative effects of the economic and financial crisis will affect the meeting of targets for increasing the aid for poor countries. In view of the priorities established, this has particularly serious implications for the geographical areas, like LAC, that have ceased to be a priority for the ODA in Europe. What level of progress has LAC made in attaining the MDG? What role is played by LAC in the orientation of the European ODA for the MDG?

The scope of the MDG in LAC

For the ECLAC, insufficient progress in LAC has been posted in four of the nine evaluated challenges, corresponding to six out of eight MDG. Should the observed trend persist, the region is not going to

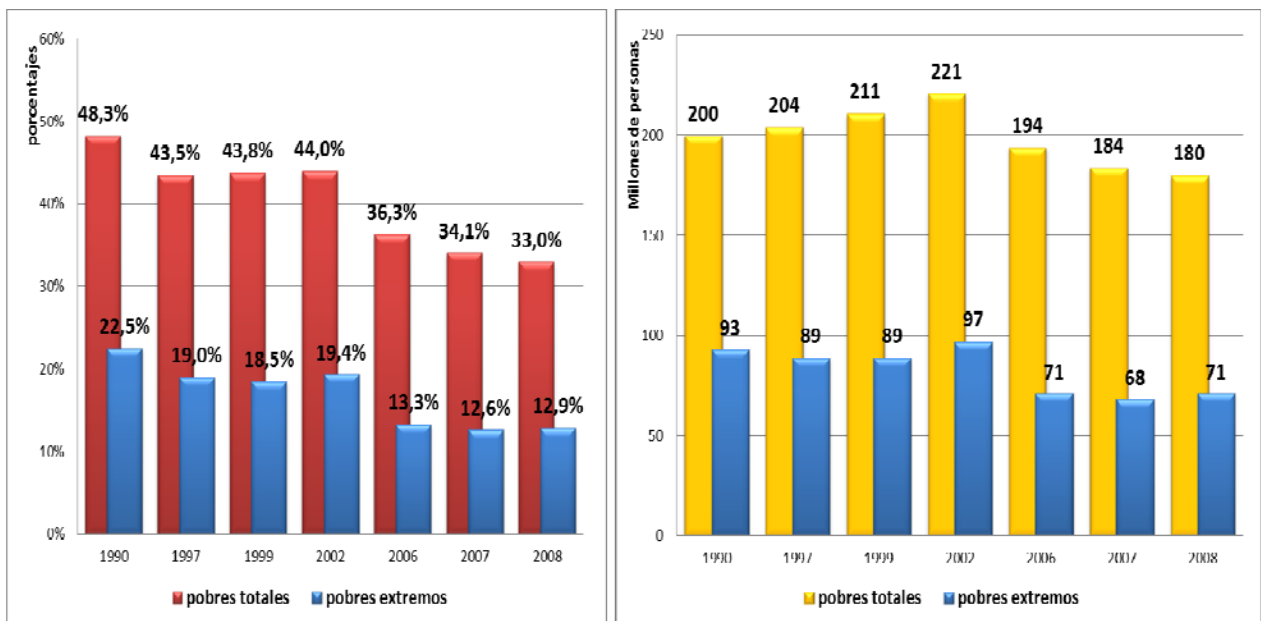
attain those milestones. This is the case with milestones for hunger (Goal One), culmination of primary education (Goal Two), gender parity in the parliaments as the principal indicator of gender parity and the empowerment of women (Goal Three), and maternal mortality (Goal Five). Latin America and the Caribbean are, by contrast, firmly on the path towards attaining the targets for extreme poverty, hunger, infant mortality and access to drinking water, and basic hygiene (see ECLAC, 2010a).

The least developed Latin American countries – Bolivia, Guatemala, Haiti, Honduras and Nicaragua – are not only the ones that present the highest levels of extreme poverty, but also have not sufficiently reduced it so as to be on the way to attaining the target. In addition to these countries, Colombia, El Salvador and Paraguay also show a high percentage of the population living in conditions of extreme poverty. On the other hand, in countries with high human development – Chile, Costa Rica and Mexico – greater progress has been made in attaining that goal, and in the cases of Argentina and Uruguay, countries where levels of extreme poverty are low, little or no progress has been made. The group of countries with medium-to-high human development include the foremost example of Brazil, which together with Chile, is the only one to attain the goal, while Peru is close to achieving it.'

ECLAC (2010a): El progreso de América Latina y el Caribe hacia los objetivos de desarrollo del milenio (The progress of Latin America and the Caribbean towards the Millennium Development Goals).

Some progress has been made in overcoming poverty in places where focused social programmes have been implemented in a conscientious manner, thanks to which beneficiary families have received direct financial support. Such conditional transfers require, as an example, beneficiary families to ensure that children regularly attend school. In Chile, this occurred through the 'Chile solidario' [Solidarity Chile], in Brazil with the 'Bolsa Familia' [Family Pack] and in Mexico through the 'Oportunidades' [Opportunities] programme, to mention but a few examples. In 2009, more than 22 million families in 17 Latin American countries received direct transfers. The majority of the Latin American states increased their social spending in recent years. Moreover, counter-cyclical social programmes were implemented in the course of the world crisis of the years 2008–2009 (ECLAC, 2010a).

LAC: Extreme poverty and total poverty, 1990-2008 (in percentages and millions of people)



Source: ECLAC (2010a): El progreso de América Latina y el Caribe hacia los objetivos de desarrollo del milenio (The progress of Latin America and the Caribbean towards the Millennium Development Goals).

However, in spite of these successes, in all countries there are population groups which are being left behind in the fight against poverty, especially children, women and the indigenous population. This leads to an increase in major inequality. The EU could encourage greater efforts to improve living conditions for the poorest. For this purpose, it is important that the policies for fighting extreme poverty are not restricted to the sphere of monetary transfers. Aside from these, it is important that shortages and shortfalls are dealt with in the many aspects covered by the Millennium Development Goals, in particular policies focused on attaining the goal of full and productive employment and decent employment for all. This strategy would be aligned with the 'inclusive growth' vision that the Commission has formulated in its Green Paper on 'EU development policy for inclusive growth and sustainable development'.

A strategy of this kind makes it possible to modify the MDG commitment to suit the specific conditions of the MIC. The discussion about the ODA towards the MIC is not a new one (see Alonso J. A., 2006), however it acquires enormous relevance in the context of the economic crisis that is having particular impact on OECD member countries (see Glennie, 2011). The manner in which the EU resolves the dilemma of the growing geographical focus of ODA and the necessary commitment to the MIC is of vital importance. Up to now, ODA has been a fundamental pillar of the Association Agreements that the European Union signed with Central America, Chile and Mexico, and this has been made manifest in a range of areas. Initially, and logically, it was believed that the twelve-point action plan approved in April 2010 should serve as the basis for the 2010 EU-LAC Summit. However, commitments of ODA to the region have not surpassed the limit of EUR 350 million annually, and payments have remained at around EUR 300 million during the past three years (see Euro paid, 2010, p. 19).

The EU has great importance as an actor in achieving the MDG in the region. As the third most important donor to Latin America, it accounts for about 15 % of total ODA which is allocated to the region, and about half of that is classified by CAD as multilateral aid. When bilateral support from Member States is added up, the EU is LAC's first donor. For LAC, the case of Spain is particularly important because on account of its fiscal crisis it had to announce a cut of EUR 800 million over the coming years, whereas it had been posting substantial increases in ODA.

However, the importance of European ODA in meeting the MDGs in LAC is not merely quantitative. As is well known, the MICs of LAC pose a challenge for the MDG agenda, precisely because the desired results entail much more complex cooperation processes than the traditional ODA instruments. The lasting inequality that is a characteristic of the continent is one of the major obstacles in attaining the MDG in LAC. The effects of global warming are to be felt in the majority of Latin American countries, which only exacerbates the problems of poverty and vulnerability. It would be an error if the EU oriented its ODA to LAC solely in compliance with an MDG agenda based on a strictly top-down relationship. On the contrary, development processes in Latin America are too complex and require increasingly horizontal relationships, in spite of the outstanding asymmetries between the two regions. Improvements in areas such as schooling and the reduction of maternal and child mortality, in many cases require not only input in the form of infrastructure, but also improvements in the institutional sphere. Here, ODA could fill an enormous gap. On the other hand, many of the innovative instruments currently under discussion have enormous potential for use in LAC.

It is obvious that many Member States have begun the withdrawal from LAC precisely because the economic successes of the continent contrast with not very encouraging results in Sub-Saharan Africa. This withdrawal could have undesired spin-off effects, particularly if they are not supplemented by the adequate focus on the MDG8. This objective provides a 'global partnership for development' which

could be easily aligned with the so-called EU–LAC ‘strategic alliance’. This implies, however, that rather than a sudden withdrawal, LAC needs the three pillars of the strategic association to be treated differently, so that the objective of reducing poverty, which is in the shared interest, can be achieved. To accomplish this, it is necessary for the EU to recognise strategic areas of mutual interest in order to attain the MDG. One of these refers, for example, to security issues such as drug trafficking, urban violence, political polarisation or the lack of adaptability vis-à-vis global climate change. Both aspects have a direct influence in the fight against poverty and require international responses that differ from the outlook on development currently prevailing in the European Union. The MDG8 is a greater challenge for the EU in LAC and what it offers, moreover, for both regions is the horizontal relationship.

1.4 Responding to the challenges of policy coherence for development and the MDG/Accra Agenda for Action

With the Lisbon Treaty, the coherence of development policies¹⁰ has come to occupy a more central place in EU foreign policy, becoming a legal requirement¹¹ both for the High Representative and for the Commission. The European Consensus on Development emphasises that ‘the commitment to promoting policy coherence for development, based upon ensuring that the EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries, and that these policies support development objectives.’ (S. 2) The document consolidates the definition of consistency by indicating the importance of how ‘the different policies for development in the strictest sense contribute to the efforts of developing countries to attain the MDG’ (S. 6). In 2004, the Council decided that the common structure of the national reports on MDG and the EU synthesis reports should contain a separate section on policy coherence for development. The Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee emphasises that ‘EU policies in areas such as trade, agriculture, fisheries, food safety, transport and energy have a direct bearing on the ability of developing countries to generate domestic economic growth, which forms the basis for any sustained progress towards attaining the MDG.’ (European Commission, 2005a) It should be highlighted that over the last five years, the EU has succeeded in establishing ex ante and ex post mechanisms, including impact assessments. In the twelve-point plan, five global challenges were chosen from among the working programme in relation to PCD: trade and finance, climate change, food safety, migration and security. The Green Paper on EU Development Policy discussed in 2011 reiterates the objectives for coherence, previously mentioned, and a proposal is made to use the PCD Working Programme in the most proactive way and in a stage prior to preparing new initiatives.¹²

For the EU, the PCD is very closely related to attaining the MDG8¹³ which refers to promoting a partnership for development. It is no secret that in spite of having established strict mechanisms for

¹⁰ The OECD defines the coherence of development policies as follows: ‘The coherence of development policies means working in order to ensure that the objectives and the results of development policies of a government do not become undermined by other policies by the same government which affect developing countries and that those policies support development objectives wherever possible.’

¹¹ Article 208 of the Treaty on the Functioning of the EU: ‘The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries.’

¹² See Morazán, P. (2011)

¹³ Objective 8: Develop a global partnership for development. Indicators: a. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. b. Address the special needs of the least developed countries. c. Deal comprehensively with the debt problems of developing countries. d. In cooperation with the private sector, make available the benefits of new technologies, especially those relating to information and communications.

improving the coherence of the development policy¹⁴, the EU does not always show the greatest results, especially with regard to the commitments made concerning trade and development. In view of the fact that there is much room for interpretation, it is worth making a critical evaluation of certain aspects relating to coherence.

For example, objective 8b states 'Develop further an open, rule-based, predictable, non-discriminatory trading and financial system'¹⁵ The EU is still the largest provider of foreign direct investments (DDI) in LAC (CEPAL, 2011a). Nevertheless, the annual net flows of DFI received from the European Union have shown a rather declining trend and greater vulnerability than those from the United States (CEPAL, 2011a). In terms of foreign trade, there was an increase in Latin American and Caribbean exports to the EU, making the most of the increase in prices of the large majority of raw materials. LAC exports to the EU have increased by 72 % in the period prior to the 2003–2008 crisis, while the LAC imports originating in the EU increased by 68 % (SELA, 2011). The international crisis engendered disaster for interregional trade (SELA, 2011).¹⁶ It should be noted that, in general, EU-LAC interregional trade is characterised by low growth which contrasts with the growing importance of trade of both regions with other areas, Asia in particular. The European Union has diminished in importance in terms of Latin American trade over the last thirty years. As a result of this, the EU has declined in the hierarchy of the most important trade partners for almost all LAC countries (CEPAL, 2011a).

Nevertheless, as correctly indicated by ECLAC, there is a window of opportunity for stimulating the strategic alliance of Latin America and the Caribbean with the European Union. This includes, among others, the following features: greater growth of the LAC market can help stimulate inclusive growth in the EU; strengthening of bi-regional value chains; climate change, and the spread of technologies that help protect the environment, etc.

Positions found in major global themes can be detected, such as the reform of the international financial system. The presence of the EU and three Latin American countries in the G-20 may be an opportunity to find common ground in this area, so that PCD can be implemented jointly. The insistence of Latin American countries on a deeper macroeconomic dialogue is a symptom of the existing concerns. The establishment of the LAIF is a positive sign of PCD. However, without a renovation of the international financial architecture, the effects of the LAIF could be very limited.

Agriculture is an area where the EU has enormous problems in applying a PCD. There is enormous asymmetry in the trade of goods between both regions: Europe mostly exports manufactured goods to LAC, while LAC's exports largely consist of primary products. As is well known, in this respect, the CAP has been a cause of conflict between the two regions, whether in the context of the Doha Round or the negotiations for Association Treaties, particularly with Mercosur. Indeed, the breakdown of the Doha Round became a serious obstacle for concluding these Association agreements. Certain studies showed that LAC could benefit from the liberalisation of European agricultural markets (Giordano et al, 2009, pp. 21-25). There have been some positive signs: The EU offered agricultural concessions at the Doha Round which were, however, rejected. Moreover, the PCD programme places an enormous emphasis on CAP reform (SEC, 2010, p. 21). These efforts have been in a circumspect manner, since the EU made similar promises in the context of the Uruguay Round that ultimately went unfulfilled. As is well known,

¹⁴ http://ec.europa.eu/development/policies/policy_coherence_en.cfm

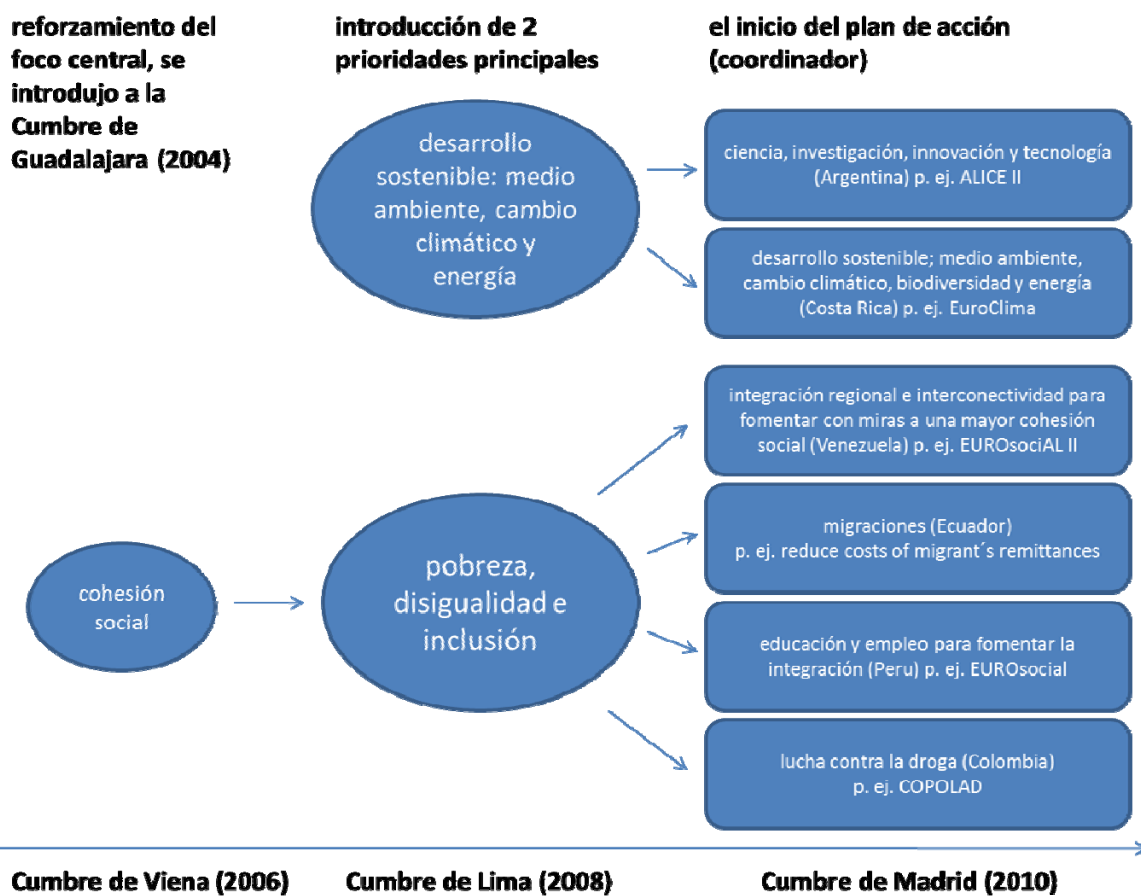
¹⁵ <http://www.un.org/millenniumgoals/global.shtml>

¹⁶ 'In 2009, imports from the EU have seen a decrease of 35 % in the annual rate – against an increase of 10 % in the previous year – while exports from LAC to the EU have been reduced by 27 % – compared with an increase of 19 % in 2008.' (SELA, 2011).

in the majority of LAC countries a great portion of the population depends on export farming (CEPAL, 2010f).

In the area of climate change, there are also potential conflicts with MDG 7a and 7b to be dealt with in the PCD. The 2009 Renewable Energy Directive (RED) of the EU was subject to serious criticism (Rosillo-Calle et al, 2009, p. 68) which attributed this instrument with the blame for deforestation in LAC soya-exporting countries. The RED established the goal of getting renewable energies to contribute at least 10 % to the demand for transport energy.¹⁷ One of the most important sources of such renewable energy is biofuel, of which 80 % is made up of biodiesel (Rosillo-Calle et al, 2009, p.68). In 2010, more than 60 % of biodiesel imports came from Argentina. Biodiesel imports from Brazil were recently approved resulting in an expected increase from this country (Bloomberg, 2011).

ODA: The Subjects of the Summits



The problem with biodiesel from Argentina and Brazil is that it comes from soya seeds and soya farming has adverse effects on sustainable development. Firstly, soya cultivation requires arable land and this is leading to the deforestation of the Brazilian Amazon, to give one example (Barona et al, 2010). As it is single-crop farming, soya production also restricts biodiversity. The negative social consequences of soya production outweigh the positive effects: for every job in soya production, 11 people are displaced

¹⁷ EU (2009) Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC [online]. Available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:EN:PDF> [Accessed 4 July 2011].

(Food and Water Watch, 2010). The PCD places great emphasis on the requirements for specifics for biofuels and demands an evaluation of the impacts of biofuel policy (SEC, 2010, pp.15-16). For this reason, it is clear that the EU has tried to take into account the adverse effects which the RED may have in this regard. However, it seems that an evaluation of the impact of such a policy could be very difficult.

The subject of migration has become a constant in EU-LAC Summits. For migration policy, a high-level meeting on illegal migration took place in Brussels in December 2010, and the next is planned for March 2011. There were also actions launched against human trafficking by Colombia, Brazil, Peru, and the Andean migration service. Other actions are aimed at promoting cooperation in the exchange of information and lowering consignment costs for migrants.

1.5 The new EU assistance paradigm (inclusive growth) and the EU-LAC Strategic Association

The EU formulated the paradigm of 'inclusive growth' in the Green Paper on Development Policy that was submitted for discussion in early 2011.¹⁸ The Green Paper focuses its strategy on four basic questions: (1) **how to ensure that EU development policy has a major impact**; (2) **how to facilitate greater, more integrated growth in developing countries**; (3) **how to encourage sustainable development as a vector for progress**; and (4) **how to achieve lasting results in agriculture and food security**. There are at least two aspects of the subject of growth, which although mentioned, have not been explored: (i) external impacts that affect growth in numerous LAC countries, and (ii) the link between growth and inequality in conditions of lasting poverty. The lack of analysis of these two issues makes the document appear to be a strategy for growth with a neoclassical vision, in which capital and technical progress are the deciding factors for growth. The message of the Green Paper can be summarised as follows: 'towards more growth, less poverty.' However, it is well known that the persistence of poverty in the context of growth varies from country to country and from region to region.

The Green Paper's four objectives highlight the relevance of development cooperation for the challenges facing the international community and other policies of the Union to meet those challenges, including climate change, the financial crisis and the food crisis. To develop its strategy, chapter 3 of the Green Paper reiterates the determining factors for inclusive growth, which are summarised as follows: productive and sustainable investment, access to credit, a legal and regulatory framework, innovation, dignified employment and social protection. The Commission posed questions closely related to this in the context of the consultation that are of the utmost importance for the EU-LAC bi-regional relationship:

How and to what extent should EU aid be used to support industrial investment projects in developing countries? How can the proper balance be reached between the development of extraction and energy interests and the promotion of post-extraction and industrial sectors?

No standard response can be given to this question, since investment projects depend on the initial situation, the legal framework, the impact on poverty, etc. As has been shown by numerous studies and analyses, the relationship between foreign investment in extraction industries does not automatically bring benefits for the receiving country. This point is illustrated by the cases of Peru and Central America.

However, there are initiatives that must be maximised to the utmost to achieve greater coherence. At the present time, the negative effects of investment in extractive industries in LAC seem quite obvious: the destruction of the subsistence base of indigenous peoples through extractive projects, the violation of the rights of indigenous peoples to a consultation,¹⁹ and the violation of individual and collective property rights over farming areas as well as cultural rights. These violations have been denounced by governmental and non-governmental organisations in various LAC countries.

What arrangements can the EU make to ensure that support for economic development guarantees proper social integration of the benefits and provides better protection of social and economic entitlements, including the application of basic employment-related standards and greater corporate responsibility?

On account of the impact of the global financial and economic crisis in low-income and middle-income countries, there is a greater need to reinforce and re-establish systems of social protection at the international level. The following features require special attention with regard to social protection and employment: (i) the relationship between **investment** and the generation of decent employment; (ii) strengthening and expanding **social security systems**; (iii) the growing **informalisation of labour**; (iv) the existence of **legal standards and working codes** in beneficiary countries; and (v) sanction mechanisms for **multinational companies** that fail to respect standards.

The EU's practice of development policy demonstrates that this can contribute positively to the implementation of policies in LAC beneficiary countries that will lead to respect for and compliance with labour standards (EU, 2010). However, the EU has been criticised in the past for adopting too soft a position, especially with European countries that have violated some of those standards. Development policy can thus contribute to the implementation of corporate social responsibility in the following ways: (i) supporting beneficiary governments in the creation of the **necessary legal framework** for implementing labour standards; (ii) involving **civil society** organisations in the public-private dialogue processes; and (iii) mobilising resources for developing capacities to implement the ILO core labour standards²⁰.

The ILO agenda contains four pillars concerning decent labour which could provide the basis for the Commission's strategy. According to the EuropAid report, in order to deal with these subjects, the Commission has strengthened its cooperation with the ILO in four projects that are managed by the ILO and the Commission and which cover thematic areas such as trade and employment, statistical systems, social protection and employment policies in developing countries. It is now a question of strengthening and broadening the cooperation already begun with these instruments. It is important to support all existing initiatives to create greater transparency such as the EITI and the Kimberley Process.

¹⁸ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0629:FIN:EN:PDF>

¹⁹ This implies a violation of the clause on free, prior and informed consent (FPIC); Agreement 169 of the ILO.

²⁰ Core labour standards are a series of rules and principles regarding the minimum standards recognised by the international community for treating workers humanely. Although many kinds of labour standards exist, the ones referred to as the four core labour standards are those that the international community has agreed are applicable to all countries because they protect basic human rights. Enforcement of these standards benefits a country as a whole, not only its workers, because the core labour standards are central to the healthy functioning of market economies. They create a level playing field for both foreign and domestic investors, thereby improving economic performance. As stated in the ILO Declaration on Fundamental Principles and Rights at Work (1998) the core labour standards aim to: (1) eliminate all forms of forced or compulsory labour; (2) effectively abolish child labour; (3) eliminate discrimination in respect of employment and occupation; and (4) ensure the freedom of association and the right to collective bargaining.

The issues of labour standards and social protection systems are closely related to the issue of gender equality. On this issue, too, the Commission has been able to implement instruments that have had a major impact. The association of the European Commission with the UN for gender equality, as well as cooperation with UNIFEM create best practices that deserve to be consolidated in the future.

What measures should be taken – and how can they be better distinguished – to support developing countries in their efforts to create a suitable economic environment for encouraging businesses, in particular SMEs?

The governments of LAC countries have an enormous responsibility to provide an environment favourable to entrepreneurship among the poor. Decreasing the statutory burden is merely a first step towards enabling the development of SMEs. By itself, this does not contribute to improving the productivity of SMEs or eradicating the informal sector. It needs to be supplemented by policies for promoting infrastructure and (formal and vocational) education to enable SMEs to become more competitive. The process requires a willingness on the part of the beneficiary government, since it implies, on the one hand, institutional transformation and, on the other, the development of capacities – that is, by giving skills to the poor so they can become dynamos for growth.

As part of the political dialogue with LAC, the consultation of local and national governments on the importance of the informal economy and the role that the administration must be taken into account in the process of formalisation: The growth of the tax basis can only be justified if it is to benefit SMEs, and it avoids the temptation to impose taxes on them, which depress their activities. For the dialogue between the government and informal businesses to be successful, it is necessary to develop capacities and above all the organisational capacity of the poorer sectors. The creation of a constructive consensus on formalisation between both parties is of vital importance. Working with local governments plays an important role in cooperation, especially where the aim is to promote SMEs in regions with high poverty ratios.

What measures or structures can be developed with the associated countries and the European or international institutions in order to provide financial support and, where necessary, low-cost funding and financial guarantees to support this growth?

The EU Member States must coordinate among themselves to gather information on financial institutions and on access by the poorest to financial services. In order to avoid the errors of the past, it is important to use political dialogue to ensure the willingness of the political authorities to develop an efficient and market-focused financial sector. Cooperation with the IMF under the Financial Sector Assessment Program (FSAP) may produce results in such cases. The IMF has a key role both in terms of developing financial infrastructure and promoting the professionalisation of the supervising authorities. The EU can promote the development of capacities of financial intermediaries operating in the sectors of basic services with low returns: education, health, accommodation, small business, farming and refinancing.

Which instruments might the EU use in order to encourage creativity, innovation, and technology transfer and to ensure viable applications of the same in developing countries?

Technology transfer comprises two things: a significant part of it is technical and financial cooperation, on the one hand, and, on the other, the coherence of trade and investment policies. In terms of innovation and technology transfer, Europe boasts enormous potential resulting from the past experience of its Member States. This accumulated capital could be harnessed both for developing

countries and for its own interests. Synergies between development policy and other EU policies could be enhanced by technology transfer, thereby increasing the impact of development policy and creating added value.

There are, however, enormous differences in the assimilation capacity of LAC beneficiary countries. In certain countries – especially those with more dynamic economies – the role of the private sector and external investment could prove vital and be supplemented with financial cooperation measures. In others, however, greater efforts are necessary both in terms of international cooperation and in the public sector in order to improve innovation and the absorption capacity of technology transfer. The EU already has some experience of this and that must be assessed appropriately. Where regional cooperation makes greater sense, measures must be found to lower transaction costs.

The ‘inclusive growth’ concept adopted by the EU bears a strong similarity to the recent formulation from the G-20 Consensus on Development in Seoul. The components which it describes may prove highly useful, particularly for political dialogue with middle-income countries. It is, however, subject to a number of defects. One of these is that it is relatively diffuse. The other is that, contrary to the ‘pro-poor growth’ concept, it does not offer operational indicators that would allow for the monitoring of its effects. Moreover, the components mentioned here form part of the dialogue between the EU and LAC.

1.6 Conclusions and recommendations

The eradication of poverty should be kept as the primary objective for LAC: The primary objective of eradicating poverty that was set by the EU in the Lisbon Treaty is also relevant for LAC. Nonetheless, it has not been brought sufficiently into line with the process of the EU-LAC Summits begun in 1999. With the European Consensus on Development and, above all, with the twelve-point EU action plan in support of the Millennium Development Goals, the aim is to make EU ODA a binding condition for attaining the MDG (European Commission, 2010b). These documents recognise that the LDC require special attention, which would automatically lead to a geographical concentration in Sub-Saharan Africa. An undesired negative effect may involve reducing the commitment to all Latin American countries classified as LDC which have shown good progress yet which remain dependent on ODA flows. On the other hand, in paragraph 61 of the Consensus, strategic perspectives of enormous relevance to the majority of LAC countries are left open.

Opportunity in crisis: The EU needs to conduct a detailed analysis of the changes made to the architecture of development cooperation. That analysis must include a realistic balance of the EU Action Plan in twelve points to support the MDG; this makes two things clear: a clear position taken by the Consensus and the Member States as well on the commitment being made to meet the agreements adopted in the financing of the MDGs and, secondly, a strategy regarding the quality of the aid and the fulfilment of the Paris Declaration.

More coherence with ODA: Both the Lisbon Treaty and the Consensus underline the importance of the coherence of public policies on development. However, the EU and its Member States have been criticised for a lack of coherence in some of its policies that do not always take into account the objectives of development cooperation. Coherence is the major factor missing from the Paris Declaration. Institutional reforms have resulted in a mingling of powers between the High Representative of the EU for Foreign Affairs and the Commissioner for Development, a scenario which could seriously affect the profile of EU ODA. The political implications of this potential institutional crossover could create serious problems for the coherence of EU development policy. The presence of

the EU and three Latin American countries in the G-20 may be an opportunity to find common ground in this area, so that PCD can be implemented jointly. Both the *ex-ante* and *ex-post* analyses of the social and ecological impact are important. The EU, and above all the Commission must seek out suitable instruments for better alignment with LAC in those elements that have an effect on coherence.

Maintain the commitment of ODA in MICs: It is evident that the negative effects of the economic and financial crisis will affect the meeting of targets for increasing aid for poor countries. In view of the priorities established, this has particularly serious implications for geographical areas which, like LAC, have ceased to be a priority for the ODA in Europe. Considering the enormous dispersal of aid, the little progress made in the division of labour and the previously mentioned effects of the crisis, we are unlikely to see an increase in the involvement of the EU in LAC. However, the commitment to the MDG involves maintaining some kind of presence in the MIC. For this reason, it is important for the EU to provide an accurate picture of its financial capacity. However, this commitment requires sectoral concentration, on the one hand, and geographical selectivity, on the other.

A better division of responsibilities: ODA should be concentrated in sectors that are key for the development of the region as defined in the last summit, such as infrastructure, new technologies and competitiveness, education and training in human resources, sustainable development and renewable energies, and state reform and bolstering democracy. The Joint Committees must define their action plans by taking these priorities into account. The withdrawal process of Member States that are highly committed, such as the Scandinavian countries, must be compensated for though a clearer division of responsibilities. Despite the effects of the crisis, Spain can still assume the leading role, although the involvement of countries with greater economic stability such as Germany or Great Britain is necessary. In LAC, Colombia is a country that is highly committed to the process of improving the quality of ODA. This country could be used as a lever for improving cooperation in the SICA region, with whom Colombia maintains good relations – with the exception of Nicaragua.

Make the most of new spaces: ODA is also affected by changes in multilateral government. Within the G-20, there are three LAC countries – Mexico, Brazil and Argentina – that have experience in cooperation. With the Seoul Consensus for development and the Cannes Agenda, the EU could initiate more horizontal links that would facilitate entry of ODA into low MIC. As with other multilateral institutions, the EU could perform better as a global actor – for example, as a G-20 member – if it establishes a cooperation alliance with middle-income countries that are interested in implementing the international agenda for development cooperation, which at the same time would allow it to evaluate the experience gained for other contexts. Brazil, Argentina and Mexico have undoubtedly growing importance when it comes to handling the European cooperation agenda in the region. However, this means arriving at points of convergence where it is possible to apply the necessary measures for the mutual convenience of both regions. It also means that a consensus must be arrived at in delicate areas such as trade and investments, areas where up to now discrepancies have existed.

Make MDG8 the focus of ODA: For the ECLAC, insufficient progress in LAC has been posted in four of the nine evaluated challenges corresponding to six out of eight MDG. The EU could encourage greater efforts to improve living conditions for the poorest. For this purpose, it is important that the policies for fighting extreme poverty are not restricted to the sphere of monetary transfers. Aside from these, it is important that shortages and shortfalls are dealt with in the many aspects covered by the MDG, in particular policies focused on attaining the goal of full and productive employment and decent employment for all. This strategy would be aligned with the new vision for 'inclusive growth' formulated by the Commission in its Green Paper. To this end, it is necessary for the EU to recognise

strategic areas of mutual interest in order to attain the MDG. The MDG8 is a greater challenge for the EU in LAC, and what it offers, moreover, for both regions is a horizontal relationship. This implies, however, that rather than a sudden withdrawal, LAC needs the three pillars of the strategic association to be treated differently, so that the objective of reducing poverty, which is in the shared interest, can be achieved.

The new strategy of 'inclusive growth' as a principle of EU development policy is of enormous importance to LAC. To develop its strategy, the Green Paper reiterates the determining factors for inclusive growth, which are summarised as follows: productive and sustainable investment, access to credit, a legal and regulatory framework, innovation, dignified employment and social protection. This strategy is more consistent with the new philosophy of the Seoul Consensus on Development in the G-20. In our opinion, the question of the coherence of such strategies with the MDG remains an open debate.

Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs) are, in our opinion, the most appropriate starting point for reformulating horizontal cooperation. Both of these instruments should continue to be drawn up through a process of dialogue with each recipient country's national government and other relevant actors from civil society. Horizontal Cooperation must be more clearly based on Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs), since they are the most appropriate starting point for launching the new dimensions of ODA in LAC. Both of these instruments should amplify the process of dialogue with each recipient country's national government and other relevant actors of civil society in such a way that will also include civil society requirements.

The new environmental and climate change related instruments deserve to gather strength in the common interest agenda. Energy use and the promotion of renewable energies are linked with this. Latin American countries could assume a positive role in encouraging low-carbon development by promoting renewable energies.

1.7 Remarks

by Camilo Tovar

The text in general is quite complete in its approach and analysis of the various aspects that define and influence the development cooperation policy of the EU towards LAC in the context of the current reality of the two regions. It is clear that the EU's development cooperation with LAC finds itself at a critical juncture, where 'there is more uncertainty than certainty', a situation which also raises a suitable and opportune scenario for rethinking cooperation, the relationship between the regions and even the current development paradigm itself. By way of part commentary on the text, part reflection inspired by it, the following observations can be made:

1. One subject that does not get developed in the text, and yet may be worth mentioning, is the complexity engendered in differentiating between what the EU does between Latin America and the Caribbean, both in terms of institutional architecture and policy, by including the Caribbean in the Africa, Caribbean and Pacific (ACP) group of states.
2. The implementation of the Lisbon Treaty, and particularly the creation of the European External Action Service (EEAS), will have an impact on the orientation and priorities of EU development cooperation policy. The analysis and the questions raised in the text are highly relevant, particularly with regard to the role of the EC delegations that will eventually become EU Embassies. The process of devolving and decentralisation of the EU's development cooperation management constituted a major

role and source of independence for the delegations in planning and implementing cooperation policy. Now under the control of the High Representative, they may lose a certain amount of independence in favour of other interests and external policies of the EU. Setting up the EEAS may also reinforce this tendency due to the arrival of civil servants from the EU Member States.

3. The Summits are important for political momentum and strategic management; however, they have not provided a decisive scenario in terms of priorities and orientation of development cooperation. Cooperation policy has become subordinated to the commercial-economic agenda, where interests hold sway that are not always aligned with ODA principles and objectives. An example of this can be found in the priority given to social cohesion in EU-LAC relations, a crucial question in the LAC development agenda which has been implemented in the EU's cooperation programmes with LAC, but which has been left out, or at least separated from, the Association Agreements.

4. Highlighting the need and relevance of rethinking EU development cooperation with LAC. In addition to the new goals mentioned in the text – to be approached through a more horizontal relationship between the two regions – it might be added that in the present context, LAC could offer EU cooperation under other paradigms. For example, European countries could draw from LAC's experience in handling debt crisis.

5. Investment – profiled as a potential core theme for the upcoming Summit in Santiago – is of vital importance. On the one hand, as mentioned in the text, European investment has largely consisted of portfolio investment focused on strategic sectors for EU companies, which are in turn service sectors that are crucial – or essential, in some cases – in the development strategies in LAC. In this context, the obvious problems associated with investment in extractive industries take on special relevance. Another highly important factor relating to FDI is that its governance gives more in the private than the public sphere: it is the companies rather than the state that defines and controls FDI. This raises the challenge of suitable statutory regulation so that FDI becomes conducive to development in the receiving countries, and as has been made clear, this does not always happen. This is partly because of overly advantageous conditions and the lack of standards that receiving countries offer in order to attract FDI, and partly due to the lack of a binding regulation in implementing FDI on the part of countries where it originates.

6. With regard to the Latin American Investment Facility (LAIF), I do not share the same optimism: in my opinion it is neither a 'positive sign in the PCD' nor an ideal mechanism 'to promote social and territorial cohesion and regional integration'. The LAIF raises a series of questions ranging from its governing structure – almost exclusively managed from Europe – to its poor alignment with the MDG and the aid effectiveness agenda²¹. The LAIF sits well with the line proposed by the EC in its Green Paper on Development Policy, which is subject to copious criticism.

7. As for the 'new EC aid paradigm (inclusive growth)' and the EC Green Paper, I am in agreement with the main aspects of the analysis regarding the shortfalls in the 'inclusive growth' concept, the reinforced focus on neoclassical economic growth and the doubts surrounding the potential positive impact that development may have in reducing poverty. In the initial ALOP analysis on certain aspects of the Green Paper²² we argue over these doubts, as well as the potential inadequacy that may result in a differentiation in cooperation towards developing countries on the grounds of criteria heavily based

²¹ See Brief No.12 from ALOP on LAIF: http://www.observatorioueal-alop.eu/wcm/index.php?option=com_content&view=article&id=28&Itemid=43

²² See Brief No. 14 by ALOP on the Green Paper: http://www.alop.org.mx/sites/default/files/Brief14_Libro_Verde_CE_Cooperaci%C3%B3n_Ene2011.pdf

on income, especially for middle-income countries. In this respect, we concur with the analysis made in the text and of ECLAC about the need to 'rethink the average income category', and the significance for LAC in focusing attention on inequality and the relevance of the discussion on ODA with middle-income countries and the MDG in LAC. In this regard, the negotiations on the EU's multiannual financial framework and normative instruments are a key scenario for the future of EU cooperation in LAC.

8. It is crucial to deal with the coherence of policies in favour of development (PCD), as a topic on which much remains to be done, both for the EU and the LAC. Of particular relevance, as highlighted in this text, is the relationship between development and policies covering trade, agriculture, migration, energy and the environment.

9. Lastly, and as a transversal element for all the foregoing, the need and currency of an in-depth debate on development itself should be highlighted, as well as the possible alternatives to the current hegemonic development model. In LAC it is an agenda topic for certain governments, but above all the majority of social organisations, and it could set the scene for rethinking EU-LAC relations under new development cooperation paradigms – towards other developments.

by Carlos Umaña

The essay deals with an enormous range of interesting subjects that are both politically and economically relevant for the region. My comments are restricted to 5 points or subjects on which I have for years conducted academic and empirical research.

1. As for the objectives and the coherence of cooperation: cooperation carries with it huge risks, which may be seen as its dark side. The flow of resources and their enhancement may result in spill-over, which leads to under-development. This includes the MDG and the fight against poverty. The unilateral, non-inclusive approach to these two aspects, without taking into account the particular histories of each country, has made a substantial contribution to the situation of violence and social disintegration that Central America and El Salvador in particular is currently experiencing. Governmental social policy was dominated by these two priorities and their focus on rural areas and the poorest municipalities meant that urban areas and town centres were abandoned. Nowadays, they are prey to serious problems of violence. Today, 20 years later, we are emending the El Salvador plan. The MDG and the policy of tackling poverty have, to put it mildly, either been very flat or have had a very strobe-like effect.

2. Exclusive growth: For many years, international cooperation opted for the 'trickle down' idea, based on the assumption that growth is sufficient to overcome poverty. Inequality counts for nothing – or, à la Kusnetz, it could turn out to be an invigorating component. What we have found in LAC is that growth has been, at best, polarised, where it has not broken up and destroyed the social fabric. This growth has exacerbated what is known as 'structural heterogeneity', by creating islands of modernity amidst a society with traditional structures in which vicious circles of poverty are reproduced. .

3. The paradigm of inclusive growth seeks to overcome this legacy from the past. It is a real step in the right direction. However, rather than being a new paradigm, it is still just a good indicator. We are searching for growth that simultaneously reduces poverty and inequality. However, new vectors for the paradigm have not been identified, nor have the methodological links with the concept of sustainable development, nor – considering that poverty is the effect rather than the cause – its link to the process of compiling growth that reduces poverty and inequality. While this has validity and relevance, it is more of an indicator of what we are seeking, rather than a model or paradigm. The same circumstances have demonstrated that models predicting growth and which leave the distribution till later are not

sustainable. El Salvador and Chile are the two jewels in the crown where these models were fully applied; it was shown how far they could go, and the long-term social imbalances that were created as a result.

4. The paradigm proposed is sound in principle, and superior to the previous one, yet it invariably produces the sensation that something is lacking, unless this integration is qualified, as decentralisation, involvement, distribution, greater equality and security.

5. Inequality is neither free nor romantic, nor a leftover from the socialist dreams of the previous or the 21st century. It is instead the expression in terms of income or economics of what is the central problem of Latin America – power elites that concentrate resources and in doing so create a bottleneck that prevents any virtuous circle from emerging, one that would produce more growth, less poverty and more social cohesion.

6. In this respect, everything points towards the emergence of new economic actors: SMEs that will devolve political power, and citizen involvement, that will decentralise administrative power and increase fiscal revenue, ensuring productive, non-speculative investment, etc. It is going in the right direction, as is expressed in the final chapters and in the conclusions.

The cooperation policy of the EU with LAC faces the challenge of social cohesion and for this reason requires more coherency with other policy features.

2. THE PROMOTION OF SOCIAL COHESION

by FIIAPP

2.1 A conceptual approach to social cohesion

Although from an academic standpoint the notion of social cohesion has been widely discussed in the social sciences (see frame), its contemporary use has developed in large part out of the work of the European Union (EU). It is a concept that is fully incorporated in the *Community acquis*²³, a key element of the European integration process and, no less importantly, a **sign of identity of the EU's image in the world**²⁴.

The concept of social cohesion in the European Union is closely linked to the process of integration, the construction of a common market and the move towards a single currency. Social cohesion in Europe is first and foremost linked to territorial cohesion; hence the first community cohesion policies are regional policies. However, the concept has evolved to become associated with the development and survival of the **'European social model'**, which aims to safeguard the social component of integration from the strictly economic component.

The EU's policies of cohesion have, through measures of positive action, been aimed at encouraging the capabilities of individuals, regions and countries of the Union that have fewer prospects of benefiting from economic development and from the integration process. With this dynamic, current actions carried out with EU funds (Cohesion Fund, European Social Fund, European Agricultural Guidance and Guarantee Fund, European Regional Development Fund) can be seen as a compensatory action strategy or a positive discrimination strategy. They aim to **promote convergence** as an element to **reinforce members' commitments to the European project**. In this way, all members perceive that

Social cohesion in the social sciences

E. Durkheim, M. Weber, G. Simmel and P. Bourdieu, to name but a few of the classical European thinkers, attempted to construct an explanation of the origin of social order and the mechanisms that keep individuals united in stable social groups by posing the problem of how to reconcile differentiation with social integration. In political theory social cohesion is closely linked to theories of the social contract – a metaphor used to support political democracy and the exercise of public power. However, the idea of a social contract or pact does not necessarily imply that everybody will be taken into account in the same way, or that they will gain the same benefits. Recent decades have witnessed a return of the concept of 'citizenship' in political theory, with a resurgence of the ideas of Thomas Marshall ('Citizenship and Social Class'). For Marshall, the construction of citizenship is a process of the institutionalisation of rights. This process has moved through three phases: firstly civil rights were established, followed by political rights and finally social rights. The introduction of these latter rights was his major contribution. According to Marshall, social rights refer to the socio-economic wellbeing necessary to lead a dignified life, and they ease the conflict between the principle of citizenship, governed by equality, and the principle of the market, governed by inequality. These rights are currently being asserted, but what is new is that we have moved from a passive social citizenship to an active and responsible social citizenship; that is to say, it is not possible to protect the social rights of all citizens if those same citizens do not also take on their responsibilities as a whole. Recently, these rights have been joined by cultural rights, given that in most societies different cultures live side-by-side. We can therefore say that citizenship is a never-ending construction undergoing constant renewal.

²³ As early as Article 2 of the Treaty establishing the European Community it was stated that 'The Community shall have as its task [...] to promote economic, social and political cohesion among all Member States'.

²⁴ J. A. Sanahuja gives the following explanation: 'The growing importance of the European social model, with social cohesion as the element that sets the EU apart as an international actor (is) one of the fundamental features of its identity and its legitimacy as an international actor, whose influence depends on its nature as a civil and regulatory power capable of promoting values and policies which set it apart from other relevant actors on the global stage'. see Sanahuja, 2010c.

they gain something from the Union.

Although the funds constitute an essential tool to advance European cohesion, **social cohesion itself is, fundamentally, a field of action for national policies and resources**, especially for social policies of the EU Member States. The Member States remain responsible for the basic policies underpinning social cohesion: employment, pensions, health, education, housing, disability, etc. This is why these policies are significantly different from one EU Member State to another, although over time, thanks to flexible cooperation mechanisms such as OMC²⁵, significant convergences have arisen between them.

The 'Open Method of Coordination' (OMC)

This mechanism of cooperation: a) sets shared objectives for social cohesion, b) develops National Action Plans, based on shared indicators, c) approves a community Action Plan to support States and encourage cooperation and exchange of experience and best practices, and d) develops a biannual Joint Report on Social Inclusion, which is submitted to the European Council, using reports presented by each State, based on shared and comparable indicators (benchmarking). To monitor these initiatives, a Social Protection Committee was set up as a consultative body, made up of representatives from the various social actors involved.

In spite of the notable **heterogeneity** between EU countries, the European notion of social cohesion is based on a set of shared values, with five **shared definitions**: (FIAPP, 2010a)

- It involves care to avoid poverty, reduce differences between citizens and guarantee certain standards of **equality**.
- It relates to the aim of ensuring **universal access** for citizens to basic services such as health, education, pensions and housing.
- It signifies the recognition of **social dialogue** and labour rights and their protection within the employment market.
- It also has a **territorial dimension** — intra-national and supranational — with the understanding that integration is not possible if the market areas are not expanded and similar standards of living are not guaranteed among citizens of different countries and territories.
- It also involves an equitable **fiscal pact** that guarantees necessary resources.

In recent years the **discussion over social cohesion has formed part of the process of globalisation and its pressures on the European welfare state and competitiveness**. This has led the European Commission to adopt an ambitious agenda – the Renewed Social Agenda²⁶, designed to ensure that EU policies respond effectively to current economic and social challenges, and to complement the *Lisbon*

²⁵ To understand this phenomenon, it should be stated that the EU is governed by the principle of the allocation of competences: the institutions of the Community are not able to freely intervene in just any aspect of social life, but only in those with which they have been explicitly entrusted. In order to make progress in overcoming the dilemma tackled by 'Social Europe', in which social policy is determined by national entities, the 'Open Method of Coordination' (OMC) was created, as part of the 'Lisbon Strategy'. The OMC, being based more on the coordination of national policies than on European policies adopted as part of the community framework, has the advantage of being flexible and realistic. It enables progress at a pace that every Member State considers feasible (see frame).

²⁶ On 2 July 2008, the European Commission adopted the Renewed Social Agenda alongside a set of EU policies to support the implementation of seven priority matters: children and young people; investing in human resources (more and better job positions and new skills); mobility; a longer, healthier life; the fight against poverty and social exclusion; the fight against discrimination and the promotion of equality between men and women; and opportunities, access and solidarity within the international context.

*Strategy*²⁷ for the period 2008-2010. European cohesion policy places an emphasis on support for active policies of job creation, and for the improvement of productivity and competitiveness, without neglecting the social protection of its citizens.

2.2 Social cohesion in the new discourse on the development of Latin America

The concept of social cohesion has been gradually incorporated into debates on Latin American development owing to its **relevance** in understanding the realities of certain countries with major shortcomings in this area.

During the 1980s and 90s, the overriding concern for Latin American countries centred on low economic growth and the volatility and instability of their economies (see Franco/Székeli, 2010). These concerns arose because, after several decades of prosperity and reduction in poverty, most of the countries in the region were confronted by acute crises, severe reductions in the Gross Domestic Product, external debt crisis and unprecedented inflation and devaluation. During the second half of the 1990s, countries in the region opted for structural reform, including trade liberalisation, the opening of capital accounts and other similar measures. Yet even after the implementation of these '**packages of structural adjustment reforms**', the level of economic and social development failed to achieve their expected goals.

In the final years of the 20th century and the early part of this century, the focus on Latin American development has centred around two concerns: poverty and inequality. There are several reasons for this. Perhaps the most important is the fact that it has been observed that economic growth does not always guarantee a reduction in poverty. Without economic growth, it is impossible to provide the goods and services that countries require to satisfy the needs of their citizens. However, economic growth is not the same as development. Development is difficult without growth, but reality demonstrates that **not all growth leads to development**.

Such is the case in Latin America. The region has coped with the international economic crisis better than others: after enjoying an average growth of 5.5 % between 2004-2007, **the region continues to grow vigorously**. Following the 1.8 % drop in GDP in 2009, 2010 saw a quick recovery, increasing to 6 %. Moreover, the Economic Commission for Latin America and the Caribbean (ECLAC) predicts that growth in the 2012-2015 period will be 3.9 % (ECLAC, 2011a). Some countries in the region have solid financial sectors, public finances in a reasonable position, a falling debt burden and dynamic external sectors firmly implanted in the international economy. According to World Bank data, this has enabled Latin America as a whole to become the fourth largest and most powerful region with an overall GDP level of USD 5.95 billion in 2009. This represents approximately 8.5 % of global GDP (in terms of purchasing power parity) (Moser/Arnold, 2011).

However, according to a recent ECLAC report, these somewhat encouraging figures have not prevented **poverty levels from rising to an estimated 33.1 % of the population** of the region in 2009, including 13.3 % of people who live in extreme or abject poverty (ECLAC, 2011b). These figures translate as **183 million poor people and 74 million people living in abject poverty**.

²⁷ The Lisbon Strategy is an EU development plan. It was approved by the European Council in Lisbon on 23 and 24 March 2000. The European Council of Lisbon set out the strategic objective to convert the EU economy into 'the most competitive and dynamic knowledge-based economy in the world by 2010, capable of sustainable growth accompanied by more and better jobs and greater social cohesion'.

What are the reasons for this? How is it possible that solid economic growth has not led to a speedier reduction in poverty in the region? Part of the answer probably lies in the data provided by another report, this time by *Inter-American Dialogue*, which explains that in spite of its economic growth, **Latin America remains the most unequal region in the world: the richest 20 % account for 57.1 % of all income, while the poorest 20 % receive scarcely 2.9 % of the wealth** (Inter-American Dialogue, 2009). In other words, the benefits of growth are not always distributed equally, and there are even cases where economic growth coexists with an increase in poverty - precisely in those environments where poverty is most acute. **Inequality is not limited to income**, it is also related to ethnicity, gender, access to the means of production, health and education, power, voting and protection, amongst other things.

To these social inequalities, **territorial inequalities** must be added. As stated in the evidence provided by ECLAC, a good indicator of these inequalities is the rift in GDP per capita between the richest and the poorest region of a country (ECLAC, 2010c). If we compare some Latin American countries with others in the OECD, in these latter countries the indicator hardly gets above twice the GDP per capita (and on average stands at around 1.76), and yet it is more than eight times the GDP per capita in the Latin American countries. Therefore, **reducing this gulf between territories is crucial for any plan striving for equality**. The importance of policies dealing not just with social cohesion, but also with territorial cohesion stems from this.

These aspects have **focused the debate on the role the state should play** with regard to social justice, and in particular, its role in the struggle against poverty and inequality. Although the packages of structural reforms in the 1980s and 1990s were in large part supported by the paradigm of economic liberalisation, in line with which the state's role was basically to guarantee the operation of market forces – which would produce a trickle-down effect from the growth generated that would benefit the entire population –, persistent disparities in social conditions revealed the need to **actively utilise public policies** in order for economic benefits to reach excluded sectors of the population.

Indeed, a certain consensus already exists on the need for state intervention to ensure that economic growth and stability are accompanied by lower levels of inequality and poverty. The discussion over the type of public policies required to achieve this is being led, at the regional level, by the United Nations (ECLAC, UNDP), which in recent years has concentrated on the **problems generated by inequality**.

For the UNDP, inequality restricts the capabilities of broad segments of the population, makes training people difficult and limits the possibility for investment in productive activities, which in turn **reduces the capacity for economic growth** of countries in the region (UNDP, 2010). ECLAC focuses on the fact that a society that distributes opportunities for education and access to jobs in a more equal fashion will have a more able workforce and will use these capabilities to advance in terms of productivity and competitiveness, as well as increasing tax revenue for productive investment and social protection (ECLAC, 2010c). ECLAC's slogan gets this message across well: 'growth needs equality and equality needs growth'.

However, ECLAC puts forward more arguments in favour of equality – greater equality in terms of rights, opportunities and wellbeing promotes a greater feeling of belonging in society, bringing greater social cohesion as a result. Without social cohesion it is difficult, as a society and as a country, to confront the challenges brought by a more competitive and complex world. If the fruits of growth are spread unequally, there is a negative effect on cohesion and social inclusion, which in turn damages the future

dynamic of growth. Increasing the gulf in expectations increases social conflict, which **erodes the legitimacy of governments and society's confidence in democratic institutions.**

Socio-political tensions brought about by inequality and exclusion have repercussions seen in the escalating upturn in violence and organised crime – factors which bring recurrent **crises in political governability, drops in institutional quality and political representation.** Insofar as the configuration and operation of institutions fail to tackle issues of citizenship, democracy runs the risk of generating increasing disenchantment and, eventually, rejection. The durability and progress of Latin America on the democratic route will depend on its political leadership and public administrations reducing inequality with regard to diversity, in order to foment a feeling of belonging and identity among the Latin American people.

From this standpoint, ECLAC is **reviewing the role played by social cohesion in development processes,** with the aim that the concept

be suitable for the particularities of the region (see ECLAC, 2007). A doctrinal statement for ECLAC is the **definition of social cohesion as both an end and a means to an end.** As an end, it is a goal for public policies for everyone in society to feel themselves to be an active part of it – to contribute to progress and to benefit from it. However social cohesion is also a means to guide development from a perspective of democratic quality which contributes

CEPAL (2006) explains its focus on rights:

*The holding of rights must guide public policy. This is a matter of directing development to comply with the standard framework of civil, political, economic, social and cultural rights, giving expression to related agreements both at national and international level. This in turn requires a **social contract or pact** that should be brought about politically in both legislation and public policies. Therefore only fully democratic institutions ensure the process by which a pact is constructed and officially enshrined in law and implemented. Political agreements are the way in which democracy finds its expression. The affirmation of democratic values and support for global ethical agreements and principles by states within the region leads us to consider social protection at the junction between the effectiveness of policies and the normative power of social rights. A protected life is not merely a social conquest or governmental achievement: it is an imperative which citizens have a right to demand.'*

to the legitimisation of institutions, the creation of a sense of citizenship and the confrontation of difficult situations in people's lives. For both objectives, social actors need to feel part of a whole and be prepared to put their personal interests aside for the benefit of the group. This involves setting up initiatives which enable the situation of the most

vulnerable groups to be mitigated through the adoption of long-term public policies which encourage equality in terms of opportunities, mobility and the empowerment of the most excluded. Finally, social cohesion is also of instrumental value because of its **strong correlation with institutional quality, with development and social stability.**

This vision shines a light on the characterisation of social cohesion: more than a *means* or an *end*, and going beyond a mere *concept*, it constitutes a **guiding principle for public action**, the result of which is the formation of a social fabric and a structure for the various different communities and groups within a country. It promotes the consolidation of democratic institutions and the implementation of public policies capable of bringing opportunities to citizens, providing them with capabilities and ensuring their protection.

According to ECLAC (2007), providing opportunities, developing capabilities and ensuring protection are the three main vectors leading to social cohesion:

Providing **opportunities** mainly lies in the ability of the economy to provide decent jobs, with no restrictions in terms of gender, race, ethnicity or condition. Similarly, we need to take responsibility of the scope and depth of the informal job market with a view to overcoming precarious and low productivity work. To this end, it is important to help with the transition towards formal jobs and adjust social welfare systems to enable them to guarantee minimum protection thresholds for informal workers and their families.

Developing **capabilities** means generating human capital. Education is the best mechanism for promoting greater equality of opportunity. First and foremost, this involves redoubling efforts to broaden the coverage of primary education, to encourage universal access and quality of education, amongst other things. It is also crucial to tighten the links between the world of work and education in order to promote greater fluidity in this key aspect of progress towards equality.

The third vector is ensuring **social protection**, which involves various challenges: improving health policies, bringing pension systems up to date (tackling three objectives - coverage, solidarity and financial viability) and improving intersectoral social programmes which aim to reduce poverty in its various guises, both mitigating the effects of poverty and promoting personal and territorial development.

This means **consolidating institutions** capable of improving people's well-being and living conditions. In any event, the concept of social cohesion has a strong **regulatory nature**: social cohesion is a positive condition that must be strived for in order to be achieved. This all shows that this is a vision with strong values, especially from the standpoint of a **focus on rights** (see frame on the next page), which also inspires the work and definition of social cohesion within the Council of Europe²⁸. The concentration on social cohesion is not a new way of resolving the problem of development. Nor does it represent a new set of methods and rules designed especially for this concept. Nobody is claiming that this is a paradigm for development in Latin America (see Zamora/Soletto, 2010). In other words, *'more than being a model, social cohesion constitutes a **frame of reference** that can be*

*the starting point for a variety of political, social, economic and cultural contexts*²⁹

It is clear that work towards social cohesion as has happened is even more relevant in Latin America. Any development strategy in Latin America needs to seek to attack huge existing inequalities and above all **reverse the power inequalities** that impede Latin American people from fully exercising their rights as citizens. This process involves promoting agreements or pacts (known as '**Citizenship Pacts**'³⁰) that bring about political and regulatory changes that tackle the very structural aspects that make the full exercising of these rights impossible. It also strengthens people's capacity to reclaim and exercise rights and demand quality public services, public policies aimed at protecting the most vulnerable in society and transparent participatory procedures to achieve the consensus necessary to fund these initiatives. Finally, to fully enter the spiral of sustained and sustainable growth, a virtuous circle has to be created: we need to invest in social cohesion to create citizenship and invest in citizenship to create social cohesion.

²⁸ The Council of Europe has defined social cohesion as the ability of society to ensure the well-being of all of its members in a sustainable manner, which involves equal access to available resources, respect for dignity in diversity, personal and collective autonomy and responsible participation in defining the content of rights and their specification. This definition, which has been taken up by a political document known as the Strategy for Social Cohesion, also involves social compromise in order to minimise disparities and avoid all polarisation. See Farrell, 2010.

²⁹ See Monitoring system for the URB-AL III Programme. Practical guide. November 2010.

³⁰ Social pacts consist of agreements between social and political actors on a particular social order. In general, this type of pact is difficult to implement, as the mechanisms needed for their institutionalisation are generally lacking. They do however carry out a fundamental role of setting temporal expectations and perspectives so that agreements may later develop into specific public policies. See FIIAPP (2010).

2.3 Strategies for the integration of social cohesion in Latin American public policies

Although social cohesion has formed part of the political discourse of the leaders and international institutions of the region, the public authorities in Latin America still have a great deal of work to do in order to **incorporate effectively** social cohesion as a main driving force for government plans in the countries of Latin America.

In this sense, social policies have to be understood as a fundamental component (and not a mere adjunct) of national development strategies, as they perform three basic functions. Firstly, they increase social cohesion, that is, they create the conditions which allow people to feel part of the society in which they live and they limit marginalisation and the loss of confidence in institutions. Secondly, principally through education and health, social policies ensure the formation of human capital – a key factor for a society to have conditions for growth. Finally, social policies provide a safety mechanism against certain risks and adversity, such as illness, unemployment, disability and old age.

In order to cover these objectives, social policy must be **integral**. Coordination between different sectoral policies is one of the most important requirements in the promotion of social cohesion. Such ambitious and complex aims require a global, transversal focus, **interconnecting all levels of public initiatives and all policies** which affect the deepening of social cohesion.

However, it is possible to verify that social policies in many Latin American countries are, in practice, characterised by **institutional fragmentation and break-up**, which tends to lead to lack of coordination, duplication and the wasting of resources (see Franco/Székeli, 2010). There are groupings in various ministries in central governments which perform similar functions (such as nutritional complementation programmes in health and education); schemes run by the same administrative grouping duplicate initiatives run for a particular group of people, while others with the same needs are not catered for. To this must be added the actions of sub-national public bodies, such as municipalities, provinces and regional governments. Likewise, there are specialist bodies (foundations, corporations, institutes, etc.) which, although they receive public resources, in too many cases fail to report on their initiatives to the relevant ministries.

This situation has brought about a desire for the coordination of social interventions. This is where the real importance of social cohesion as a guiding principle for public initiative lies, because, **this concept can be the main guide for consistency among the multiple and widespread initiatives of the various public bodies responsible for providing opportunities, skills and protection to citizens.**

In order to advance in this process, the priority must be to push forward political consensus on the national objectives to be reached. For this to happen, a wide-ranging, repeated exchange of ideas needs to occur in order to define the national goals that are hoped to be achieved. If public **policies** are to be defined and implemented to last longer than the time-limited horizons of government administrations, action at a political level is required. It is clear that there is a **need to reach broad political agreements (between parties) and social agreements (with social and civil society actors)** in order to establish a basis for the construction and maintenance of a shared coexistence, **in such a way that social cohesion policies are conceived as state policies and not just government policies.**

Changes that are as necessary and complex as, for example, genuinely redistributive tax reform, or the broadening of social welfare for excluded populations, are difficult to bring to a successful conclusion if they are subject to the timescales set out by the electoral cycle. To be sustainable, such reforms must be

based on political agreements forged on a set vision for the country. **Social cohesion is revealing itself to be a minimum common denominator for all democracies – regardless of their political persuasion:** a core of shared values upon which it is possible to construct a set of essential principles to convert citizens into the protagonists of their own development (see Fernández Poyato, 2010).

Of course, there is no single answer or magic solution to achieving agreements, nor is there one model which is valid for all the countries of such a heterogeneous region. The central issue in this process is that each country plots its own path towards debate, thereby ensuring that the various national actors make it their own responsibility to take part in the process of defining the **country's agenda**. In any event, following this path means the **strengthening of democratic institutions and the processes of citizen participation** in the formulation, monitoring and implementation of public policies of social cohesion.

Citizen Participation

In Latin America, civil society's participation in the shaping of policies for the inclusion of the demands and priorities of collectives which are excluded from development processes has become a generalised demand from social actors. The growing opportunities for participation in existence – on occasions arising as a result of the demands of civil society itself and sometimes from government openness – are providing something of a response to this aim. However, it is important to improve the quality of these opportunities for participation by means of closer links between the decisions adopted within them, the surmounting of the instrumentalisation of these opportunities themselves and an active role in the defence of the collective interests from within.

Once the country's agenda has been defined, public policies need to be designed and implemented. There must be a **consensus reached by policy-makers and public employees** as to the specific interventions to be undertaken by the state. This is one of the most important moments in the process of policy formulation, given that elements not included in the definition will receive no attention. It is at this point that the content to be formalised will be discussed by means of legally supported decisions.

In this phase when certain principles must take precedence: the definition of the target population (universalisation of the satisfaction of basic needs), the achievement of the desired objective (impact) and the suitable use of the resources assigned to achieve the objective (efficiency). In many cases, this requires **reforms in the applicable social institutionalisation**, which involves changing organisational structures and authorities, and promoting the establishment of a **'social authority'** that can genuinely fulfil the key functions such as the prioritisation of sectors, programmes and geographical areas; the hierarchical structuring of target populations in or for each of the programmes and policies; the assignment of resources based on the added value brought by each level of government (state, regional and local); and the monitoring and assessment based on the impact and relationship with the resources involved³¹.

In Latin America regular attempts have been made to create coordination bodies (planning bodies, coordinating ministries, suprasectoral ministries, social departments). As R. Franco explains (2010), this has almost always **failed because the aims of the social authority were not clear** and insufficient resources were provided. Currently, in many cases, it is the finance ministries that exercise not only economic authority, but also social authority. Their advantage lies in the assignment of resources and their major justification is based on the fact that their responsibility is the proper management of these resources, which enables them to make the availability of resources conditional upon the achievement

³¹ As pointed out by R. Franco (Ibid): 'Of the 18 Latin American countries for which it was possible to obtain up-to-date information, only seven — Argentina, Brazil, Ecuador, Mexico, Panama, Peru and Uruguay — have a ministry devoted to social policies to fight poverty (...) Brazil is a good example of a state creating a new ministry precisely to set the priority and political commitment that it is giving to the issue of combating poverty on the national agenda'.

of certain requirements. Without seeking to diminish these arguments, the question could be asked whether a body populated by technocrats would have the expertise to formulate and suitably manage social policy.

In order to avoid any imbalance, experience shows that **it is more than convenient to develop national strategies for social cohesion** — or similar instruments — that are coordinated by a social authority which, without prejudice to a full collaboration with an economic department, are capable of directing all the institutions responsible for implementing social policies. A national strategy for social cohesion is greatly facilitated by the **establishment of sectoral priorities**, their chronological ordering based on a coherent legislative timetable, the suitable articulation of the resulting policies at the various territorial levels³² and, of course, the proper assignment of funds to each of the initiatives.

In this regard, **the fiscal issue has become a strategic element in the development agenda for the region**, given that Latin America has very weak tax efforts in relation to its financial needs and with respect to its level of development. Although the tax burden has grown from an average level of 14 % of GDP in 2003 to 18.7 % in 2008, the level of collection is still very low. In 2008, the tax structure of the region was characterised by the high contribution of indirect taxation as opposed to direct taxation, penalising consumption in contrast to income, thereby bolstering trends towards inequality within the region. VAT represents 6.1 % of GDP, while personal income tax stands at 4.6 %. Furthermore, another significant feature is the excessive volatility of tax income depending on foreign trade. The tax structure in Latin America presents serious problems as regards distribution aspects and compensatory policies have not been tackled. Because of the low or insufficient tax pressure, efforts made by Latin American governments to increase the resources aimed at social spending continue to be insufficient. Achieving the resources to fund cohesion strategies requires an increase in the tax and collection capacity, measures taken against tax evasion and the formation of a more progressive tax system, (see Ruiz-Huerta).

Finally, in order to implement social cohesion policies, the corresponding **institutional capabilities** must be in place. In order to achieve solid results, and for government plans not to be reduced to a mere statement of intent, capabilities at the **intermediate levels** of Latin American administrations need to be strengthened. These are the bodies that will truly be responsible for moving forward with reform. The implementation of policies tends to be thought of as an automatic process, but the initiatives developed after decisions have been taken run very much in line with the achievement of objectives. The resources and capabilities of public administrations have a notable influence on the application of public policies. Public bodies remain in place, while politicians come and go; this gives them the ability to control and influence. A **critical mass to drive forward reforms** needs to be created from within the management structures themselves, thereby creating a bottom-up dynamic which currently constitutes one of the main sources of opportunity to enable the concept of social cohesion to be consolidated itself in the continent.

³² As part of the correction of territorial disparities, intergovernmental transfers can be decisive, with regional development policies defined at national level with a top-down approach, but also a bottom-up approach with local or provincial management. The funding of territorial development and the corresponding surmounting of disparities must be based on fiscal efforts at sub-national level (such as increased tax levies) and on transfer systems within the framework of fully agreed development programmes (ECLAC, 2010c).

2.4 The contribution of the European Union's development policy to social cohesion in Latin America

The formulation of social cohesion agendas is one of the key aspects of the current political cycle in Latin America. The concern for cohesion shown in Latin America has been bolstered over recent years by the intensification of trade relations and cooperation with the EU, for which the **support for social cohesion policies has become one of the preferential objectives in international relations**. Despite the differences of focus and the distance between the two regions, especially with regard to farming and trade policies, an increasingly shared vision is evolving on the meaning and scope of social cohesion as a key factor in the development and stability of societies in both regions. It is no coincidence that both regions have a set of shared values and similar positions on the challenges posed by global governance.

Without prejudice to the cooperation in both spheres, social cohesion constitutes a basic **component of the dialogue between the EU and Latin America in the framework of the 'Strategic Association'** between the two regions, which was inaugurated in the first EU-LAC summit in Rio de Janeiro in 1999. In the final statement of the second summit held in Madrid in 2002, social cohesion was explicitly introduced as an element of particular importance for both regions. Two years later, at the third EU-LAC summit, held in the Mexican city of Guadalajara, social cohesion became a **priority axis for governing relations** between the two regions. This perspective has been maintained over time, and continues to be one of the fundamental elements that governs their relations, as evinced by the summits held in Lima in 2008 and Madrid in 2010. The latter summit witnessed the approval of the first *Plan of Action* with six priority working areas, among which was social cohesion (see Madrid Plan of Action, 2010).

The European cooperation programmes supporting social cohesion have developed along two different lines: each country's national programmes³³, and regional and sub-regional programmes³⁴. According to some estimates, initiatives focussing on social cohesion represent approximately **40 % of the budget for cooperation with the region** (Cas Granje), adding up to around EUR 3 billion for the period (2007-2013)³⁵.

Unfortunately, the coordination between regional, sub-regional and bilateral support programmes for social cohesion leave a great deal to be desired. This lack of complementarity and consistency is partially due to the **inexistence of a common strategy and vision** governing their initiatives, and to the EU's own organisational structure, which has made closer collaboration between the various entities responsible for managing these programmes difficult.

³³ As part of the bilateral initiatives, large-scale, cross-cutting projects have been launched to promote social cohesion at national level, generally with an intersectoral focus. An example of this can be seen in the 'Policies for Social Cohesion between Mexico and the EU'. In the area of social cohesion, specific cooperation projects as well as dialogue on public policies and institutional practices are being carried out. Equally notable is the 'Uruguay Integra' support programme, through the means of the Planning and Budgetary Office, the aim of which is to strengthen decentralisation and contribute to social and territorial cohesion in Uruguay.

³⁴ Notable among these schemes are the EU-Andean Community projects 'Support for Economic and Social Cohesion in the Andean Community' CESCAN I (implemented between 2008 and 2011) and CESCAN II (about to begin), dealing with support for the implementation of certain programmes and projects for the Andean Community's Integrated Social Development Plan (ISDP) and the formulation of the Andean Strategy for Economic and Social Cohesion (EACES).

³⁵ The figure of EUR 3 billion is mentioned at:
http://www.eeas.europa.eu/delegations/paraguay/eu_latina_merica/index_es.htm.

The most important of the regional programme is **EUROsociAL**, which arose from an order from the Heads of State and Government in the European Union, Latin America and the Caribbean when they met in Mexico in 2004. This programme for cooperation was formed with the aim of promoting the appropriation, distribution and implementation of the concept of social cohesion in Latin America. Its main aim was to stimulate cohesion through the exchange of experiences between institutions from both regions in the areas of education, health, justice, taxation and employment. The programme began its activities in 2005 and has just begun its second stage (2011-2014). In the six years it has been in place, the programme has contributed to the **spread of the concept** of social cohesion in Latin American societies and **translating it into actual measures for strengthening institutions and developing public policies** for social cohesion.

The **concept** of social cohesion that **EUROsociAL I** has promoted in the region is:

'Social cohesion is an attribute of societies which implies equality of opportunities so that the population can exercise its fundamental rights and ensure its wellbeing without discrimination of any type, while at the same time addressing diversity. From an individual perspective, it involves the existence of people who feel part of a community, who participate in decision-making and can exercise active citizenship. It also involves the development of public policies and mechanisms of solidarity between individuals, groups, territories and generations.'

According to the European Commission, among the most significant of **EUROsociAL's results** were the following: (a) social cohesion is **conceptual frame of reference** which is increasingly used in policy making and political discourse as well as among the influential international entities in the region; (b) a *rapprochement* of European and Latin American institutions and experiences has taken place, revealing a **global reinforcement of bi-regional relations**; (c) most of the participants have recognised the usefulness and value of the exchanges for bringing about change and/or **enriching the processes of innovation in which their institutions were involved**; (d) the Programme has managed to reach the Latin American region as a whole. Moreover, a greatly appreciated outcome has been the **intra-regional cooperation** based on a variety of Latin American institutions that have carried out the role of transmitters (of knowledge). The achievements to date in terms of impact on public policies are varied. Very diverse requests have been fulfilled. The Programme has been **more efficient in mobilising knowledge** and carrying out a large number of 'micro' exchanges on multiple fronts. (...) Despite its limitations, the assessment of EUROsociAL has been positive. This has been stated by the beneficiary institutions, the intermediate evaluation, the monitoring report, the missions organised by the European Commission to support the formulation of the second phase and other external evaluations which analysed the results of the Programme. The Programme has demonstrated that in many Latin American countries **there is a demand for knowledge of policies and institutional procedures which can lead to an increase in the level of social cohesion**, as well as for closer cooperative relations with European counterparts and other countries of the region. EUROsociAL has contributed to the achievement of these objectives. (European Commission 2010a)

EUROsociAL has therefore been an **important contribution towards regional** and sub-regional **integration** in Latin America and for **the strengthening of ties** between Europe and Latin America. In the first case, taking into account the regional nature of the Programme, this has pushed forward initiatives and/or given priority attention to those requirements that enable joint work between public institutions in various Latin American countries, making them an example to be followed by other initiatives for **triangular cooperation and South-South cooperation**.

The **concept** of social cohesion that the **URB-AL III** Programme has pushed in the region is:

'A socially cohesive community on any scale: whether local, regional or national, depends on its members sharing a sense of inclusion and belonging, participating actively in public affairs, recognising and tolerating differences, and enjoying a degree of equality in access to public goods and services and in the distribution of income and wealth. All of this should take place in an environment where institutions are legitimate and inspire confidence and where the rights of citizenship are fully exercised.'

With regard to European-Latin American relations, one of the successes of this type of regional programme set up by the European Commission is its capacity to forge links between institutions in both regions through the exchange of experiences³⁶, a **mechanism of learning between peers**³⁷ which has permitted the exploration and analysis of various social policies for their potential application in a wide variety of different contexts. The exchange of experiences is, by definition, a flexible mechanism: it is based on dialogue for the joint analysis of issues and the search for solutions based on other lessons, while above all avoiding transposing prescriptions or models without taking into account the social, political and institutional reality of the country in question. In this way, the exchange of experiences forms part of the new generation of mechanisms for cooperation which emphasise the **principle of appropriation**, which is one of the pillars of the **Paris and Accra** declarations on Aid Effectiveness.

This mechanism **is being used as a model** for new initiatives of the European Commission, such as the sectoral dialogues launched with countries such as Argentina, Brazil and Mexico. The exchange of experiences between peers is also used to identify new requirements and technical public aid initiatives in which the EU Member States and countries in Latin America transfer their experiences to other states in Latin America through the use of a mechanism inspired by the tools of the Instrument for Pre-Accession (IPA) and Neighbourhood and Partnership.

The flexibility of the exchange of experiences has enabled the EUROsociAL programme to work in highly sensitive fields in which countries tend to be especially jealous of each other's skills. It has done this with a focus on rights which has enabled the dissemination of the concept of a diverse and active citizenship in democracies that are still young. In this sense **EUROsociAL is more than just a technical cooperation programme**: not only was it launched at the highest political level, it was born out of the diffusion of a political concept, and has contributed towards structuring a certain level of political consensus around the need to steer public policy towards achieving greater cohesion in very fragmented societies. The programme has also made considerable efforts towards the **coordination of donors** by bringing together the most active multilateral bodies in the region in its Joint Committee (IDB, ECLAC, UNDP, European Commission). This has been the body responsible for supporting the strategic orientation of its activities. With its sizeable joint funding by two Member States – Spain and France – it represents a good practical example of the principles of **complementarity and the division of work** shown in the *European Consensus on Development and the Code of Conduct* for European cooperation³⁸.

³⁶ The implementation of the first phase of EUROsociAL mobilised a large number of key public institutions in various countries in Latin America (LA) and the European Union (EU): 463 activities were performed in which 2320 institutions (1543 from LA and 588 from the EU) and 12,506 people took part (10,068 from LA and 1967 from the EU).

³⁷ FIIAP has written about this mechanism (2010b): 'Peer learning in the drafting of public policy. Contributing to the construction of policies with regard to social cohesion in Latin America and the Caribbean'.

³⁸ See the joint declaration of the Council and of the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission on the European Union development policy entitled 'The European Consensus on Development', Official Journal of the European Union C/46 1-19 of 24 February 2006, and the Communication of the Commission to the European Council and Parliament of 28 February 2007, and the 'Code of Conduct on Complementarity and the Division of Labour in Development Policy' [COM (2007) 72 final].

As stated above, during its initial phase, the EUROsociAL programme demonstrated a strong ability to place the concept of social cohesion on the public agenda and act as a catalyst for processes of political reform and institutional strengthening. *The effort made by the EUROsociAL I programme in terms of the conceptual definition³⁹ put the emphasis on **three dimensions** of social cohesion; three complementary readings of a single reality: the social dimension, the politico-institutional dimension and the citizenship dimension. The first refers to **access to wellbeing and to quality public services**. Achieving a greater level of cohesion requires a reduction in social and territorial rifts, and for this greater equality of opportunities among citizens is required. The second dimension is based more specifically on **state actions** to ensure the existence of mechanisms for inclusion, social integration and redistribution, thereby granting all citizens access to wellbeing. The state plays a fundamental role in the definition and implementation of inclusive public policies with a universal scope. The third dimension of social cohesion places the emphasis on people and involves the **construction of an active citizenship, the rights of which form the basis for the social pact**. For this to happen it is necessary to foster a feeling of belonging within a community and generate trust towards institutions and between the citizens themselves.*

Viewed through the prism of these three dimensions, it is possible to discern the relevance of the concentration on social cohesion, given that it constitutes a strategy that reduces inequalities, but which goes beyond social inclusion: it constitutes citizenship and ultimately consolidates democracy. With this vision, *the social and fiscal pact is the structural axis of the relationship between state and citizen*. It is the cornerstone of democratic governance, since it unites social and political forces around a shared project, with a shared and consensual vision. For that reason, **the mission for European cooperation programmes working towards social cohesion should support the formation of these pacts and accompany the resulting reform processes, putting their resources and skills at the service of national strategies for the member countries in Latin America.**

Social cohesion has achieved such prominence with the cooperation of the EU with Latin America that in recent years, **all the Commission's regional programmes have in some way incorporated this dimension**, both in terms of encouraging economic relationships (AL-INVEST)⁴⁰ and in respecting the expression of cooperation between sub-national governments (URB-AL)⁴¹. It is precisely the local

³⁹ The Office for the Coordination of the EUROsociAL I Programme, in close collaboration with the Joint Committee made up of the most active multilateral bodies in the region (ECLAC, UNDP, IDB and the European Commission), threw itself into the drafting of a conceptual framework for the Programme in its first months of operation (see inset).

⁴⁰ The AL-INVEST programme is one of the European Commission's regional economic cooperation programmes in Latin America. It aims to contribute to social cohesion through supporting the strengthening and internationalisation of small and medium-sized enterprises (SMEs) in Latin America and the exchange of innovation, expertise and economic relations with their equivalent European companies.

⁴¹ The strengthening of sub-national governments forms part of the European Union's strategy for encouraging social cohesion in Latin America. The European Union has supported the efforts made in increasing the level of social and territorial cohesion within sub-national and regional groupings in Latin America through URB-AL since 1995. URB-AL provides funding for a number of projects involving local and regional authorities to offer new permanent municipal services, as well as developing schemes for the exchange of experiences, networking and institutional support. The third phase of the URB-AL Programme is currently underway (2009-2012) and 20 projects have been approved with a direct impact on the institutions and people of 71 territories in Latin America. The aim is to consolidate and promote social cohesion processes and policies capable of generating debate and indicating possible solutions for sub-national governments in Latin America that are seeking to push forward the dynamic of social cohesion. This is carried out through various areas of intervention: local governability, cross-border cooperation, migration, waste management, citizen security, female employment, urban development and land management. The strengthening of multilevel governance has enabled certain topics to be placed on the national agenda from programmes such as URB-AL III, with a focus on territory and proximity to citizens: 1) Ordinance, land planning and housing policies, with the aim of reducing territorial inequalities and spatial segregation; 2) Local economic development policies; 3) Universal, high-quality public service provision policies; 4)

dimension that offers the state the scope for action that is closer to the citizen for the promotion of social cohesion, not just in terms of the provision of services, but also as a way of encouraging more participation in the political process, since the proximity of the problems and the bodies called upon to deal with them increase the public's feeling of involvement and belonging. In this sense, sub-national governments take a special lead in driving forward public policies with regard to social cohesion, not only in the development of skills, but also through their role as facilitators of the political agenda of cohesion in their relationships with other levels of government and in the construction of the social fabric that drives them.

The issue of social cohesion has acquired such relevance in bi-regional relations that it has institutionalised bi-regional dialogue on the issue in the **EU-LAC Social Cohesion Forum** – in preparation for bi-regional summits – with the aim of exchanging points of view and learning about experiences on the implementation of policies which contribute to the promotion of **social cohesion**.

2.5 Conclusions and recommendations

- Moving beyond the various connotations presented by the concept of social cohesion at the European or Latin American level, in both regions it can be understood it as a **guiding principle of public policies**, which permits the orientation of development strategies towards the wellbeing of the entire population, thereby avoiding polarisation, disaffection and loss of confidence in democratic institutions.
- The relevance of the concept of social cohesion as an orientational axis of development strategies in Latin America comes from the fact that inequality – both in terms of its magnitude and its persistence – constitutes one of the greatest challenges for its development and for the consolidation of its democratic institutions. The region itself is recognising it in this way when the government's concern focuses on the tackling inequality and incorporates the debate on social cohesion in the national and regional political agenda.
- The creation of political pacts or consensuses across the spectrum, which adds social cohesion to the nature of state (not merely government) policies, assures its continuation over time. This is crucial for undertaking such necessary and complex changes as genuinely redistributive tax reforms, or the broadening of social welfare programmes so as to include sectors of population that were previously excluded.
- The strengthening of democratic institutions and the processes for citizen participation are fundamental for reaching a consensus on the country agenda. It is equally the responsibility of the political class and civil society to assume the new mantle of leadership to push forward these agreements in each national situation, opening a framework of dialogue based on diversity and mutual respect, ultimately reaching a basic consensus on the idea of the state, whose main function is not just to provide wellbeing, protection and services to all citizens, but also to invest actively in ensuring equal opportunities and guaranteeing rights and that these rights are exercised properly.
- It is necessary to push forward the inclusion of social cohesion in national strategies as an integral part of governmental plans for the countries of Latin America. Policies for social cohesion should play a leading role in government programmes as a transversal strategy which is inseparable from the rest of

Citizen Security policies; 5) Citizenship policies based on participation and belonging, aimed at the integration of minorities and vulnerable groups; 6) Taxation and collection policies.

the sectoral policies. The creation or strengthening of 'social authorities' should be supported, with a role of intersectoral coordination, for the many institutions dealing with social cohesion policies. Coordination should involve all levels of public initiatives, in the sphere of the central government as well as in regional governments and local authorities.

- Making use of its experience, the EU is playing (and should continue to play) a prominent role in supporting Latin American countries in the promotion of processes for the construction of institutionality through social cohesion. In contrast with other donors, the EU's cooperation has for years been making commendable efforts in terms of cooperation for democratic governability, mobilising the expertise of civil servants in European countries and sharing experiences between public institutions from both regions.
- European cooperation should continue opting for flexible cooperation mechanisms with Latin America which enable mutual support in the drafting and implementation of national policies for social cohesion through peer learning, the creation of networks and, eventually, the arrangement of common goals at the regional level. Both dimensions, the national construction of social cohesion and regional and international cooperation in this area can be seen to be strengthened by the recommended implementation of peer review mechanisms similar to the OMC in the EU.
- The articulation and coordination of the various EU programmes aimed at promoting social cohesion in the region should be deepened (bilateral, sub-regional and regional). Similarly, the EU should push forward the division of tasks and the coordination of cooperation programmes for the promotion of social and territorial cohesion between EU Member States and other multilateral donors (United Nations, IDB, CAF, World Bank). To move forward in this direction it would be useful if the European Commission were to draw up a shared conceptual framework to serve as a reference for the implementation of its own programmes and for its coordination with the other donors.
- The EU-LAC Social Cohesion Forum should be enhanced as a special space for bi-regional political dialogue regarding social cohesion so that more ambitious and coordinated cooperation mechanisms can be brought forward in this field, and in order to give a more strategic scope to the different initiatives. Through this forum, social cohesion should be pushed onto the agenda of the main multilateral forums (Ibero-American Summits, Community of Latin American and Caribbean States, Americas summit, sub-regional agreements and integration processes, etc.).
- The promotion of social cohesion represents one of the objectives justifying the allocation of development aid funding from the European Union for initiatives in medium income countries in Latin America⁴². Latin American and Caribbean countries are 'medium income' only if the average is taken into account, and not the enormous internal inequalities. The large differences in income within countries make social cohesion the main open means towards international cooperation to tackle poverty.
- The Eurolac Foundation should promote and support European and Latin American think-tanks that feed the debate and proposals for modernising social models, such as increasing social cohesion in the region, as well as proposals on the modernisation of social models, on how to increase social cohesion in the region, and on the role of international cooperation in these processes.

⁴² Income per capita is not a suitable indicator for reflecting the state of development of a country, as it fails to take into account factors such as the actual distribution of wealth, access to means of production, access to education or health or the vulnerability of the huge swathes of the population without decent employment.

- The recent experience of the EUROsociAL, URB-AL and AL-INVEST programmes has revealed the utility of this type of regional cooperation in encouraging regional and sub-regional integration in Latin America, and in the strengthening of institutional links between the EU and Latin America.

2.6 Comments

by [Martín Hopenhayn](#)

1. In my opinion, the document has five structured areas that should be highlighted

Firstly, it summarises the concept and politico-discursive scope of social cohesion in such a way that it reconciles the concept as known in the European Union together with the concept that has been subject to consensus and reflection in Latin America, especially at the Ibero-American Summit held in Santiago in 2007. It is a concept that combines social inclusion (understood above all as access to well-being, access to opportunities, capabilities and social welfare, and also the reduction in social rifts), alongside a feeling of belonging (above all based on having rights and on participation and inclusion in a democracy and its universal values).

Secondly, from this 'umbrella discussion' of social cohesion, the document shows the gulf of inequalities, poverty and indigence in the Latin American region, along with challenges faced by the state and public policy in various matters relating to the reduction of these gulfs, while maintaining a comprehensive view of social cohesion.

Thirdly, the document places significant emphasis on the lack of management and coordination capabilities shown by public policies and institutions relating to the advancement towards greater social cohesion. Here we find a dual objective. One is instrumental in character, relating to the importance of improving the ability to coordinate a set of social policies and definitively count on a social authority. The other is political in nature – the strengthening of democratic institutionalality, the citizens' presence in forums for deliberations, and a clear consensus between 'policy-makers'.

Fourthly, the growing centrality of social cohesion as a structural axis can be seen in a large part of the cooperation between Europe and Latin America, at least in the field of social development. However, there is a lack of coordination between programmes and among regional, sub-regional and bilateral social cohesion support programmes, no shared strategy has been consolidated. Although I believe that the EUROsociAL results shown in the document may be perceived as somewhat diffuse, I think the main emphasis on the transfer of capabilities and expertise as a goal is important as an achievement towards which progress has been made, and for which much remains to be done.

It is from this point that the document states its main thrust in terms of EU-LA cooperation for an upcoming phase. In this regard, it would appear to me that the main points to be highlighted are as follows:

- a) The 'triangulation' of cooperation, combining EU-LA cooperation with South-South cooperation, above all between countries in the Latin American region. This type of cooperation is undergoing clear expansion; this is especially in the area of the transfer of capabilities, based on the experience of best practices in the policies of certain countries which have a close relation with social cohesion. An example of this is the advice given for the construction of fiscal agreements and tax reforms; in programmes for the transfer of income with a positive impact on poverty reduction, improving citizens' equality and participation; in sectoral reforms with a focus on rights (especially in the field of healthcare); and in terms of dialogue on the creation of a social authority in Latin American countries,

usually under the auspices of ministries for social development. Within this framework, the contribution of the EU is fundamental, specifically owing to its vast experience in pro-social cohesion policies within Europe. This may help foster and support South-South cooperation, and also incorporate very positive experiences, for the EU itself, of the social management of crises which arise in Latin American countries, so as to contain the social costs of the 2008 financial crisis.

b) The development of templates for cooperation which, as with the above point, enable the principle of 'adaptive replicability', that is, of transfers of capabilities and expertise on best practices for managing policies that combine with greater social cohesion, but with clarity with regard to the obvious differences between countries. This is very important, as we are far from the 'one size fits all' logic in Ibero-America. As shown in the frame opposite¹, countries can be grouped together by key indicators to differentiate starting and trajectory data in terms of social cohesion policies: GDP per capita, levels of poverty and indigence, tax burden and social costs, dependency rates, access to welfare and social security. This enables the clarification of national situations in such a way that the social cohesion policies, and above all the political agreements that contribute to the movement in such a direction, may consider different levels and paces for progress.

2. A few extra ideas that could be included in the proposal document

The following pages put forward a few additional ideas that could be used to strengthen or underpin the arguments put forward in the document.

Firstly I believe that the reason should be clearly justified as to why countries deemed to be 'middle income', as is the case with many Latin American countries, require full and ongoing international cooperation, especially from the European Union. In this regard, I think the following explanations will be of use:

a) As Latin America is the region with the greatest inequality of income in the world, many of its middle-income countries maintain very high levels of vulnerability, poverty and extreme poverty. Also, in low-income countries within Latin America, these indicators are much more acute.

b) Key aspects of social cohesion, such as the development of capabilities, access to social welfare and opportunities for productive employment have a very high level of segregation in the region – a level which is in many cases getting worse. This not only waters down social cohesion (in both senses – social inclusion and a feeling of belonging), but also reproduces inequalities between generations and creates an increasingly asynchronous situation in some countries, between the highest level of development based on GDP per capita, and a quality of services and provisions for the majority of people that corresponds to much lower development situations (GDP measured per capita). For example, it is not by chance that there is currently a movement for equal opportunities in education in Chile. This is a country that clearly illustrates this asynchronicity between sustained economic growth and segmented access to good education. For the same reason, this is a 'critical' continent for social cohesion, precisely because of the aforementioned gulfs and asynchronicities.

c) Social cohesion has clear links to the idea of social agreements supporting social protection systems such as the welfare state, whose model of reference is without doubt European (or the various European models of a welfare state). Setting it apart from other developing regions which are not converging on these models, whether this is because they are much poorer regions with much weaker political institutions (countries in sub-Saharan Africa), or because they are regions which base their dynamism on productivity but have ineffective social welfare programmes (certain Asian countries),

Latin America currently has a positive note to its politics in terms of taking up a more universal position for social welfare with a strategy relating to minimum well-being and the state looking after public health.

d) This is even more important in light of the current debt crisis facing certain countries in the European Union which, alongside demographic transitions, is generating very critical views of the welfare state and social welfare coverage. In light of this critical reflex, it is important to reveal and support the efforts that Latin America is making in the opposite direction under the honourable aegis of social cohesion, in which basic wellbeing and the welfare state are all part of the same, increasingly valued strategy.

Secondly, I believe that providing social cohesion as a valued and 'desirable' aim conditions the manner in which social policy is made. It is not just about sectoral policies, on the one side, and alleviating poverty, on the other. It is about policies in which, alongside the direct impact on the development of capabilities, opportunities and social welfare, synergies must be considered that can be mobilised by these policies in aspects which are complementary to cohesion, such as the feeling of belonging, greater legitimacy in the democratic regime, the provision of social rights, the empowerment of the citizenship and participation. In this sense, social cohesion is not synonymous with satisfying needs. The complementarities between these different aspects must affect the way in which policies are made. As a consequence, in considering EU-LA cooperation with regard to social cohesion, it is important to link the funding of these synergies with the programmes and the potential supporting policies.

Thirdly, I believe there are two systemic focuses which complement one another and explain the structural nature in the reproduction of social rifts in Latin America. Both reveal how far the gulfs and inequalities are reproduced from generation to generation, and how they constitute the main obstacles to social cohesion.

A. The first shows the close relationship that exists between segmentation in productivity levels, exclusion and rifts in the world of work, and rifts and vacuums in social welfare systems. With regard to the former, all the countries in Latin America have huge rifts in productivity between major companies, small and medium-sized enterprises, and micro-enterprises/self-employed/home workers. These gulfs lie in income, access to markets, the incorporation of technical progress, access to funding and human skills. As a correlation, this structural segmentation in productivity translates into job markets with very high levels of informality, a great many peopled with very low income and productivity levels, severe barriers in access to decent jobs, gulfs in salary that are very difficult to reduce, and a 'contagion' towards the formal sector in terms of precarious jobs and a lack of access to social security through work. All this leads us to the third link – that employment covers little more than a third of workers with regard to social security. This leaves the vast majority of people without pension provision, and subject to additional social welfare transfers and services that do not reach everyone, and which are very low in quantity and quality.

B. The second systemic effect of social cohesion is on the life cycle. Educational achievements are very stratified, based on the socio-economic status of the family of origin. People from ethnic minorities, or rural families, also have educational achievements that fall far below average. This means that they subsequently enter low productivity jobs, with scarcely any social welfare coverage. They have higher levels of reproduction than more educated and wealthy families, meaning that their children in turn are exposed to the risk of infant mortality and malnutrition, lower learning possibilities, access to poor quality education, fewer academic achievements – the vicious circle being subsequently perpetuated from generation to generation. Although there is a certain amount of upward social mobility, owing to

the effects of modernisation and growth, there is also a certain rigidity between social groups which diminishes the feeling of belonging, confidence in the future, and social cohesion.

C. For these reasons, when considering social cohesion for the orientation of policies, it is very important to construct very diverse policies to break these two vicious circles: that of the gulf in productivity and that of the gulf in capabilities, both of which exacerbate the gulfs in opportunities and social welfare. This reclaims the link between policies geared towards improving productivity (SME and micro-business support, for example), active employment policies (training, job mediation, positive discrimination), policies for expanding (non-contributory, non-public purse) solidarity-based pillars of social welfare, and education policies for'

by Fabián Repetto

D. The document clearly and relevantly deals with critical aspects of social cohesion in Latin America, providing a good conceptual framework to interpret not only the advances made by countries in the region and areas where there is room for improvement, but also to review the advantages and potential advantages of the recent European cooperation in Latin American countries.

E. Shared connotations of the European idea of social cohesion help to interpret the types and scale of matters pending resolution (taking care not to forget the paths and levels of development that differ greatly between Europe and Latin America) which Latin America has in terms of social matters. We should make a brief reference to the 'Latin Americanised' version of these five shared connotations: a) very high levels of inequality (between countries and, within these countries, between regions and sectors of the population); b) partial advances in terms of universal coverage of certain fundamental social services – an issue that deepens in terms of quality; c) the low level of experience in social dialogues that truly generate concrete results, beyond formal ritualisms; d) the lack of territorial integration in many countries; and e) the low tax burden in sectors that have the greatest ability to pay. The promotion of this type of interpretation, tailored of course to the different national characteristics of the countries concerned, and which registers the positive changes of recent years, constitutes one of the strengths of this document. It reveals what is yet to be done in terms of social cohesion in Latin America, going beyond the fact that its conceptualisation may differ in emphasis and nuance from the European interpretation.

F. The document also highlights a central debate in Latin America, whereby not all growth leads to development. This agreement, generally present in international forums and academic debates, has recently permeated the governmental agendas in the region. This is why it is becoming necessary to increase support and collaboration in terms of studies, technical assistance and dialogue between regions in order to 'translate' this consensus present in certain quarters into a force for change in strategic public policies, such as policies that give body and substance to social cohesion.

G. Latin America still has many different issues to tackle, regarding which the present document generates some highly relevant input. One way of moving towards systems of social cohesion policies that would be much more than the unstructured sum of diverse actions is to bring a strongly political strategy into practice (with clear technical components). This would involve processing conflicts of interest and viewpoints as follows: i) definition of a strategic focus guiding decisions in terms of social cohesion; ii) design and/or reformulation of social institutions and distribution of social spending, in accordance with the requirements of that focus and with solid and progressive fiscal foundations; iii) prioritisation of a set programme of support for a prioritised focus, capitalising on the lessons learned

from recent programmes; iv) selection of suitable operating management instruments to put into practice a focus on social cohesion in accordance with the characteristics of each country.

H. Politics is not the sole preserve of professional politicians, much less of t. It is also the responsibility of political parties, corporate bodies and unions, social organisations and movements, churches and the media, to name only the most obvious actors within a national political system (although these parties clearly have different levels of responsibility). Therefore, improving political and institutional conditions in order to progress towards greater social cohesion requires at least a basic consensus on the strategic path decided upon by a society in order to respond to the core of the 'social question', that is, the social issues that should be attended to as a priority and how much political and symbolic investment there should be. Here, at the level of political and cultural disagreement lies the real (and not merely discursive) content of an integrality that seeks to deal with the multiple dimensions presented by social problems – something that requires a robust, relevant focus.

I. The key lies in whether Latin American politics (not in an abstract way, but rather through its fundamental players and its democratic rules) is capable of defining whether what it wants to confront at the roots is, for example, poverty or inequality, shortcomings in income or needs which go beyond income (although they include it), and whether it will do so for the long term and in accordance with changes in elections and balances of power. It is only recently that society has processed this type of dilemma (and its nuances) politically, which requires attentions to be focussed on institutional designs that will enable such decisions to gain meaningful legitimacy over the long term. All this, including the legislation created, the organisational arrangements and rules of operation which arise, the decision on what to centralise and decentralise or on what role non-governmental organisations will play, to name but a few aspects, is a means of achieving greater social cohesion and not an end in itself. Another possibility lies with any redefining of social spending that a decision of this kind would entail. This is not, of course, limited to technical budgetary provisions, but also involves significant changes in the political economy of social spending and its methods of funding.

J. What would follow? The sequence proposed here, as inspired by the document under review, has a third critical step in the formation of a diverse, massive and consistent programme with the direction defined as the strategy to follow. This is key, since it is precisely here that the discussion (and action) on social policy in the region tends to begin. The concrete success of conditional transfer programmes before certain critical aspects of social problems, together with strong communications on potential benefits, has resulted in most of Latin America adopting this type of intervention. The argument raised here is that these or other programmes should not be the focus of discussion and action, but rather dealt with as they really are: instruments to intervene in a certain direction in response to problems relating to social issues in each country, including the breakdown of these problems and their individual particularities.

K. In short, the tasks facing Latin America (including its middle-income countries) in order to consolidate the progress achieved in recent times in terms of social cohesion are many and varied. Sustaining strategic support as provided by the EU in recent years is therefore a necessary condition to complement political, technical and budgetary efforts which the countries themselves are making and should continue to make. The recommendations contained in this document provide a clear summary of the reasons why the efforts of Latin American countries should be supported with a strategic focus, seeking to avoid the path taken towards greater social cohesion in the region from becoming a failed transition.

3. THE EUROPEAN UNION AND THE PROMOTION OF REGIONALISM AND REGIONAL INTEGRATION IN LATIN AMERICA

by José Antonio Sanahuja

3.1 EU and Latin American integration: identity, values and interests

Support for regional integration and the broader forms of regionalism⁴³ is one of the characteristics that distinguish the European Union (EU) in its international activities as a global actor and, in particular, as an external partner of Latin America and the Caribbean. Indeed, there has been no other outside actor, excluding the solutions that the region may seek itself, which has served as the most important external reference for Latin American integration, and which has, at the same time, provided significant financial and political support to achieve that goal. Other external actors have been neutral at best and in some cases they have openly hindered the processes of integration that the region has been promoting since the 1960s. Only since the 1990s has the experience of de facto regionalism and integration in eastern Asia, through transnational production chains and groups such as ASEAN, begun to attract attention as an external reference for Latin America and the Caribbean.

Like any other goal of external action, EU support for Latin American integration is the result of a particular combination, not always harmonious, of interests, values and identities: interests, in that the processes of integration have been seen by the EU as an ideal instrument for promoting economic growth and political stability and, through these, wider markets and a framework of legal certainty and security, which is more advantageous for European companies with assets in the region; values, because regional integration is a powerful lever for articulating the goals of peace, development, democracy and human rights which underpin the EU's external activities; and identities, because through regionalism and integration, along with the other values referred to above, Latin America and the EU are differentiated in the international system as regards other actors like the United States or the emerging Asian countries. Indeed, the EU has wanted to see its own experience of integration, development and social cohesion 'mirrored' in Latin America and the Caribbean because, among the developing regions, it is the closest in terms of adherence to the principles and values of democracy and human rights.

EU support for integration and regionalism is rooted in the very origins of bi-regional relations. In the 1980s, as a result of the crisis and conflicts in Central America, the political and regional harmonisation of the Esquipulas process and the recovery of the common Central American market were seen as key elements for promoting the common goals of peace, democracy and development in the region. In the 1990s, as we will see, the rise of 'open regionalism' and the re-launch of Latin American economic integration generated new commercial and investment interests, giving rise to an 'inter-regionalist'

⁴³ 'Regionalism' and 'regional integration' are terms that have attracted a great deal of academic discussion with regard to their definition, scope and content, although that does not fall within the scope of this chapter. In this text, regional integration will be addressed from the point of view of political economy – including both economic integration and its political dimensions –, while the term 'regionalism' will be used in a broader sense to include both regional integration and other forms of political harmonisation and cooperation to address broader agendas in areas such as security, migration or the environment. While 'regionalism' refers to political and institutional responses, the term 'regionalisation' is normally used for regional inter-dependence, flows and networks of an economic, commercial or other nature that are generated and developed without the direct involvement of States. However, these may be promoted by or they may generate demands for public action through regionalism to enable them to be properly managed. For a more detailed discussion of these categories, see Sanahuja 2007.

template for relations between the EU and Latin America and the Caribbean which was by then firmly established among the various formats for EU external relations, particularly for developing countries⁴⁴. Subsequently, support for integration and regionalism has also been based on the European perception that Latin America and the Caribbean need strong regional groups, both for their own governance and development and to enable them to become strong partners of the EU in the governance of globalisation.

This interregional strategy was outlined by the Community institutions between 1994 and 1995 and, with some adjustments and redefined elements, its basic components remained in force up to the Madrid Summit in 2010. Since it is interregional in nature, attempts have been made to achieve a 'strategic association' based on political dialogue in order to achieve democratic consolidation and the reinforcement of Latin America and the Caribbean as a political actor in regional and global terms and as an interlocutor and partner of the EU in multilateral forums. One of the most important goals of this strategy would be to promote regional integration and development through a 'network' of association agreements that would be signed with all countries and subregional groups, adapting to the 'map' of Latin American regionalism as it was conceived in the early 1990s.

3.2 Association agreements and cooperation for development: support tools for regional integration

Both the biregional political dialogue and the possibility of signing Association Agreements should act as a condition or incentive for improving regional cooperation and harmonisation and achieving deeper integration on both sides. Some studies of interregionalism as a pattern of relationships between regional groups (Roloff 2006, Sanahuja 2007a) indicate that one of its main functions and/or results is an increase in intra-group cohesion and a strengthening of the institutions and policies of each in order to meet the specific requirements of that interregional relationship. That renewed impetus from interregionalism is obviously a result of the 'new regionalism' characteristic of that period. According to Hanggi et al. (2006), these relations can be understood as a response to the need to manage, beyond the nation-state and regional organisations, the more complex interdependence resulting from globalisation and regionalisation.

In particular, the inter-regional political dialogue would require greater harmonisation of the foreign policies of each party. According to that principle, EU-Rio Group relations at ministerial level, and since 1999, the EU-Latin America and Caribbean summits, involving Heads of State, and the numerous instances of dialogue arising from these relations would generate for Latin America and the Caribbean a greater need to establish itself as an interlocutor with some degree of cohesion and with previously agreed positions. In this context, one instance of particular relevance is the Eurolat Assembly. Formed in 2006, it was preceded by parliamentary dialogue between the European Parliament and the Latin American Parliament which began in 1974. This Assembly was formed as a relevant instance for the generation of political consensus at both interregional level and within each region (Fernandez 2011).

⁴⁴ According to Hettne and Söderbaum, the external relations of the EU as a Union may be placed in the following categories, which are mutually non-exclusive: a) extension, which means closer, more demanding relations with candidate countries; b) neighbourhood, which means a privileged relationship, similar to extension – and in a way replacing it – with non-candidate Mediterranean and Eastern European countries; c) strategic bilateralism, with the most important countries (the United States, China, Russia, Japan, etc.); and d) interregionalism, with large groups of developing countries, whether associated or non-associated. See Hettne and Söderbaum 2005, and Söderbaum and van Langehove 2005.

Moreover, the signing of free trade agreements between the EU and the sub-regional groups of Latin America and the Caribbean presupposes, in turn, deeper economic integration in each group to the point where they establish themselves as effective regional 'groups' which are able to guarantee free circulation internally and establish common rules in a large number of different fields.

Community development cooperation would also contribute to the strengthening of integration through regional programmes with Central America, the Andean Community (CAN) and Mercosur. As has been explained in the respective Regional Strategy Papers (RSP), these programmes are aimed primarily at achieving deeper economic integration – with particular emphasis on the establishment of customs unions – strengthening regional institutions and promoting greater participation and social legitimacy for the processes of integration through participation by civil society organisations in the respective advisory bodies established in each subregional group.

Since its launch in the mid-1990s, that inter-regionalist strategy has faced obstacles and difficulties, particularly in connection with relations between the EU and Mercosur, which are one of its main elements. In Latin America, we should mention the stagnation and crisis involving certain integration groups, the new political cycle that emerged in the mid-2000s in Latin America and the changes in visions of integration that began during that period. In the EU, the extension towards the east or the reform of the Treaties would have had an adverse effect as it would have led to less attention on Latin America. The multilateral agenda and, in particular, the launch of the World Trade Organisation (WTO) multilateral trade negotiations would also have had an effect. In view of these difficulties, some have advocated its abandonment and its replacement by an eminently bilateralist strategy that would allow the crisis involving the integration groups and the political divisions that emerged in Latin America to be overcome.

In view of this debate, what does the progress of the negotiations for signing Association Agreements show? Those negotiations have been both bilateral and interregional. Agreements have been signed with Mexico (2000), Chile (2002), and Central America (2010). There is a 'Multi-party Agreement' with Colombia and Peru (2010), which Bolivia and Ecuador may later join, and in 2010, the negotiations between the EU and Mercosur were reopened. This all seems to show that it is a false dilemma and that bilateralism is confirmed as a complement rather than an alternative to interregionalism. These negotiations would also show that the vision of a 'network' of association agreements, as defined by that strategy, is close to becoming a reality. If the negotiations between the EU and Mercosur are concluded in 2011 and 2012, the 'strategic association' between the EU and Latin America will be based, as was anticipated in the mid-1990s, on a broad network of association agreements and free trade areas, whether these are bilateral or interregional in nature.

3.3 Association Agreements: an incentive and tool to support integration?

As indicated, the proposal to establish a 'network' of Association Agreements between the EU and Latin America was put forward in the mid-1990s. It was reaffirmed, with some adjustments for various European Commission Communications in 1999, 2005 and 2009⁴⁵, subsequently endorsed by the Council and, in a more detailed, stringent manner, by various reports and resolutions of the European Parliament for which there has been a broad political consensus (European Parliament 2001, 2006, 2010).

⁴⁵ See, in particular, the Council of the European Union 1994 and the European Commission 1995, 1999 and 2005.

However, negotiations to establish a 'network' of Association Agreements between the EU and Latin America have had mixed results when it comes to promoting integration and contributing to the institutional strengthening of their various regional groups. This is largely due to the ambivalence with which, in practice, this has been carried out, as well as a number of problems relating to the coherence of policies in the EU and the vicissitudes of integration systems in Latin America, which have adversely affected the ability of each group to establish itself as an 'actor' through an interregional relationship. Those problems of coherence are particularly important with regard to commercial protectionism. If the EU wants to be an 'external unifier' of the region, it cannot be a hurdle to Latin America's greater involvement in the international market.

With regard to the EU, the possibility of signing Association Agreements was limited at first to the integration groups and the more developed countries such as Chile, Mexico or Mercosur, with which the so-called 'fourth-generation agreements', of a preparatory nature, were signed in 1996 and 1997. A less extensive relationship was chosen for the Central American and Andean countries, based on the limited, though not reciprocal, commercial preferences of the 'GSP drugs' and the subsequent 'GSP plus' and in 'third-generation' agreements, which did not go beyond cooperation for development. Nevertheless, this 'two-speed' model was not accepted by the Andean and Central American countries and neither could it be maintained in the long term in accordance with WTO rules. A decade later, both groups managed to obtain a commitment from the EU to negotiate Association Agreements that would include, as in the cases of Chile, Mexico and Mercosur, the corresponding free trade agreements.

Secondly, the strategy of signing association agreements was in part a reaction to the US proposal for a Free Trade Area of the Americas (FTAA), although that proposal remained after the Mar del Plata Summit in 2005. Furthermore, these agreements were formally subject to multilateral trade negotiations and in particular the opening of a new 'round' of WTO trade negotiations in Doha (Qatar) in late 2001. The failure of the FTAA and the priority given to multilateral negotiations, coupled with the perception, both in Latin America and the EU, that better results could have been obtained in the WTO, reduced incentives for processes for inter-regional negotiation of association agreements.

This has affected EU-Mercosur relations in particular. The main causes, nevertheless, lie in the internal difficulties of the parties. In particular, the difficulties posed by the various interests in the EU with regard to the concessions to be made regarding access to the agricultural market and the various positions within Mercosur on the issue of openness in manufacturing, services and public procurement. These factors, which are also present in the WTO negotiations, may explain the essential reason why those negotiations were suspended in 2004.

Finally, the signing of a free trade agreement is easier in the case of an individual country, whereas a biregional agreement requires certain minimum conditions regarding freedom of movement and level of integration – in particular, the existence of a customs union and a common customs territory – which in Mercosur, as well as in Central America and the Andean Community, were not met or were met imperfectly.

The fact is that on the eve of the Madrid Summit in 2010 interregionalism appeared not to have given rise to any concrete results, since Association Agreements had only been signed with individual countries, specifically Mexico (2000) and Chile (2002). This has been interpreted as contradicting the EU objectives of supporting regional integration. These two agreements would also be the result of a defensive strategy on the part of the EU against the possible effects of a diversion of trade and worse treatment of European investment arising out of the free trade agreements that both countries had signed with the United States. Added to these association agreements of a bilateral nature is what is

known as the 'strategic association' agreed with Brazil (2007) and Mexico (2008) and what is referred to as the 'association for development and innovation' established with Chile (2009). Against the interregional focus, we would also blame the failure of the 'group-to-group' negotiations with the Andean Community on the lack of agreement within that group and the commencement in January 2009 of separate bilateral trade negotiations with Colombia and Peru, two countries which had signed agreements with the United States.

All of this, it has been argued, would suggest the abandonment of the EU 'interregional' strategy and the confirmation, through its actions, of a bilateral strategy that would also demonstrate the failure of the EU's traditional policy of support for regional integration (Arenal, 2010). That failure would, in turn, be the result of the crisis in Latin American integration processes, visible in the mid-2000s, which some authors (Maihold 2007, Malamud 2008) have considered to be 'terminal', perhaps as a result of a static view of integration that does not take into consideration the more dynamic reality of Latin American regionalism.

Nevertheless, the suspension of the EU-Mercosur negotiations in 2004 did not close off the interregional route. Between the 3rd and 4th Summits (Guadalajara 2004 and Vienna 2006), the EU agreed that Central America and the Andean Community could sign the latest general association agreements including free trade areas, a possibility which, as we have noted, had not been considered initially. Political dialogue and the system of summits have played an important role in this change since they have enabled the Central American and the Andean countries to get this issue on the agenda and force the Commission and the Member States to issue some response.

At the Guadalajara Summit (2004), in particular, the EU admitted the possibility of opening negotiations with the Andean and Central American countries if two prerequisites were met: the completion of the WTO 'Doha Round' and the existence of a 'sufficient level' of regional economic integration, which the Commission identified as customs union and effective free movement. According to EU sources, the negative experience of the negotiations with Mercosur played a considerable part in this latter requirement. To determine whether this level of integration had been achieved, it was agreed that a 'joint assessment' of integration would be carried out from 2004 onwards, which, if positive, would lead to negotiations 'at the appropriate time'⁴⁶.

The Andean Community crisis and the fact that it was integrated to a lesser extent hindered that process. That crisis, which became extremely visible at the Vienna Summit, was triggered by the departure of the Venezuelan group and the doubts as to whether Bolivia would continue, as well as the abandonment of the goal of the Andean Customs Union to enable a bilateral free trade agreement with the United States to be negotiated by Colombia and Peru. At first, during 2006, the inter-regional relationship with the EU and the possibility of signing an association agreement that would acknowledge the asymmetries between the parties⁴⁷, allowed the 'joint evaluation' to be completed and the negotiations to begin at the end of that year. However, from the start these faced an Andean Community that was deeply divided over the contents of the agreement proposed by the EU. As is well

⁴⁶ See the (unpublished) documents EU-CA Joint assessment on regional economic integration for the results of both 'joint evaluation' exercises. Final report of the working group, of 2 March 2006 and EU-CAN joint assessment on regional economic integration. Final report of the working group of 12 July 2007.

⁴⁷ In the Lima Declaration adopted at the 4th EU-Latin America and the Caribbean Summit, the parties agreed that '...particular attention will be given to the specific development needs of the Member Countries of the Andean Community, taking into account the asymmetries between and within the regions and the need for flexibility, as appropriate, on the part of the EU'.

known, Colombia and Peru were willing to accept the 'WTO-plus' free trade agreement format proposed by the EU, whereas Ecuador and Bolivia openly rejected that model due to its 'neoliberal' nature and in particular the chapters referring to investment, intellectual property and government procurement, which were considered harmful to their development processes since they did not acknowledge the significant asymmetries existing between the parties.

Hence the decision adopted by the Council of the European Union in January 2009 whereby the inter-regional negotiations between the EU and the Andean Community were abandoned as far as the trade component of the agreement was concerned and bilateral agreements were negotiated with Colombia and Peru only. It is important to underline that the inter-regional framework for political dialogue and the component of cooperation for development have been maintained and that this decision, which the EU initially did not want, was brought about through political and ideological splits between the Andean countries.

Signed on the eve of the Madrid Summit in 2010, the EU-Colombia and EU-Peru bilateral agreements are an important step in the formation of the 'network' of free trade agreements being established by the EU with Latin America and the Caribbean. However, these have been controversial since they have called into question the EU's commitment to integration. Although the choice of bilateralism can be attributed more to the Andean countries than to the EU, it has meant a significant shift with regard to the traditional European policy of supporting integration which, despite itself, makes the EU one more factor in the Andean Community crisis. It also damages the process of convergence between the Andean Community and Mercosur. In any case, the agreements that have already been signed may not represent the closure of this issue. In June 2010, Ecuador formally expressed its desire to reopen negotiations and to be part of the Agreement. In December of that year, the Bolivian government announced that it would reopen the negotiations on the agreement, which, in the medium term, would allow the interregional principle of the relationship between the EU and the Andean group to be re-established.

The case of Central America, however, would demonstrate the validity of the interregional approach. In this case, the 'joint evaluation' was conducted between April 2005 and March 2006. On the basis of the obstacles identified, particularly with regard to the customs union, the Central American governments adopted a number of decisions to stimulate the integration process, which were necessary for the association agreement. On that basis, the Vienna Summit in May 2006 gave the 'green light' for the commencement of negotiations on the EU-Central America Association Agreement. In that sense, the 'joint evaluation' has been a major catalyst for the integration process. As a prominent Central American diplomat in Brussels stated, 'this process has allowed more progress to be made in six months than in the previous six years'⁴⁸. Finally, after a long negotiation process, in May 2010 the negotiations for the Association Agreement with Central America were successfully concluded, despite the delays arising due to the coup in Honduras, the demands made by Nicaragua regarding the recognition of asymmetries and the integration of Panama in the process. This is the first Association Agreement to be signed by the EU with another regional bloc. Beyond its importance in and of itself, this Agreement is of symbolic importance from the point of view of support by the EU for integration, and it demonstrates that, despite the difficulties, the EU interregional strategy continues to be relevant, notwithstanding that in other cases, as indicated above, a bilateral approach is required. The Agreement with Central America, like the agreement that may be signed with Mercosur in particular, may compensate for the

⁴⁸ Interview by the author with the representatives of the GRUCA in Brussels, November 2006.

failure of the 'group-to-group' negotiations with the Andean Community and means a significant strengthening of the EU's regionalist strategy.

In a marked return to interregionalism, a few months before the Madrid Summit it was also agreed that negotiations on the signing of an Association Agreement between the EU and Mercosur which, as noted above, had been stagnant since 2004, would resume. This opened up the hopeful prospect that these negotiations could be concluded within in a reasonably short time. There are new contributory factors to this, such as the growing presence of China in terms of trade and investment in the region and, specifically, in Mercosur, which could harm the production sectors in which the interests of both parties coincide, such as the automotive sector. There is also an important 'window of opportunity' afforded by the review of the Common Agricultural Policy (CAP) begun in 2009 which, assuming a decrease in protectionism and EU agricultural subsidies, could facilitate an agreement. The European desire to pre-empt a possible offer of bilateral agreements from the United States or an interest in reaching an agreement before the incorporation of Venezuela into Mercosur is finalised, with the additional problems in the negotiations that this could entail, has also been an incentive. The desire of the Brazilian government – first under Lula and then of Rousseff, who favours continuity – to achieve some measure of success in trade policy due to the fact that the main Brazilian objective – a balanced agreement in the WTO – is no longer possible and, finally, both parties' need for new markets to make it easier to overcome the crisis, have also had a favourable influence (Peña 2010a, 2010b).

Since the Madrid Summit, the positive signs for these negotiations have multiplied. The Mercosur Summit in San Juan in August 2010 has been of great importance. At the meeting, the Customs Code for this group was approved; an agreement was achieved, after several years of blocking, on the elimination of double levying of tariffs, with a gradual timetable to be implemented between 2012 and 2019, and an agreement was reached on a system for common external tariff revenues, including a system for compensation for Paraguay, as a landlocked country. These agreements, which were discussed at the Mercosur Summit in 2011 in Asunción (Paraguay), allow Mercosur to be established as common customs territory, which was a necessary condition for the signing of an interregional agreement with the EU. As was noted by the negotiators themselves, the reopening of negotiations with the EU was a major incentive for the agreements of the San Juan Summit and to overcome the differences that still remained with regard to these issues (Peña 2010c).

Nevertheless, the significant barriers that still remain in these negotiations should not be ignored. Some of the key participants have adverse electoral calendars and the differences outlined above with regard to access to markets still exist. The economic crisis and protectionist pressures may even have accentuated them. In addition, a fairly rigid approach is observed with regard to the requirements covering the agreement in the WTO rules, and these negotiations may perhaps require a less ambitious but more flexible agreement to make it workable, temporarily leaving aside those aspects on which no agreement is feasible in the short term.

To sum up, an examination of the negotiations between the EU and the various sub-regional groups appears to show two things: firstly that the possibility of signing Association Agreements remains a powerful incentive for integration. Logically, the 'transforming power' of the EU is weakened or diluted as the possibility that those agreements may be signed recedes. As is illustrated by the case of the EU-Mercosur negotiations, this is largely due to the constraints of its trade policy and agricultural policy and the familiar problems of the (in)consistency between these policies, development policy and commitments that may have been assumed in biregional political dialogue.

Secondly, the limits of the EU's power as a 'external unifier' would also be defined, as is natural, by the extent of the commitment to integration on the part of each sub-region, in the context of their strategies for international penetration, and the role of the 'South-North' agreements with external actors such as the United States or the EU itself within those strategies. The cases of the Andean Community and of Central American integration, in marked contrast, seem to indicate as much. The first of these groups demonstrates a lower-level of commitment to integration and the free trade agreements with the United States or the EU have been a disintegrating factor, whereas in the case of Central America, where there is a greater degree of internal cohesion, those agreements have had the opposite effect.

3.4 Regional cooperation and support for integration

As indicated above, cooperation in community development through regional programmes with Central America, the Andean Community of Nations (CAN) and Mercosur has been another key instrument to support regional integration. As has been explained in the respective Regional Strategy Papers, these programmes are aimed primarily at achieving deeper economic integration – with particular emphasis on the establishment of customs unions – strengthening regional institutions and promoting greater participation and social legitimacy for integration through participation by civil society organisations in the respective advisory bodies established in each sub-regional group.

The review of cooperation policies refers, in any case, directly to a broader framework: that represents the strategy for relations with Latin America adopted in 1994 (Council of the European Union: 1994), the EU, and in particular the European Commission, has set out its regional strategy towards Latin America in several documents drawn up by the Commission.⁴⁹ On the one hand, there are Communications from the Commission to the Council and the Parliament aimed at a general definition of European Community policy towards Latin America which are therefore integrated into the European Community's decision-making process. In some cases, these cover a five-year period and establish an indicative budget, whereas in other cases they define positions and short-term proposals for an EU-Latin America and the Caribbean Summit. On the other hand there are regional and sub-regional programming documents (Regional Strategy Paper, RSP) and the documents for each country (Country Strategy Paper, CSP), which aim to establish a draft programme for cooperation. In fact, although there were earlier documents – the Regional Strategy 2002-2006, for example – the 2007-2013 period is the first in which the programming framework has been deployed in full. In 2005 and 2009, two Communications (European Commission 2005 and 2009) established the EU's priorities in terms of policy and within this framework it is implementing the RSP for the 2007-2013 period, sub-regional strategies for the Andean Community, Central America and Mercosur and the CSP for each country (see table 5.1).

An examination of regional strategy documents shows a highly integrated focus – combining political dialogue, trade and development cooperation – and clear elements of continuity. In the political sphere, the priority has been democratic governance and, specifically, the consolidation of democratic institutions and the rule of law, government reform, respect for and validity of human rights and 'good governance'. In the economic sphere, the priority has been support for regional integration, helping to strengthen institutions, coordination of policies, participation by civil society and access to external markets. In the social sphere, it is the fight against poverty and social exclusion through the concept of 'social cohesion'. Finally, with regard to the management of interdependencies, environmental

⁴⁹ The documents are European Commission 1995a, 1999, 2000a, 2002, 2004, 2005 and 2009.

protection, the fight against illegal drugs and the prevention of and response to natural disasters have all been maintained as priorities. Continuity has also been maintained on 'cross-cutting' issues like gender equality and combating discrimination against indigenous persons, persons of African descent and minorities. Together with these elements, new priorities arising out of the process of EU-Latin America and Caribbean Summits of Heads of State and Government have also appeared, specifically, actions to support higher education and the development of the information society.

That adaptation has entailed some difficulties, in that there is a considerable imbalance between the political commitments made at the summits and the financial resources available, which have not increased. In addition, it is worth noting that the procedure of defining the strategy on the part of the EU, which is unilateral in nature in accordance with its own rules, does not adequately fit an 'inter-regionalist' relationship model, like the 'summits', or the more horizontal relationship model of the new generation of association agreements adopted since 2000.

The document entitled 'Global Players in Partnership', adopted in 2009, establishes priorities reflecting the new political cycle and the changes that have occurred in the situation in Latin America. According to this Communication, an attempt is being made to intensify political dialogue through sector and/or policy dialogues and an adequate combination of interregional and bilateral frameworks, both to address the biregional agenda and to promote a greater role for both parties as 'global actors'. As far as cooperation is concerned, the aim is to support processes of integration through association agreements and the promotion of interconnectivity via improvements in physical infrastructure (see the summary in the appendix) and adaptation of the instruments for cooperation.

The European Community has been one of the few sources of regional cooperation in Latin America and the only one that engages in biregional cooperation. The budget framework for regional cooperation exclusively for Latin America during the 2002-2006 period was EUR 264 million, which was intended for regional programmes. To these we must add the general horizontal policies and purely bilateral actions that were carried out within the framework of the Asia-Latin America Regulation (ALA). EUR 556 million has been provided for regional programmes in the 2007-2013 programme, added to which are the resources provided for bilateral cooperation and those derived from 'horizontal' programmes of the Development Cooperation Instrument (DCI) and other Community cooperation instruments. Overall, as is noted above, the net annual amounts spent on community cooperation for Latin America would represent approximately USD 1 billion per year, of which around 20 % would relate to regional actions. It is important to remember that regional integration is a goal that is expressly acknowledged in the most significant EU programme documents and cooperation instruments. Specifically, it is one of the eight priority areas referred to in the 2005 European Consensus on Development. It is also one of the priorities of the Development Cooperation Instrument (DCI) referred to in the regional programme for Latin America, an area which includes the interconnection of infrastructure networks in coordination with support from the European Investment Bank (EIB) and other institutions. Finally, in the context of a better division of labour between the Community and the Member States, support for regional integration is considered to be one of the areas where the 'added value' of EU institutions is most obvious.

With regard to Latin America as a whole, regional cooperation has been markedly asymmetrical since it has faced a serious problem from the outset with regard to the definition of its counterpart because there has been no Latin American regional organisation and the 'map' of regional integration has actually been made up of four sub-regions – Mercosur, the Andean Community, Central America and the Caribbean Community and Common Market (Caricom) – and the particular cases of 'south-north'

integration involving Mexico and Chile. Under these conditions, supporting Latin American integration is difficult and the EU has opted for regional programmes based on policy 'networks' and consortia, which are mostly made up of decentralised actors – local governments, universities – that encourage dynamics of 'regionalisation', rather than formal, institutionalised regionalism. The creation of UNASUR in 2008 and, in particular, the appearance of the Community of Latin American and Caribbean States (CELAC) in 2012 may give rise to new possibilities for 'region-to-region' cooperation on the part of the EU if those organisations establish themselves and invest themselves with the powers and tools for more active regional cooperation or for implementing common policies.

According to the evaluations carried out, the results of the EU's regional programme for Latin America in force in the 2002-2006 period were positive with regard to each of its programmes and the significant involvement of decentralised actors, though it was not designed to support subregional integration and neither has it had that effect. Moreover, some Latin American governments question the regional programme, which they do not control, and would like those resources to be channelled bilaterally to thus attract more funds for their own countries (Development Researchers Network 2005).

The evaluations carried out in each of the specific programmes – of which only the main programmes are mentioned – underline its significance for promoting regionalisation networks and dynamics both in Latin America and the EU:

— *AI-Invest*: begun in 1993, it has been developed in four stages and it is estimated that more than 87 000 SMEs have participated in the programme (EuropeAid 2001, Economou et al. 2008).

— *Urbal*: With three stages, from 1996 to 2013, it has supported local authorities' policy networks to exchange local government and development practices involving more than 2 500 local groups, associations, NGOs, trade unions, universities and companies (EuropeAid 2004)

— *ALFA (Latin America Academic Training)*. The evaluations carried out (EuropeAid, 2002) reveal satisfactory results in the formation of networks of higher education institutions and growing 'ownership' by Latin American universities.

— *@lis (Latin America, information society)*: originated in the sector discussions on the information society and has promoted the ALICE (Latin America Interconnected with Europe) network and, in particular, the CLARA network for bandwidth between scientific institutions (Development Researchers Network 2005:68).

— *Eurosocial*: launched at the Guadalajara Summit, Eurosocial is based on policy networks relating to education, taxation, health, justice and employment, although these have not always adequately complemented the EU's regional integration activities (Grupo Soges, 2008; HTSPE 2010).

Though not formally part of development policy, international cooperation programmes in the areas of research, development and innovation (R&D&I) have become increasingly important in the policy of cooperation between the EU and Latin America. These programmes form part of the international cooperation component (INCO) of the EU R&D Framework Programme

Table 5.1: EU regional cooperation in Latin America in the 2007-2013 programming cycle: priorities and financing

Country or group	Strategic priorities/priority sectors for intervention	Main activities/programmes (2007-2010)	Indicative budget (EUR) (*)
Latin America (RSP)	<ul style="list-style-type: none"> - Social cohesion and reduction of poverty and inequality - Support for regional integration - Investment in people and enhancement of mutual understanding 	<ul style="list-style-type: none"> - Alfa (academic networks) - Alban (senior scholarships) - AL-Invest IV (coop. Economic) - @lis 2 (Information society) - Urbal (territorial development) - EuroSocial (social cohesion) - MIAL Mechanism for Investment in Latina America (investment infrastructure connectivity) - Copolad (illegal drugs) - Eurosolar (renewable energy) - EuroClima (climate change) - Ralcea (water resources) 	556
Central America (RSP)	<ul style="list-style-type: none"> - Institutional strengthening of regional integration - Support for customs union and common policies - Strengthening of governance and security 	<ul style="list-style-type: none"> - Pracans (economic integration and standards) - Pairca II (institutional strengthening) - Cross-border security programme 	75
CAN (RSP)	<ul style="list-style-type: none"> - Support for regional economic integration - Economic and social cohesion - Fight against illegal drugs 	<ul style="list-style-type: none"> - CAN social cohesion I - Fortican (strengthening institutions) - InterCan (economic integration and EU-CAN negotiations) - Pradican (illegal drugs) 	50
Mercosur (RSP)	<ul style="list-style-type: none"> - Institutionalisation of Mercosur - Deepening of Mercosur and future EU-Mercosur agreement 	<ul style="list-style-type: none"> - Mercosur Economic Standards - Mercosur Information Society - Mobility in higher education 	50

(*) Funding from the Development Cooperation Instrument (DCI). Other funds from other cooperation instruments may be added to these funds.

Source: Compiled by us on the basis of the European Commission RSP.

The sub-regional programmes with Mercosur, the Andean Community and Central America, which have had regional institutions as direct interlocutors, have been more important for support for integration and regionalism, although the financial commitment has been fairly small in relative terms: commitments amounting to a total of EUR 3.48 billion was allocated to Latin America in the 1996-2003 period, including allocations from both the PVD/ALA Regulation and horizontal sources. Of these funds, 72 % related to bilateral actions, 17 % related to regional programmes (ALFA, Urbal, AL-Invest, @lis ...) and 12 % were subregional: 8 % for Central America, 3 % for the Andean Community and 1 % for Mercosur.

If we examine the commitments made in the 2007-2013 programming through the RSPs, with funding from the DCI programme for Latin America, that disproportion is more marked. Of the EUR 2.569 billion budgeted in this programming cycle, 71.5 % relates to bilateral actions and 28.5 % relates to regional actions. Subregional actions represent only 6.7 %: 2.9 % for Central America, 1.9 % for Mercosur and 1.9 % for the Andean Community.

Most of those funds have been aimed at specific projects to support integration such as the programmes to support the establishment of customs unions, particularly in Central America and the

Andean Community, consolidation of regional institutions in the three sub-regions and support for the harmonisation of standards, quality standards, customs cooperation, training of technicians and improvement of statistical capacities. Although they are not framed in specific integration agreements, EU projects in areas such as cross-border cooperation – in the security sector in the specific case of Central America – or the navigability of multinational hydrographic basins are also in line with this objective.

Evaluations of Mercosur and Central American regional programmes carried out at the request of EuropeAid – no similar evaluation has been carried out in the case of the regional programme with the Andean Community – emphasise that the effectiveness of these actions depends primarily on the degree of intra-group cohesion and cooperation and, in particular, on the extent to which Latin American governments themselves are committed to integration and its institutions. However, the EU has provided support for integration at a stage of extreme crisis when the terms and ‘maps’ of regional integration are being redefined and that has obviously affected the results of EU projects. For example, the EU provided considerable funding to support the establishment of the Andean customs union, but at a time of crisis in that regional group the agreed timetables were not respected. This objective was postponed several times and was finally abandoned as a result of a redefinition of the commercial strategies of the Andean Community member countries. That non-fulfilment not only damages the reputation of Andean integration and that of its members, but also affects the EU and its policy of cooperation.

As described in detail in the following section, from 1990 onwards the integration strategy of ‘open regionalism’ was opted for. This has focused on what is referred to as the ‘negative agenda’ of integration – in other words the elimination of trade barriers – and not the ‘positive agenda’, which refers to the construction of common institutions and policies. Eminently intergovernmental schemes have also been opted for, and Latin American governments themselves have preferred weak institutional frameworks that will not restrict their scope for sovereign action. This has significantly restricted the scope for cooperation activities by the EU, which has had weak, ineffective regional institutions as a counterpart (Sanahuja 2007b).

With regard to cooperation programmes implemented with each sub-regional group, there appears to be no doubt as to whether they are pertinent and relevant. In the case of Mercosur, support actions have taken place in two main sectors: customs harmonisation and technical standards. There have also been major activities in the area of strengthening statistical capacities, reinforcement of Mercosur institutions and, to a lesser extent, support for civil society. The evaluation carried out in the mid-2000s established that the strategy adopted did not significantly favour the Mercosur-EU relationship for obvious reasons of coherence of policies – in particular, the EU’s protectionist approach. Nevertheless, as a result of EU cooperation, the negotiating capacity and technical expertise of the regional institutions of the various interested parties have increased during the negotiating process. The projects had a positive impact on the progress of the negotiations (Development Researchers Network 2004:5)

In the case of Central America, the evaluation of regional cooperation (Development Researchers Network 2007) shows that it was characterised by a high degree of continuity in terms of its objectives, priorities and sectors for intervention. Specifically, the overall objective was support for the peace process, reconciliation, democratisation and social and economic development. The priority areas were support for integration and, in particular, the strengthening of the customs union, common policies and regional institutions. In parallel, it has supported the participation of civil society in the process of integration by means of public awareness campaigns and support for the Consultation Committee of

the Central American Integration System (CC-SICA). This strategy, however, has focused on supporting regionalism – i.e. regional institutions and policies – rather than ‘bottom-up’ regionalisation dynamics based on strengthening regional networks in civil society.

As far as results are concerned, the EU interventions had a positive impact on deepening regional integration in economic terms, particularly with regard to the customs union, and preparing the region for negotiations for an Association Agreement with the EU. In other areas the results have been mixed. Institutional development and participation by civil society are areas where the strategy has proved to be less effective. One aspect highlighted by the evaluation refers to the role of regional institutions. These are highly dependent on EU funds and they occasionally paid more attention to the management of external cooperation projects than to their mandate and functions within the Central American Integration System (SICA). This could also lead the governments of the region to neglect their political and economic commitment to those institutions. This is partly the result of the fact that the strategy focused more on strengthening integration institutions than on promoting regional interdependencies. Furthermore, this evaluation reveals serious shortcomings in coordination with Member States and in the fact that bilateral and Community actions do not complement one another. This case also demonstrates that the effectiveness of the cooperation owes a great deal to political dialogue and in particular to the ‘process of joint evaluation’ implemented since 2004, which was discussed in the previous section, and which has been a major external catalyst in the process of integration.

In conclusion, this section demonstrates that the impact and scope of regional cooperation as an instrument for supporting regionalism and integration has been affected in the first place by the meagre financial support, in relative terms, for Community cooperation for regional integration and by the approach adopted by the EU. That approach is highly focused on strengthening institutions and on economic integration goals such as customs unions within a framework of ‘open regionalism’ in which these elements, as well as common policies, have been of little importance. Thus, the EU itself made the impact of its regional cooperation subordinate to weak institutional frameworks which have not always had the effective support of their own Member States and to delays or even abandonment of the goals of economic integration in each regional group, as demonstrated in the case of the Andean Community. However, European support for some regionalisation dynamics through bi-regional networks appears to be of greater significance, though it has been restricted to the regional rather than the sub-regional sphere.

In this context, it is important to remember that different regional dynamics, both regional and sub-regional, with different agendas – commercial, political, sector cooperation on a range of themes, or referring to widely differing geopolitical areas such as Amazonia or Mesoamerica – co-exist in Latin America and EU cooperation has been characterised by a selective approach which includes some of these dynamics and agendas but not others.

3.5 Cyclical change in regionalism and Latin American integration

In the Communication on a stronger partnership between the EU and Latin America adopted in December 2005, the Commission considered the need to complete a network of association agreements ‘involving all the countries of the region and liable to contribute to the integration of the region as a whole’, emphasising that the course of action taken by the EU must be tailored to the new realities in Latin America (European Commission, 2005:5). As the Commission pointed out, it is important to pay attention to changes taking place on the ‘map’ of regional integration, particularly in terms of the Andean Community-Mercosur convergence, the expansion of Mercosur and the formation

of UNASUR. Those objectives are repeated by the 2009 Communication entitled 'Global Players in Partnership', which suggests possible dialogue between UNASUR and the EU.

This approach appears relevant in view of the visible cyclical change observed in regionalism and Latin American integration. In 1990, Latin America defined a 'map' of integration that has remained unchanged for over 15 years. Most of the countries opted for strategies of 'open regionalism' with integration systems – the Central American Integration System (SICA), the Andean Community and Mercosur – that were characterised by a low level of external protection and the aim of establishing customs unions with which to improve international competitiveness. These systems also had a higher political profile and an agenda that in some cases included environmental cooperation, social cooperation and cooperation in the area of regional security.

In sharp contrast, Mexico adopted a unilateral pragmatic course of integration with North America through the first 'south-north' agreement of this period, to which other free trade agreements, including that signed with the EU in 2000, would later be added. After opting for unilateral openness, Chile followed a similar model based on a significant number of free trade agreements, such as those signed with the EU and the United States in 2002 whereby these two countries opted for a 'radial' (hub and spoke) strategy to diversify foreign markets, attract investment and become export platforms for the global market.

In economic terms, open regionalism has left an extremely positive balance. If we look at the development of intraregional trade, it grew at a higher rate than total trade. Latin American exports to the region itself grew in value at an average rate of 14.4 % per year between 1990 and 2000 and 15.2 % per year between 2000 and 2008, whereas total exports grew by 9.2 % and 12.4 % respectively in the same periods (ECLAC 2010: 85). Furthermore, most exports in the intraregional and interregional markets consist of manufactured goods with greater added value and, though less than in other regional groups, intra-industrial trade and small and medium-sized enterprises have more weight. Though the focus is often on less dynamic manufacturing sectors with low or intermediate technology, they make an important contribution to the generation of employment and the development of nascent chains of production and services with regional scope. Moreover, we should note the increase in investments by Latin American companies in other countries in the region as a de facto process of integration which has at times supported the emergence of 'multi-Latin' companies based on regional markets.

In the mid-2000s, the systems based on 'open regionalism' showed signs of exhaustion. In both the Andean Community and Mercosur, intraregional trade diminished as a proportion of total trade as a result of an increase in exports to Asia, in particular of raw materials⁵⁰. In the case of Mercosur, it is also due to the unilateral restrictions adopted in the crises of 1998 and 2001. Overall, intra-regional trade continues to make up a relatively low proportion of total trade compared with other groups and also tends to be more procyclical.

⁵⁰ The growing importance of Asia, and China in particular, as a trading partner of Latin America is one of the principal factors for change for the economies and types of international integration in the region. In 2008 China was already one of the two biggest export markets for six Latin American countries (Argentina, Brazil, Chile, Peru, Costa Rica and Cuba) and was among the 5 biggest for 10 countries. As a country of origin for imports, it was among the two biggest for five countries in the region and among the top five for 23 Latin American countries. In addition, due to the 2009 economic crisis, Latin American exports to China have been those which have decreased the least. See ECLAC 2009:33.

This raises a visible paradox: the integration model of open regionalism was based precisely on reductions in customs tariffs. Why then, is intra-regional trade not growing? It appears to be due to a number of causes: the persistence of an export pattern specialising in primary products – which is encouraged by strong demand from Asia – the small extent to which Latin America's economies complement one another, the lesser weight of intra-company and intra-industry trade as a result of the scarcity of transnational production chains, the high cost of transport deriving from the lack of physical infrastructure, macroeconomic instability, the persistence of non-tariff barriers and the tendency to resort to unilateral measures in the event of a crisis.

The stagnation or crisis of open regionalism is also the result of the limitations of the agenda adopted. Regionalism has been 'partial' and 'selective', or else the types closest to neoliberal orthodoxy have been chosen. In particular, more emphasis has been placed on what Jan Tinbergen called 'negative integration', i.e. intra-group trade liberalisation, than on 'positive integration' focusing on common policies and the construction of institutions. Furthermore, as far as 'negative integration' is concerned, the results have been uneven: tariffs and other 'visible' free movement measures have been successfully removed, but non-tariff barriers and barriers of other kinds continue to exist. Often, liberalisation of trade, whether intra-group or external, has been seen as a substitute for development policy. The potential of integration has not been exploited in areas such as policies on science and technology, innovation and productive development, regional development, energy and physical infrastructure, despite the high costs resulting from deficiencies in regional infrastructure. There are exceptions that illustrate this, such as the successful regional electrical interconnection project in Central America⁵¹. These deficiencies have been more marked in relation to the asymmetries, or the social and labour agenda.

The second of these factors relates to institutions. A 'light regionalism' characterised by inter-governmentalism has been established. In the name of national sovereignty and an unwillingness to create burdensome bureaucracies, the region has become characterised by the rejection of any allocation of sovereign powers to joint institutions which are able to generate mandatory integration law. However, in addition to the above factors, it is also a result of the role of nationalism in the political culture of the region and the frequent subordination of foreign policy to the imperatives of the domestic political arena (Serbin 2010). This deprives the integration processes of mechanisms for decision-making, legitimation and adequate control, which erodes their effectiveness and credibility. Institutional weakness also helps explain the vulnerability of integration systems which are unable to prevent unilateral measures – devaluations, trade defence instruments, misuse of technical or health regulations – being adopted in crisis situations which leads to procyclical behaviour in commercial flows, damages regional partners and aggravates the asymmetries and inequalities in the distribution of their costs and benefits, thus undermining social support for the processes. This contrasts with presidential rhetoric which is dominated by increasingly ambitious integrationist objectives that are not achieved, creating uncertainty and damaging the credibility of the regional groups with third parties.

⁵¹ The Electrical Interconnection System for Central America (SIEPAC) project involves the construction of an 1 830 kilometre long 230 kilovolt electrical transmission line from Guatemala to Panama and Colombia with connections to the participating countries' national networks through a regional management company and a regional electricity wholesale market. The project, which began in the mid-1980s, required the signing in 1996 of the Framework Treaty for the Electricity Market in Central America and is currently part of what is known as the 'Mesoamerica Project'. SIEPAC will begin operating in 2012, enabling significant efficiency gains to be achieved in the generation and use of electricity and a significant reduction in CO2 emissions. The system also includes the 'Mesoamerican Information Highway', a 65 000 kilometre-long fibre-optic cable network whose backbone is the SIEPAC line. The SIEPAC has been financed by loans from the Banco Interamericano de Desarrollo (BID), the Banco Centroamericano de Integración Económica (BCIE) and funds from external donors such as Spain.

The expansion of extra-regional options is the third factor to consider. Unlike the situation in the early 1990s, Latin America is facing a world with a wide range of options, but where there is also greater uncertainty. Countries take part simultaneously in multilateral, plurilateral and bilateral trade negotiations, the outcome of which is uncertain, as part of a strategy which aims to reduce the risk and uncertainty associated with access to foreign markets. This 'dispersed regionalism' weakens the internal cohesion of integration and prevents it from establishing deeper roots.

This review should not lead to the erroneous conclusion that open regionalism has not contributed to the progress of integration or the economic and social development of the region. Access to regional markets in terms of commercial liberalisation and increased intra-regional trade and the nascent development of chains of production and regional services are extremely important assets that must be preserved. Instead, it is more a question of using those commercial results as a basis for extending the scope of integration strategies. In a review of ECLAC, the following was noted: *'It is essential to deepen regional integration, especially since intraregional trade actually encourages export diversification and favours small and medium-sized enterprises and brings with it more added value than exports to the rest of the world. Also, the regional framework would allow the emerging regional production chains to be encouraged and the innovation process to be shared and promoted. For that purpose it is necessary to expand existing systems for integration to include new areas (such as services, government procurement, infrastructure and research in specific areas), improve the institutional framework by establishing clear rules and implement broader mechanisms for regional integration within a framework of recognition of asymmetries and the establishment of compensation mechanisms in favour of the relatively less developed countries. Moreover, the integration of regional economies provides more negotiating power in an international environment that is characterised by the existence of all kinds of barriers to trade in agricultural products, including tariff escalation in the developed countries and the new emerging Asian economies'* (ECLAC, 2008:325).

The change in the political cycle and the ideological differences that have been observed in the region since the mid-2000s have had visible effects on Latin American regionalism, giving rise to significant differences in the options for international integration: some countries, such as Mexico and the Central American countries, retain the strategies of 'open regionalism' and choose radial strategies (hub and spoke) for international integration. These are more flexible and based on 'south-north' bilateral free trade agreements and greater orientation towards Asia and the North American integration area. This strategy is very evident in some South American countries – Chile, Colombia and Peru in particular – which seek to strengthen their economic relations with the United States and Asia (Fairlie 2007, Valladao 2007, Tussie 2008), as is observed in what is known as the 'Pacific Rim Initiative' (Briceño 2010). As indicated above, these strategies are incompatible with customs unions and with the classic 'south-south' integration frameworks and are an important factor in explaining the Andean integration crisis, for example .

Other countries, on the other hand, have chosen to retain the current integration systems, i.e. Mercosur and the Central American Integration System, and retain the objective of the customs union and even though they also seek agreements with external actors, they do so from those regional groups or in a bilateral manner.

Using that focus on integration as a basis, in South America we observe a reinterpretation of regionalism that could be characterised as 'post-liberal' since it attempts to transcend the model of open regionalism (Motta and Ríos 2007, Sanahuja 2010). Post-liberal regionalism and, in particular, the Union of South American Nations (UNASUR), appears to be establishing itself as the most recent

attempt to articulate a South American regional economic and political space and achieve the objectives of autonomy, international involvement, economic and social development and internal governance that have inspired Latin America's regional integration strategies since their beginnings.

Post-liberal regionalism has been put into practice through the Bolivarian Alliance for the Peoples of Our America-Peoples' Trade Treaty (ALBA-TCP) and the Union of South American Nations (UNASUR). The most significant in this case is a South American redefinition of the traditional Latin American unionism. Both UNASUR and ALBA-TCP articulate a particular reading of 'anti-' or 'post-' liberal regionalism, though neither of them can be considered as an integration initiative in the classical sense of the term: they neither intend nor are able to correspond to the traditional taxonomy of economic integration 'à la Béla Balassa'. Nor as frameworks for inter-governmental cooperation do they mean an allocation of sovereign powers to joint bodies⁵².

Despite the fact that there are significant differences in their design and objectives, both ALBA-TCP and UNASUR talk about the 'return of politics' to external relations and development strategies, with less attention to the commercial agenda. This is not unrelated to the entry into power of various left-wing governments, the marked nationalist tone of those governments and the attempts by some countries, Venezuela and Brazil in particular, to exercise greater leadership in the region. In this context, ways are sought to promote greater participation by non-governmental actors and achieve the social legitimization of these regional processes.

They also articulate the return of the 'development agenda' within the framework of the economic agendas of the 'Washington post-consensus' with policies that seek to distance themselves from the strategies of open regionalism, based on liberalisation of trade. Also, the return of the state to economic and social development and external relations through a more extensive role for state actors, as opposed to the prominence of private actors and market forces of the previous model. Therefore, the search for autonomy – from the market as far as development policy is concerned and from the United States and other external actors as far as foreign policy is concerned – is an explicit objective of 'post-liberal regionalism'.

The marked political content of 'post-liberal regionalism' is also visible in the proposal for the creation of the 'South American Defence Council' (CDS) and the prominent role played by UNASUR in the management of the crisis, thus occupying a space that was previously unique to the Organisation of American States (OAS) (Sanahuja 2011b). That performance was particularly flexible and effective in preventing conflict and the risk of a split in the Bolivian State in 2008. UNASUR has also played an important role in resolving the differences between Venezuela and Colombia and the discussions regarding the US bases in Colombia involved a recognition of the regional scale of that issue and has contributed to important decisions on transparency and mutual trust measures. After the police disturbance in 2010 in Ecuador, UNASUR has adopted a democracy clause and a system of sanctions. Finally, that search for autonomy from the OAS can also be observed in the creation of a UNASUR Electoral Council in August 2011, which was already operational in the judicial elections in Bolivia in October of that year.

Many of these characteristic features express the Latin American rejection of the neoliberal policies of the 'Washington Consensus', and some leaders in the region expressly identified with 'open regionalism' and groups such as Mercosur and the Andean Community. For that reason, regional

⁵² With regard to ALBA-TCP, see the work contained in Altmann 2011. With regard to UNASUR, see Cienfuegos and Sanahuja 2010 and Sanahuja 2011.

integration is redefined in part as a strategy to serve that 'pro-development State'. This critical view has encouraged, on the one hand, neo-nationalistic discourses and policies and the consequent reevaluation of the principle of sovereignty. Tensions between nationalism and regionalism are nothing new in the region, but the neo-nationalism that coexists with post-liberal regionalism again poses difficult-to-avoid dilemmas for the construction of effective regional institutions and frameworks.

As a tool that is available to that 'Pro-development State', regionalism is perceived as an eminently 'defensive' instrument against globalisation and not as a tool to manage it or improve its governance. That 'defensive' regionalism or multi-lateralism would be observed in the decisions adopted by UNASUR in August 2011 and in particular in the creation of the Council of Economy and Finance, the strengthening of payment clearing systems in intra-regional trade to reduce the use of foreign currencies and greater cooperation between the central banks and foreign exchange reserves in the region through a new contingency fund against the balance of payments crisis and/or the strengthening of the Andean Development Corporation (CAF) and the Latin American Reserve Fund (FLAR), which would also require an expansion of their membership⁵³. These were an attempt, according to the expression adopted by UNASUR itself, to 'armour-plate' the region against the risk of a 'double-dip recession' in the developed countries and its possible spread to the Asian economies that import raw materials from Latin America.

Both ALBA-TCP and UNASUR give more weight, as indicated above, to the 'positive' integration agenda which is focused on the creation of joint institutions and policies and more extensive cooperation in non-commercial areas, which has led to the enlargement of south-south cooperation systems and the emergence of a renewed peace and security agenda. A greater preoccupation is also observed with social dimensions and imbalances, as well as the link between regional integration and the reduction of poverty and inequality in a political context in which social justice has taken on greater importance in the region's political agenda.

This entails greater concern for 'bottlenecks' and the lack of regional infrastructure in order to improve the coordination of regional markets while facilitating access to foreign markets and placing greater emphasis on energy security and the search for complementarity in that area⁵⁴.

Thus, one of the defining characteristics of post-liberal regionalism is the development of sector policies that are regional in scope in those areas. Energy became a central issue on the UNASUR agenda within an international context of growing concern for energy security. In this area, a clear complementarity exists between countries with reserves and those in which energy shortages can be a 'bottleneck' for growth. The opportunity costs of 'non-integration' in this field can be considerable: bilateral disputes, uncertainty caused by reliance on extra-regional suppliers, lower incomes for exporters and the use of less efficient or environmentally harmful alternatives such as nuclear energy. This potential is such that the assertion has even been made that South American oil and gas could play the role that coal and steel played in European integration. However, thus far this potential has not been realised and there is, instead, a risk that energy may become a source of conflict between countries in the region (Bodemer 2010).

As far as infrastructure is concerned, the Initiative for Integration of Regional Infrastructure in South America (IIRSA) is progressing, albeit at a slow pace. The IIRSA has strong support from the countries that have most to gain from the interoceanic connection – Brazil, Peru, Bolivia, Chile, Uruguay – and

⁵³ FLAR was created in 1978 and consists of Bolivia, Colombia, Costa Rica, Ecuador, Peru, Uruguay and Venezuela.

⁵⁴ See the work included in Cienfuegos and Sanahuja 2010.

whose trade has been most affected by the low quality of infrastructure and transport costs. Nevertheless, there are reasonable doubts concerning the projects selected: whether they can help to join together regional markets or function as part of the process of 'reprimarisation' observed in South America as a whole and which is being driven by rising demand from Asia and the boom in the prices of raw materials (Fernández 2010; Serbin 2010).

Finally, this increase in sector cooperation has been observed since 2008 in areas such as the monetary and financial sphere, with the creation of Banco del Sur, which was not yet operational in mid-2011, or the Unified System for Regional Compensation (SUCRE), adopted by the ALBA-TCP. In the case of UNASUR, the emergence of sector councils such as the South American Defence Council (CDS), the South American Energy Council, the South American Health Council (UNASUR-Salud), the Education, Science, Culture, Technology and Innovation Council (COSECCTI) and the aforementioned South American Council of Economy and Finance, also illustrate the increased emphasis on sector cooperation that characterises this organisation. That cooperation has also included cooperation on peace, humanitarian aid and development operations in the case of Haiti, where there has been significant involvement both by UNASUR members and the organisation as a whole in support of the United Nations Mission for Stabilization in Haiti (MINUSTAH) and the reconstruction after the earthquake of January 2010.

Beyond their common features and 'post-liberal' proposals, ALBA-TCP and UNASUR are projects which co-exist in the South American area though there are marked differences between them in terms of their scope, political orientation and viability. ALBA-TCP does not seem able to command the consensus that a viable integration project would require due to its marked ideological orientation. Moreover, it is difficult to sustain on the basis of political activism and the (limited) resources that Venezuela is able to deploy in support of that project and in particular the possibility of extending the 'oil-rentier' model to the region as a whole. It has only been possible to achieve this within the framework of the 'Petrocaribe' agreement, which continues and expands Venezuela's traditional cooperation regarding energy matters with the Caribbean countries and the countries of the Central America isthmus. Nevertheless, the ALBA-TCP project has been able to broaden the debate on integration and its relationship with development.

UNASUR appears to be the most relevant project in the South American area, although it is also the expression of two important lines of tension running through regionalism and regional integration in Latin America: firstly, the tension between the Mercosur integration model, which is more demanding in terms of rules, discipline and institutional commitments, and the 'North American-Pacific' option, which involves more flexible frameworks to accommodate trade liberalisation policies and the signing of 'south-north' free trade treaties and allows a more proactive attitude in the relationship towards the Asian markets (Sanahuja 2011b).

Secondly, the growing tension between the 'open regionalism' model and free trade agreements, increasingly linked to Washington through NAFTA, CAFTA-DR and the Mesoamerica Project and South American integration, which is largely due to the leadership of Brazil and to 'post-liberal regionalism'.

Is it possible to overcome these tensions? In December 2008, the First Summit of Latin America and the Caribbean (CALC) was held in Costa de Sauipe. In February 2010, under the Mexican presidency of the Rio Group, the Second Summit, named the 'unity' summit, was held in the Riviera Maya. These summits have initiated the process of creating the 'Community of Latin American and Caribbean States' (CELAC), whose nature, scope and content has been the subject of negotiations throughout 2011. CELAC was created at the Third Summit held in Caracas in December 2011.

The Caracas Declaration adopted at that Summit configures the CELAC as an instrument for policy coordination and sector cooperation in a range of economic, social and environmental areas and in the fields of science and technology and management of the risks of disasters triggered by natural causes. The coordination of foreign policies is particularly important in order to enhance the presence, voice and influence of the region in international organisations and other multilateral forums. Thus, and as expressly recognised in the Caracas Declaration and other texts adopted at the Summit, the CELAC reflects the historical heritage of the Rio Group, whose work aims to continue with a higher political profile. One significant fact is that the CELAC is expressly designated as a regional interlocutor in the relations between the EU and Latin America and the Caribbean, both with regard to bi-regional summits and EU-Rio Group dialogue.

CELAC assumes the functions of crisis management and defence of democracy against the risk of political regression, which have also been carried on by the OAS, thus providing the region with more options for action. In this and other areas, CELAC is configured as an instrument to help the region become more autonomous in its international relations and development strategies, though it was not intended as an alternative to the Organisation of American States (OAS), despite the fact that some of its proponents wished to present it in that way. By means of a 'Special Statement on the Defence of Democracy', CELAC adopts a democratic clause that includes a mechanism for consultation and a range of options for action ranging from mediation to the adoption of sanctions, including suspension of the rights associated with a State's participation within the CELAC.

Through a 'Statute for Procedure' for CELAC, which was also adopted at the Caracas Summit, the mechanism is provided with the following governing bodies: the Council of Heads of State and Government, the meeting of Foreign Ministers, the President *pro tempore* and a troika composed of the current President, the preceding President and the next President. It is, in any case, a body for non-institutionalised consultation and cooperation, primarily within the political sphere and, in marked contrast to the OAS, it has no founding Treaty, nor is it an international organisation, which again is an expression of the region's preference for 'light' regionalism with a low level of institutionalisation.

It is premature to assess the scope of this process. It could become an 'enlarged Rio Group' and focus on the coordination of positions on foreign policy or it could become a broader policy coordination framework that overcomes the divisions that have been emerging between the North and South American areas. In any case, it is visibly an eminently political body. In many ways, for Mexico it represents a return to regional issues and for Brazil an attempt to reconstruct a Latin American and Caribbean regionalism that incorporates the various sub-regional groups beyond the South American UNASUR area. (Costa Vaz 2010; Rojas Aravena 2011a, 2011b).

3.6 Towards a renewed agenda for support for integration and regionalism: conclusions and proposals

If the Agreements that have been signed at the Madrid Summit are added to the agreements already in force with Mexico and Chile, as well as the negotiation with Mercosur – including, in due course, Venezuela – and the negotiations with Ecuador and Bolivia are resumed, a 'network' of association agreements covering the entire region would be formed and the objective outlined by the EU more than a decade ago would thus become a reality⁵⁵. In light of this, the conclusion may be drawn that one

⁵⁵ In that case, only Cuba would remain outside that network of association agreements, though we should remember that the EU has expressed a wish for Cuba to be included in the EU-Caribbean economic partnership agreement that has already been signed if Cuba takes the necessary steps towards democracy.

of the most significant outcomes of the Summit was the reaffirmation of inter-regionalism and support for regional integration. Thus, the EU indirectly supports the policies that have been promoted from within the region itself to try to build a new regional consensus.

Attempts have been made to adapt that commitment to integration and social cohesion to the various international integration options now being pursued by the countries in the region, either through the flexible strategies pursued by some of them through bilateral free trade agreements or through what is known as the 'Pacific Arc Initiative', the maintenance of systems such as Mercosur and the Central American Integration System (SICA), or the 'post-liberal' reinterpretation of regionalism observed in South America, particularly in the case of UNASUR. The EU, however, maintains no specific dialogue with this organisation, though it does with one of its members, Brazil, through a bilateral 'strategic partnership', and the chances of such dialogue being established may be conditional on the regional autonomy objectives that UNASUR is expressly pursuing.

As noted in previous sections, the strategy of support for integration and regionalism has rested mainly on two large instruments: the signing of inter-regional Association Agreements as an 'incentive' to deepen the integration of each sub-regional group, and cooperation programmes based on financial and technical assistance to strengthen institutions and develop common policies. The brief review of the negotiations between the EU and the various sub-regional groups presented above reveals that these Association Agreements are, in effect, a powerful incentive for integration, though this is weakened by the fact that the EU faces difficulties in achieving successful outcomes in areas such as trade and/or agricultural policy and the known problems of the (in)consistency between these policies, the development policy and any commitments that may have been assumed in the bi-regional political dialogue. Nevertheless, the limits to the EU's power as an 'external unifier' are also defined by the scope of each region's commitment to integration within the framework of its respective international integration strategies and the role within those strategies of 'south-north' agreements with external actors such as the United States or the EU itself which, when it chooses the bilateral course of action, ceases to be a promoter, as occurred in the case of the Andean Community and as could occur in the case of Mercosur if the inter-regional negotiations with that group fail and a bilateral course is chosen.

As far as regional cooperation programmes are concerned, their impact and scope have been affected, firstly, by the Community's meagre financial support, in relative terms, for cooperation for regional integration. Secondly, they have been affected by the EU's focus, which is heavily based on strengthening institutions, on common policies and on economic integration objectives such as customs unions, although these have been relatively unimportant within a framework of 'open regionalism'. To sum up, the EU itself was obliged to establish its programmes on weak institutional frameworks which have not always had effective support from its own Member States, and it was necessary to make them subject to the delays or even abandonment of the objectives of economic integration in each regional group, as the case of the Andean Community would show. However, European support for regionalisation dynamics through bi-regional networks appears to have been of greater significance, though it has been restricted to the regional rather than the sub-regional sphere.

What lessons can be learned from the analysis carried out on these pages regarding the politics of EU support for regionalism and regional integration? Briefly, the following lessons should be noted:

- *The key role of integration in the EU's regional strategy:* support for regionalism and integration still plays a key role in the development agenda of the middle-income countries of Latin America and the Caribbean due to its potential and effective contribution to the development of the productive fabric and employment, governance and strengthening of institutions and the provision of regional

public assets. As stated above, it is also a peculiarity of Community institutions with regard to the cooperation of Member States or multilateral organisations and thus constitutes a natural area of activity for those institutions within the framework of a better division of labour among the various aid donors.

- *Towards a renewed strategy for support for 'positive integration' and common policies:* as an external partner, the EU should not confine itself to the 'classic' strategy of support for formal institutions and the liberalisation policies of 'open regionalism'. It should adopt a strategy of wider support for integration and regionalism which is not subject to the progress of trade commitments. Regional integration can play a key role in promoting policies to improve participation in international trade through greater competitiveness and secure access to foreign markets. These policies – which are often contemplated in what are referred to as 'complementary agendas' for free trade agreements – include the improvement of infrastructure and, especially, improvements in productivity by incorporating knowledge and improving education and research, development and innovation (R&D&I). This helps break the 'vicious circle' which affects the region, which is characterised by its specialisation in exports of natural resource intensive products and low quality jobs, along with lower tax burdens. As opposed to a reductionist view of the international goals of development and reduction of poverty, which is restricted to the Millennium Development Goals (MDGs), this agenda would provide a new rationale for the EU's cooperation with Latin America, in view of its specific characteristics as a middle-income region, and a broader framework for the debate on the effectiveness of aid. As stated above, the creation of UNASUR in 2008 and, in particular, the appearance of the Community of Latin American and Caribbean States (CELAC) in 2012 may give rise to new possibilities for 'region-to-region' cooperation on the part of the EU if those organisations establish themselves and invest themselves with the powers and tools for more active regional cooperation or for implementing common policies.

- *The relevance of sector policies for energy and infrastructure:* in these areas, cooperation with South American initiatives is an important component of the new integration agenda and is a shared interest since it addresses one of the 'bottlenecks' of Latin American development and helps to ensure diversified sources of supply for the EU. It may also serve to avoid bilateral disputes that increase instability in the area and provide support for European investment and transfers of technology in this sector.
- *More extensive cooperation in science and technology:* in particular, greater cooperation is required in science and technology through programmes that support both the generation of endogenous capacities and the transfer of technology from abroad.
- *Greater emphasis on the promotion of 'regionalisation' dynamics:* in particular, cross-border cooperation, management of water basins and transnational natural areas, regional networks of cities and 'bottom-up' regionalisation processes through the creation of regional civil society networks that are able to participate actively in the integration process.
- *Support for mechanisms to correct regional imbalances:* as stated above, support for mechanisms to correct imbalances and support for transformation of production would be particularly important in this strategy. In particular, it may be extremely appropriate for the EU to provide financial and/or institutional support for instruments and funds established or that may be established by the various sub-regional groups to address these imbalances, such as the Fund for Structural Convergence of Mercosur (FOCEM), or that may be created within the framework of the Central American customs union.
- *Mobilisation of additional resources:* this strategy could be better promoted if the EU devotes more resources. Although the Commission has insufficient funds to address actions in the field of

infrastructure or energy, due to the fact that they are extremely expensive, the EU can encourage greater involvement by the European Investment Bank (EIB) beyond the criterion of mutual interest provided in the new mandate for the 2007-2013 period in collaboration with integration banks such as the CAF or Banco Centroamericano de Integración Económica (BCIE). The launch by the Commission of the new Investment Mechanism for Latin America (MIAL/ MIAL), which was announced at the Madrid Summit in 2010, is an important innovation in this regard. This instrument, which would initially involve small amounts, can act as a catalyst for other investments in energy and communications infrastructure by other banks and public and private entities⁵⁶.

- *The key role of Association Agreements:* in this area, a policy of cooperation for development specifically adapted to the middle-income countries of Latin America should not be limited to 'classic' aid and should be complemented by well-founded strategies of commercial openness through agreements – whether south-south regional integration or south-north agreements – which ensure access to foreign markets, encourage foreign investment and provide incentives for innovation and competitiveness. However, it is also important for these agreements, in particular the EU association agreements, to recognise and mitigate imbalances and leave room for active policies to reduce adjustment costs and promote the transformation of production, particularly in the case of south-north agreements. In this context, instruments for cooperation to support trade – aid for trade – can play an important role.
- *A broader agenda for political dialogue:* it is also necessary to broaden the agenda for cooperation and political dialogue in order to adapt it to issues being addressed in the EU and in the various Latin American regional groups, including the links between regionalism and democratic governance, regional security and the prevention of conflict. For that purpose, the EU can promote specialist dialogue between public and private actors and civil society and encourage regional institutions to become involved in political crises in the region through a broader consultation process with the Council of the EU within the framework of the CFSP. For this purpose, initiatives such as the European Union-Latin America Parliamentary Assembly (Eurolat Assembly), formed in 2006, and its proposals for bi-regional cooperation in areas such as migration, crisis management, peace, security and defence, trade relations, the fight against poverty and sustainable development are particularly relevant.

⁵⁶ Inspired by the Neighbourhood Investment Facility in 2007, the Investment Mechanism for Latin America (MIAL) was launched in 2010 to promote investment to improve the international competitiveness of the region. MIAL is a financial mechanism that combines non-repayable contributions from the European Commission and other donors, including multilateral financial institutions, whose purpose is to mobilise additional funding to undertake essential investments that, without the support of MIAL, could not be financed on the market or by the financial institutions for development. The three strategic objectives of MIAL are to improve interconnectivity through energy and transport infrastructure; environmental protection and mitigation of and adaptation to climate change; and improvement of social service infrastructure and support for SMEs. MIAL can finance pre-investment activities, technical assistance, loan guarantees and venture capital operations. A contribution of EUR 125 million from the European Commission has been earmarked for the 2009-2013 period.

3.7 Comments

by [Francisco Rojas Aravena](#)

The report explains both the dynamics of the relationships and their conceptual frameworks. I will refer specifically to certain aspects that may be debatable or that it would be important to explain in more detail, in some cases more specifically and in others with reference to the more general context.

1. The change in the cycle of Latin American regionalism is described very well. However, there is no reference in the first part of the text to the extensive changes in the European Union, and to its institutional changes, particularly the Treaty of Lisbon. I consider that it would be advisable to include at least some general references to these changes 'in comparison' with certain changes in our region.

2. In the first section referring to identity, values and interests, it would be important to include a reference to the role of culture. To the Iberian and the Latin aspects in relations with the EU and how these change with the enlargement of the European Union towards the Urals. Cultural issues are becoming increasingly more important.

3. If this is a text requested by the Parliament it is important to distinguish between the difficulties of an institutional and also a non-formal nature between the European Parliament and Parliamentarians in general in the region.

4. In connection with the second point, it is perhaps worth including at least one paragraph on the Ibero-American Summits and the role of the SEGIB – as secretary – as a key aspect of this process.

5. I found the overview in the text on how we have gone from open regionalism to selective regionalism to light regionalism and to dispersed regionalism very interesting. It would be worth conceptualising this view and describing it in even more detail. It should be noted that in Latin America, and particularly in CEPAL, open regionalism still continues to be emphasised as the guiding framework for these processes.

6. My suggestion, on the basis of the analysis carried out on the various regional strategies (RSP), is that it would be clearer if a table could be included to consider the following elements: Region-Strategy-Continuity or change.

7. I have my doubts about highlighting post-neoliberal regionalism and the role of UNASUR as 'competitive' or as a private area of the OAS. I have the impression that, rather than competing with the OAS, what is happening is that this is a replacement of the role played by the Contadora group, or the role that the Community of Latin American and Caribbean States (ECLAC) is intended to fulfil. Some recent works have discussed these matters⁵⁷. In some ways I consider that UNASUR and also the Ibero-American Summits compete much more with CELAC.

8. In the case of ALBA, it is worth placing more emphasis on the role of oil. This is not something unique to Chávez, but has always been a primary instrument of Venezuelan foreign policy. That was also the case with Carlos Andrés Pérez. In the same way, ALBA does not 'compete' with UNASUR, although the countries with the greatest weight in the ALBA are South American. ALBA, with the countries that

⁵⁷ See Rojas Aravena 2011a, and Legler and Santa-Cruz 2011.

belong to it, aspires to being an organisation of regional scope covering the whole of Latin America with the emphasis on the Caribbean.

9. In the case of UNASUR, the essential reference is the political sphere rather than the economic. The political reaffirmation of Brazil's leadership means that options other than the United States, which is not an economic option for Latin America, are being examined. Even former President Lula has stated he does not understand why Mexican business has a fear of Brazilian business and bilateral trade and investment, when it does not fear the United States. Mexico and Brazil would both have much more to gain from dialogue and more effective cooperation.

10. An important element of the Democratic Clause has been adopted within this framework. It is also intended that this clause should be incorporated into the CELAC. This was confirmed by the Presidents of Costa Rica and Mexico in their joint statement of 2011.

11. We should stress that the EU is not a 'rational single actor' and therefore various types of policies are produced. Significant obstacles to bi-regional relations can be identified in the near future as a result of changes in the global system which give rise to complex scenarios. In particular, the changes in the Arab world and in North Africa affect the design of European foreign policy in relation to Latin America, which falls even lower down the list of European priorities.

12. In the context of global change for Latin America, China emerges as an extremely important actor due to its impact on trade with our region. The United States has less and less weight and its impact on the region is diminishing. The ties between the European Union and Latin America have weakened.

13. One central aspect, as was noted at the Madrid Summit, is the Global Political Dialogue. This should be constructed and focused through Summit Diplomacy. In this sense it is essential to agree on what global public assets are to be promoted, strengthened, stimulated, reformed or developed.

14. In view of the forms that the process of bi-regional integration and the process of integration in Latin America take, it is necessary to state more clearly the revised view adopted by both regions with regard to Integration – if any such view exists.

15. I consider that the suggestions put forward in the final pages of the lessons point to the central issues. It could perhaps be pointed out that the relevance of the energy issue is currently being expressed more forcefully and that a great deal of progress has been made in the Mesoamerica Project in Central America.

16. One important issue for Latin America, which is also important in the dynamics of its relationship with Europe, is the issue of migration and the treatment of migrants and the question of return policies in particular.

17. Likewise, the attitude of both regions towards reform of global institutions is also essential. The United Nations and, in particular, the IMF and the World Bank. The financial crisis is having a considerable impact on what was the developed world and it is the emerging countries, including Latin America, that now have the highest growth.

18. To sum up, the agenda for broader political dialogue is essential in order to allow the main aspects of a shared vision, common values and a similar sense of identity to be introduced. However, in order to progress, it is essential to formulate a prioritised agenda that addresses key issues and that these issues

should receive the support and legitimacy of the European Parliament and its counterparts in this region.

19. Scope for bilateral integration has already been created and should not be seen as conflicting with this flexible architecture of global links, with agreements that are not fulfilled but with potential for a bilateral approach.

20. The global crisis and changes in the international system may lead to a significant change in the amounts of cooperation for development that the EU allocates to Latin America. This is an issue that must be addressed in a transparent manner to find new formulas that enable an agenda to be drawn up for development and democratic governance between the two regions.

by Lorena Ruano

The EU bi-regional strategy: assessment and current outlook

The second wave of regional integration in Latin America gave rise to agreements more similar to the EU, which decided to give priority to promoting integration efforts in the area and, in particular, technical support in the creation of customs unions. As Sanahuja explains, the negotiation of Association Agreements with the main groups in the region that arose from this second wave of regionalism was chosen as a primary instrument. The incentive that the EU offered the Latin American RIAs was extremely attractive since it consisted of allowing them access to the Single Market in exchange for integrating with each other. This idea was also supported by Brazil, which wanted MERCOSUR to negotiate as a bloc, both with the EU and within the FTAA.

The big problem with this European strategy, in my view, was that it was based on a premise that was as false as it was optimistic, particularly in relation to MERCOSUR: that the EU would be ready to open up and liberalise its agricultural market to fierce competition from giants such as Brazil or Argentina. In reality, most EU members have never been in favour of a reform of that size in EU Rural Policy. Therefore, the main incentive for that role of 'external unifier' to take effect was never quite real. As it gradually became clear that the incentive of providing access to the Single Market in the European agricultural sector was not credible, the negotiations ran out of steam to the point where they were made conditional on the conclusion of multilateral negotiations within the World Trade Organisation (WTO) which *de facto* postponed them indefinitely. Meanwhile, however, the negotiations with Mexico and Chile, countries that posed no serious threat to European agriculture, progressed⁵⁸. For its part, the conclusion of the Association Agreement between the EU and Central America in 2010 was made possible largely thanks to the fact that the WTO made it clear from 2008 onwards that both the system for bananas in the EU and its system for cooperation with former colonies in Africa, the Caribbean and the Pacific (the Cotonou-ACP Agreement) were illegal.⁵⁹ The expiry of these two European international instruments (not through a decision by the EU, but imposed externally) facilitated the conclusion of the EU-Central America agreement enormously since it removed two of the largest obstacles to it.

Another problem with this strategy, which is explained very well by Sanahuja, was the lack of coordination within some of these Latin American RIAs and the inability of their institutions to

⁵⁸ Mexico exports few agricultural products and most of these are tropical and do not compete directly with European producers. Chile has focused on the fruit and vegetables sector, where there is not so much protection and there is scope for increasing supply without affecting European producers.

⁵⁹ 'The sun sets in Cotonou' and 'Replacing the Cotonou agreement', *The Economist*, 03 January 2008; 'Trade Winds: Finally, a deal with Europe', *The Economist*, 16 October 2008.

counteract the unilateral measures taken by their members when the crisis broke. This was evident when, from 1999 onwards, MERCOSUR was shaken and, I would say, permanently damaged by the crisis in Brazil and Argentina.⁶⁰ Since then, Brazil has taken off as one of the most dynamic emerging economies on the planet (pulled along by China) and MERCOSUR could even become an obstacle to its new strategy that includes negotiating bilateral free trade agreements, such as the one that has been implemented with Mexico since 2010 (see Sanahuja).

To sum up, if we look at the results of that bi-regional strategy, what emerges is a picture of relative failure, a very recent bi-regional agreement (with Central America) and a series of bilateral agreements with individual countries (Mexico, Chile, Colombia and Peru). There is also a 'strategic partnership', which is a bilateral institutionalised political dialogue with the two largest countries in the region, Mexico and Brazil.

The weakness of RIAs in Latin America

While it is true, as Sanahuja notes, that one of the reasons behind the relative failure of these two RIAs has been the weakness of their institutions, and in particular the lack of supranationality,⁶¹ I think that this argument has been exaggerated a little and that has served to hide other more pressing problems. This idea is based on a Eurocentric vision of regional integration: it assumes that a high degree of institutionalisation and supranationalism is necessary. This approach emphasises the 'structural' aspects of the institutional design of the RIAs. However, a broader view of comparative regional integration provides additional elements for analysis. In Asia, for example, the most economically dynamic region on the planet, institutionalisation at regional level is quite low and regional economic integration has been based more on the creation of transnational production chains (with a great deal of intra-company trade), particularly in certain key sectors.⁶² The interdependence of the Asian economies survived the 1997 crisis, despite the fact that there were very few intergovernmental cooperation mechanisms, because, aside from State actions and the institutional structure of the region, *the economic actors had an interest in maintaining it.*

The comparison with Asia reveals that the weakness of the RIAs in Latin America is due, not only to a problem of institutional 'structure', as the European example suggests, but also to the fact that many economic 'agents' simply do not see interchange with the region as the cornerstone of its development. On the contrary, since the Real crisis in 1999, the focus has been on two strategies that run counter to regional integration: they have sought protection from their governments and/or to trade with partners outside the region, either the United States or, more recently, China.⁶³ For that reason, the construction of customs unions in the RIAs of Latin America was never very robust, since it was not supported 'from below' by the economic actors, and this problem affected the EU's strategy. Even in Central America, the only RIA with which the EU's bi-regional strategy has been successful, the customs union remains weak since it excludes such key sectors for local economies as coffee, sugar and alcohol.

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⁶¹ Sanahuja is not the only commentator to put forward this argument. See also, for example, Roberto Bouzas and José María Fanelli, 'MERCOSUR: integración y crecimiento' [MERCOSUR: integration and growth]. Buenos Aires: Fundación OSDE; Grupo Editor Altamira, 2002. Lía Valls Pereira, 'Toward the Common Market of the South: Mercosur's Origins, Evolution, and Challenges', in Riordan Roett (ed), *MERCOSUR: Regional Integration, World Markets*, Boulder, Colorado: Lynne Rienner, 1999, pp. 7-23.

⁶² Economic Integration between NAFTA members has also been similar: driven by a great deal of intra-company trade in the automobile sector and with minimal institutionalisation.

⁶³ As will be explained below, these two giant economies have served as important centripetal forces.

This point is relevant because it prompts us to refine some of the recommendations with which Sanahuja's excellent work concludes. According to these observations, it is essential to promote, as he states, the dynamics of cross-border regionalisation at the level of the actors, i.e. 'from below'. This would help to provide more solid support for regional integration in Latin America at a social and economic level. To provide more and better funding for horizontal programmes and transnational initiatives is an extremely sensible recommendation. However, I am by no means so convinced that a renewed strategy to support 'positive integration', 'common policies' and 'support for formal institutions' makes sense in cases other than Central America or highly specific instruments such as FOCEM (the MERCOSUR Structural Convergence Fund).

Thus, in my opinion, Sanahuja's view is somewhat benevolent with regard to the future prospects of integration in Latin America and, consequently, the European strategy of prioritising Association Agreements between regions, which I see as a policy that has exhausted its possibilities. There is no reason to believe that negotiations with MERCOSUR (see Sanahuja p.5), will conclude either in the near future or in the medium term,⁶⁴ and still less in the context of the current economic crisis in the EU. Moreover, Mercosur is becoming less relevant to its members, particularly Brazil, which is already conducting itself like an emerging global power. This, in my view, raises the question of whether the EU should continue to strengthen its institutions, when its members themselves are devoting their energies to other projects such as UNASUR, which offer greater 'flexibility' and few ties. For its part, the Association Agreement with the Andean Community has already been ruled out since bilateral negotiations have begun with Peru and Colombia separately.

In my opinion, the EU should safeguard and enhance the only success of this bi-regional strategy, which consists of the Association Agreement with Central America. However, it should not now pursue the same policy with the rest of Latin America. The model of regional integration in Latin America that inspired the bi-regional strategy of the EU in the mid-1990s is a thing of the past. The model that has replaced it is much less compatible with that strategy. Above all, it is crucial to design a new differentiated policy since the region is extremely large and increasingly diverse in political terms. Working on that basis could yield clearer results.

The EU is not alone

The final point I would like to make is that, curiously, the Association Agreements between the EU and the countries of the region followed their negotiations of free trade agreements (FTAs) with the United States. To date, the only Latin American countries that have current Association Agreements with the EU are Mexico and Chile, which are not 'integrated' in the region but have FTAs with the United States (1994 and 2002 respectively). They were followed by Central America after the Central America Free Trade Agreement (CAFTA) was signed in 2004, which, incidentally, was an emphatic 'external unifier' process). This was followed by Colombia and Peru, whose FTAs have been completed, though in the case of Peru it is still pending ratification in the United States Congress.

This observation, though it may be surprising to some, is logical: to have an FTA with the United States is a clear signal of commitment to free trade and is also a negotiating experience that certainly bolsters the credentials of the country or group in question with the EU. In addition, these FTAs create strong

⁶⁴ On the day it was announced at the Madrid Summit in May 2010 that these negotiations were being 'relaunched', France warned the EU Council of Ministers of Agriculture that it would block any agreement that meant liberalisation of 'sensitive' sectors, i.e. livestock products, cereals and soya. See 'Ten European countries led by France protest to Belgium due to the FTA with Mercosur', ABN, 12 May 2010.

incentives for the Latin American countries and the EU to conclude their own agreements: for the Latin American countries, to diversify their foreign trade and, for the EU, to avoid losing market share to competition from the United States. Thus, there is a third factor behind the weakness of regional integration projects in Latin America that Sanahuja does not mention but that is essential for understanding the relative failure of the EU's bi-regional strategy. It consists of the important centripetal force that the United States represents in the region (except for Central America), particularly after the failure of the FTAA negotiations, which led each Latin American country to try to secure access to the United States market individually. The voracious demand from China for raw materials from the region has been a recent addition to this powerful centripetal force, with the aggravating circumstance of 'deindustrialising' exports from the region, as Sanahuja correctly states.

In that sense, it is crucial for the EU, when designing its policy toward Latin America, to not only take the regional context and its own context into account, but also to take into account what these other global powers are doing. Therefore, though I agree with Sanahuja that 'mobilising additional resources' for the region is to be highly recommended, I am in favour of it for different reasons. I do not think so because it is necessary to support regionalism *per se*. I am rather of the opinion that we must make sure that European cooperation does not disappear with the presence of China and the United States, particularly bearing in mind that, under this heading, the EU is a global power that shares many values with the region.

I also agree with Sanahuja on the need to disconnect the cooperation of the FTAs, since some countries in the region no longer see them as a powerful incentive, from the Millennium Goals, which do not apply to middle-income countries such as those in Latin America. The aim should be, above all, to create both national and cross-border infrastructure, since the subcontinent still requires considerable investment in that basic sector to enable other schemes to promote inclusion and social cohesion to exist.

by Ricardo Sennes

The document deals directly and objectively with broadly, complex issues. I consider the initial framing of the EU-AL issue through the issue of regionalism to be particularly excellent. It is important to stress, as the author does, that the EU is the only source of pro-regionalist cooperation that we have.

Integration, in my opinion, involves States and is promoted by them, whereas regionalisation is a proliferation of social, commercial, communication and cultural networks, etc. without the involvement and formal promotion of States. In this sense, it is perhaps worth mentioning that there is a process of concentration of networks and regional links going on in the region which is fairly independent from of the actions of States.

I think that it is important to note that Latin America, rather than being a single area of integration, is an area where several different integrationist, regional and sub-regional dynamics coexist, each with different themes (trade, investment, technology, etc.), different institutions and with a different depth of integration. That definition also means a challenge for the EU, since it must relate to those differing arrangements. You make that observation, but I do not know if you ascribe the necessary importance to that fact, since it has a direct impact on the rationale behind the EU's cooperation with the region.

It is worth mentioning that each regional or sub-regional arrangement reflects the different interests of their applicants, leaders and members. For example, while Mexico promotes Latin American agreements and bilateral networks, Brazil promotes South American arrangements and Venezuela

promotes arrangements of selective political convergence. Nevertheless, leaving aside the fact that I am Brazilian, I would say that the 2005 European Commission Directive for regional cooperation indicates the correct course of action: to focus on the possibility of establishing a political dialogue with UNASUR. I believe that UNASUR is to some extent becoming relevant, particularly after the more effective 'entry' of Colombia. UNASUR has now gained a certain weight in South American terms and I think it may manage to consolidate itself as an important body in some areas. Those efforts by the EU would be welcomed by Brazil and also by other countries in the region. I would say it would be much more welcome than cooperation with Mercosur and the Andean Community.

The characterisation of the EU's cooperation policy as an 'external unifier' is very interesting. Indeed, that strategy makes more sense when it is accompanied by economic and trade agreements which actually progressed very slowly. There is also the problem of the 'two speeds' involving different groups of countries. However, from the Brazilian point of view, the results of that strategy were in fact extremely limited and gave rise to powerful suspicions concerning the Europeans' real interest in this issue (although there was also extremely strong resistance on the part of some Brazilian and Argentinian business groups).

Another point on which we are in agreement is the imbalance between the expectations created at the Summits, the breadth of the bilateral and inter-regional agenda (from trade to gender issues and social policy) and the resources allocated to such programmes. The funding allocated to all these programmes and initiatives is visibly small (approximately USD 1 billion per year). Perhaps one proposal for driving this agenda may be to prioritise a topic within each macro-agenda. This would make cooperation with the EU more effective and it would become clearer to the players involved and to political decision-makers. For example, as far as the regional cooperation agenda is concerned, attention could focus on the issue of integration in infrastructure or energy. In the area of social policy, the focus could be on education.

One point to be analysed in relation to the effectiveness of EU cooperation programmes is the ability to focus attention on the most effective instruments for regional integration, for example, the regional development banks (CAF, FLAR or BID and BNDES or IIRSA), or measures by regulatory convergence committees and agencies (existing in UNASUR, MERCOSUR and the Andean Community). Advances in these fields, independently from advances in commercial and institutional issues, may once again give rise to more widespread and more tangible results.

I would not put ALBA at the same level as UNASUR or I would really find it difficult to understand the role of Venezuela as leader. I actually consider that this is a 'programme' rather than a project. It is a programme in the sense that it is limited in terms of its effective goals (change of solidarity in some areas) and it is not of a collective nature (being basically founded on concessions from Venezuela without anything in return from other countries). I take a rather critical view of the role of Venezuela, and particularly of ALBA, in the region (I see it as being of very little political relevance).

I also agree with the assessment that the EU's role of 'regional integrator or unifier' in Latin America is limited. I even consider that it will have to be reduced in the coming years and the EU should be prepared for that. Two factors will contribute to this. On the one hand the relative loss of the EU's influence in the region due to the crisis affecting Europe and its ability to take on deeper international projects. Secondly, in view of the enormously disruptive role played by China in the region, which basically counteracts regional integration, not because this is China's aim, but as a consequence of its bilateral activities with countries. In view of this, I believe, once again, that one option for the EU would

be to maintain its traditional line of promoting the process of regional integration and convergence, but to focus more on priority issues on the agenda.

In his conclusions, I consider that Sanahuja is once again proposing a very broad agenda, which risks wasting energy and resources in an environment in which the EU is growing increasingly fragile. Again, of the points that you propose, three or four are of central importance to the interests of the EU and also of the countries of the region: infrastructure, energy, education and innovation. Under the umbrella of EU-Latin American cooperation and political dialogue, an effective agenda which focuses on those points could lead to more specific and more effective results.

by [Andrés Serbin](#)

I found the chapter to be very consistent and well argued, above all for anyone who is not familiar with the details of the relationship between the EU and Latin America and the Caribbean, particularly in relation to the possible change of commercial emphasis and cooperation in that relationship and the new political dimensions and challenges that arise with the emergence of new regionalist initiatives at this stage. Also, I think that the final recommendations are a good reflection of the argument and hit the nail on the head in several respects.

In order to carry out a more detailed analysis of this new stage in interregional relations and its potential, for better or worse, I consider it important to make certain more detailed comments on the significance of the impact of the global financial crisis and the consequent difficulties in terms of future European integration and its possible consequences in relation to LAC. In particular, the creation of a new body within the framework of the UNASUR – the Council of Economy and Finance – to ‘shield’ the region from this crisis. I believe that this dimension will have an impact on interregional relations in the short term and perhaps it would be worth going into more detail on its significance.

A second basic comment concerns the creation of CELAC, which is mentioned very briefly in the text when referring to some articles on the subject. I consider that, in terms of inter-regional relations, it could have, despite its nascent state, a great deal of potential to transform some of the links, not only political but also economic, between the two regions, particularly with the entry of Mexico and Central America to the regional sphere. Although very little has been written in this regard (apart from what has been written by Francisco Rojas Aravena), since CELAC will be formally created in 2012, this is an issue that it would perhaps be advisable to introduce, albeit briefly.

These two ‘absences’ may, however, cast doubt on some statements concerning ‘regionalism light’ and the institutional weakness of the processes in LAC since the new regional architecture in Latin America is being constructed at a different pace and is somewhat anarchic when compared with the EU, even though it is making gradual progress. I do not know whether, in this sense, the *ad hoc* approach currently prevailing in the region forms part of a reaction which is necessary for consensus-building in view of the obstacles imposed by the persistence of nationalism and the importance attached to national interest and national sovereignty. Thus, my usual scepticism concerning the progress of Latin American regionalism has been dented by some specific achievements in the political arena. In particular, UNASUR, despite its short existence, has managed to rediscover the ability of the region to prevent and resolve conflicts by itself, as evidenced in the cases of tension between Venezuela and Colombia, the Pando massacre and the internal conflict in Ecuador. In this context, being perhaps a little over-optimistic, I do not know whether we are on the verge of a more important breakthrough in the financial sphere with the creation of the Council of Economy and Finance, whose progress and results should be closely monitored.

It should also be noted that the scope for participation by civil society in what is referred to as 'post-liberal regionalism' is more rhetorical than real and no institutionalised paths have been created to ensure real access to decision-making.

Finally, there are some aspects that may require more detailed exposition, such as the true extent of the role of the EU as an 'external unifier' as opposed to disintegration factors such as the south-north agreements, in which the EU itself also participates.

by Félix Peña

I consider that the region is paying increasing attention to the experience of regional governance in Asia, including its highly flexible approach to economic integration based on production networks and business connections. One has the impression that, in some ways, there are some elements of the 'Asian model' that are more attractive to LAC than the 'European model'. In that regard, the Asian region as a whole – and not just ASEAN with its many splits – can be considered as an external reference point for the requirements of regional governance in LAC and in South America in particular.

The difficulties with achieving progress in the EU-Mercosur negotiations would, in my opinion, require a more detailed analysis of the real factors on both sides which serve to reduce the incentive to enter into a bi-regional agreement. My website contains several articles in which I address this issue and I have also discussed it in some of the newsletters in the past two years.

I think that the study by Maihold and Malamud on a 'terminal' crisis in the processes of integration in Latin America deserves some analysis. That opinion may be the result of the concept of integration that each analyst has in mind or the model that is explicitly or implicitly taken into account to analyse complex, highly dynamic situations.

The statement that making bi-regional association agreements could prove a powerful incentive for regional integration may perhaps not conform to current realities. Indeed, the EU is not seen to be excessively interested in really promoting existing integration systems. The concept of a 'network of agreements' is closer to what the United States itself has done in the region. Also, the concept of an agenda for the EU-Brazil 'strategic partnership' does not appear to be very functional if the aim is to strengthen Mercosur, particularly if one considers that many of the items on the agenda are the same as those explicitly provided for in the Madrid Framework Agreement that, in theory, continues to be fully in force.

I think, finally, that the preparations for the Santiago Summit would require a great effort by everyone and in particular by the EP to overcome a 'narrative' on the strategic partnership of the two regions that was a reflection of a global situation that, as recent events have shown, has changed dramatically and that will continue to change even more. Is Brussels interested in promoting an 'update' of that narrative? Many of us have our doubts. The fact that the EULAC Foundation seems not to have materialised – and if it has materialised, few have noticed – can also be taken as an indicator of the real prevailing interest.

4. THE PROMOTION OF SOUTH-SOUTH COOPERATION

by [Bruno Ayllón](#)

4.1 Global transformations and emerging countries

The distribution of global power and the growth of emerging countries constitute two of the main changes in international relations at the beginning of the 21st century. Various estimates confirm that the BRICS countries (Brazil, Russia, India, China and South Africa) and other emerging countries will form almost 60 % of the global GDP by the year 2030 (UN LDC IV /Ohrlls, 2011). Future projections suggest that China's GDP will exceed that of the United States by 2025, and that of Brazil and Japan by 2050, by which time Russia, Mexico, Indonesia and Turkey will match the economic clout of Germany, France, the United Kingdom and Italy (Milani, 2011). The 'new geography of growth' is marked by the intensity of exchanges of all kinds between developing countries ('South-South' relations), representing a central component in the process of changing the creation and distribution of wealth (OECD, 2010a).

A progressive process of integration is also underway for these countries using a variety of mechanisms and global forums (G-20), with the highest level of activity appearing in the debates on economic governance, climate change, peace processes and post-conflict stabilisation, nuclear programmes, trade and reform of multilateral financial and political institutions. The fact that the European Union (EU) has established strategic relationships with China, India, Brazil, Russia, Mexico and South Africa reflects the importance bestowed on the relationship with these emerging powers.

The economic and social advances made by emerging countries and other Middle Income Countries (MIC) have generated opportunities for broadening the size and form of this cooperation. Some estimates place their contributions to international cooperation for development in 2008 at around USD 15 billion – 9.5 % of the total registered flows, constituting an additional resource for Official Development Assistance (ODA). Chief among these are China, Saudi Arabia and Venezuela (USD 2 billion respectively), bodies from Arabic countries (1 billion) and India (750 million). According to the UN, 22 % of the South-South Cooperation (SSC) is channelled multilaterally, and **over 90 % is offered in the form of programmable aid linked to technical cooperation initiatives**. This means that 75 % is destined for funding programmes and projects, although budgetary and humanitarian aid is growing rapidly (DESA/UN, 2010).

By sector, the cooperation of these countries is mainly concentrated on the development of production, infrastructure and areas such as health. Cooperation is also frequently targeted at **sectors abandoned** by traditional donors (agriculture, trade assistance). Geographically speaking, aid is also offered to **neighbouring countries and its provision within the framework of mechanisms for regional and sub-regional cooperation and integration**, given the higher level of interdependence and the closer links between members. Countries with the resources and capacity to plan their cooperation beyond their immediate surroundings are few, with the exception of China, India, Brazil and certain Arab countries, all of which are very active in Africa.

Looking outside the usual indicators, (GDP, extension, population, trade, investments, patents, global presence, etc.) which falsely place emerging countries and MICs as countries which do not require cooperation, we can say with certainty that they continue to be highly sensitive to external influences, they reveal significant institutional fragility, they have huge pockets of poverty and are key players in the provision of regional and international public goods. The majority qualify as 'developing countries'

and this, at varying levels, qualifies them as ODA beneficiaries, in some cases with enormous amounts, among the 50 main receiving parties since 1970.

The implementation of dynamic and innovative cooperation programmes could be deemed to be a manifestation of the 'soft power'⁶⁵ (NYE 2010) of countries such as Brazil, Mexico, India and South Africa. This soft component of their external image enables them to extend their capacity for persuasion and to win support through their interests in other developing countries through the use of 'positive attraction' based on three main sources: political values, culture and foreign policy. Cooperation is an instrument of 'soft power' which is highly relevant due to its advantageous cost/benefit ratio and due to the fast returns in the form of prestige and influence among developing countries and on a global scale. From this perspective, and without denying the existence of solidarity or altruistic motives, SSC in the case of Latin America is subordinate to foreign policies, with a markedly instrumental character, limited to the benefits expected by countries individually, and not as a collective of the developing world as stated in terms of 'demands for mutual change' (Kern/Weistaubb, 2011).

Other motives include the search for new markets and economic opportunities to increase the margin for manoeuvre in these countries, diversifying their international options by broadening their global relationships and reaching greater levels of autonomy (political, economic and decision-making), with the aim of producing changes in the distribution of power generally and in their institutions and systems (UN, IMF, WTO, G-20). Finally, there is a prestige component, which translates into efforts made to build up a positive international image. The collaboration between these emerging countries in international development could be considered a 'sub-product' of their external relations, but not their driving force (Sidiropulos, 2011).

4.2 Features of SSC. The experiences of Latin America

Over the course of the last ten years, some Latin American countries have set themselves up as the originators of the renewed growth experienced by SSC. This trend comes as part of a strategy whose mission goes further than real development in the region. The SSC aspires to convert Latin America into a benchmark for other countries seeking greater autonomy and better development and can, through its own experiences, represent the best of the region's contributions to the debate on the effectiveness of aid.

The SSC is a phenomenon with three inter-related dimensions, and occasionally with blurred borders:

a) A **political** dimension that promotes the establishment of autonomous areas for the generation of alternative prospects and practices between developing countries. These spaces encourage communication and a tightening of bilateral relations, fostering the creation of regional coalitions (UNASUR, NEPAD), inter-regional coalitions (IBSA, BRICS, South America-Africa Summits) and multilateral groupings (G-77, Southern Summits, G-20/WTO) with the aim of increasing their capacity for negotiation on the global agenda and improving the agreement and coordination of policies (Santander, 2011).

⁶⁵ Nye adds 'smart power' to the categories of 'soft power' and 'hard power'. 'Smart power' is defined as the intelligent integration of networks of diplomacy, defence, development and other tools of 'soft' and 'hard power'. The case of 'health diplomacy' in Brazil and India, with its extension to South-South coalitions, such as the IBSA Forum (India, Brazil, South Africa), is a good example of this.

b) The other **technical** dimension, considered 'a process through which two or more developing countries acquire **individual** or **collective capabilities** through the cooperative exchange of knowledge, resources and technological know-how'⁶⁶. This is the most relevant field of action for SSC in Latin America.

c) An economic **dimension**, spread over the commercial, financial and investment arenas among developing countries. It includes the possibility of macroeconomic forms of cooperation and associates experiences of regional integration.

Although SSC is in a state of constant flux – as can be seen by the diversity and growth in projects and programmes among developing countries and through the proliferation of debate forums in the ECD and the United Nations (*Task Team on South-South Cooperation* (TT-SSC) and *Development Cooperation Forum*) and through references in the final statements of international conferences for contributions to development and the new architecture of aid⁶⁷ – this is not a new phenomenon. Its rise is linked to the process of decolonisation and the search for alternative and autonomous models among developing countries in order to strengthen their national capabilities and give them the right conditions for self-sufficiency.

Latin American is the region of the world where SSC cooperation has produced the richest experience in terms of the progress noted and the positive experiences in the organisation in the context of regional and multilateral debate. Some of the main landmarks in the history of SSC happened in the region. The concept of Technical Cooperation between Developing Countries (TCDC) came as a result of the Buenos Aires Conference (1978) which, under the auspices of the UN, assembled 138 countries and triggered the adoption of the Buenos Aires Plan of Action (BAPA). **The** Caracas Plan of Action for Economic Cooperation between Developing Countries (1981) and the San José Plan of Action (1997), dedicated to investment, trade and finance round off the SSC benchmark framework.

Basic objectives of the TCDC according to the Buenos Aires Plan of Action (1978)

- 1 - Increase the capacity of developing countries to manage themselves using their own means.
- 2 - Strengthen the collective capacity to exchange experience and develop additional strengths.
- 3 - Bolster capabilities to collectively confront issues of international economic relations.
- 4 - Increase the volume and effectiveness of international cooperation
- 5 - Foster the technical and technological capacity to promote the transfer of technology and skills.
- 6 - Bring about greater access to experience and technologies.
- 7 - Increase the capacity to absorb new technologies.
- 8 - Contribute to resolving the needs of the least developed countries.
- 9 - Broaden the collaboration in international economic activities.

Source: Latin American Economic System (SELA):

The nature and limits of SSC is one of the most highly debated aspects in the whole theory, with no real consensus forthcoming⁶⁸. As to its main characteristics, developing countries emphasise their operating logic based on the shared identification of proven solutions to development issues. With this in mind,

⁶⁶ Special Unit of SSC of the United Nations Development Programme (UNDP): http://ssc.undp.org/faq/#irfaq_3_7b9ba (date of viewing: 6 June 2011).

⁶⁷ Fourth United Nations Conference on the Least Developed Countries, 9 to 13 May 2011, Istanbul, Turkey.

⁶⁸ Theoretical/conceptual, semantic and ideological elements currently debated within the SSC are beyond the scope of this document. See INTERNATIONAL POLICY CENTRE FOR INCLUSIVE GROWTH/UNDP (2010).

cooperation is conceived as a continuous process of learning and exchange. The priority for actions is to focus on the exchange of ideas, experiences, knowledge and techniques, encouraging procedures for reciprocal learning and the circulation of *know-how*. This process emphasises the creation and strengthening of capabilities. Along with this first characteristic, five ideal principles are advocated, such as equality between parties, non-interference in members' internal matters, respect for independence and sovereignty, solidarity and the promotion of self-sufficiency.

For its horizontal structure, SSC enables the promotion of initiatives closer to the conditions and requirements of the countries concerned, generating a broader feeling of appropriation by the receiving party. This encourages the performance of 'double dividend' actions, stimulating the technical and institutional capabilities of members (Alonso, 2007). There are no conditions on offering these actions, or involving the purchase of goods, equipment or services in the offering country. For this to happen between countries with the same development issues, greater sensitivity to specific situations of vulnerability and crisis is required in the SSC, along with a closer knowledge of the situation than in North-South Cooperation. As these countries continue to be ODA receivers, even though they offer cooperation to others, the implications of the aid received by traditional donors are known. This translates into shared visions and an exchange of experiences on management and political consequences.

When being used in countries with similar levels of scientific and technical development, SSC uses the most suitable technologies, adapted to the member's needs. These needs are understood to be the most useful aspects and the easiest to transfer, including elements which can be used in a sustainable manner, generating additional strengths and innovation (with their application providing new expertise). These technologies take care to preserve identity and cultural diversity. These attributes may be made more powerful in regions such as Latin America, which have shared socio-cultural conditions. Considering that most countries using SSC are MICs, their relevance consists in the generation of benefits shared by the members involved, in the form of institutional and technological capabilities, investments, access to markets or the internationalisation of economic agents. Countries taking part in SSC note that this cooperative method is best suited to their needs in committing to more local resources (Sanahuja, 2008).

In terms of its performance, alongside the definition of priorities stated in the national development strategies, the use of this kind of resource generates greater appropriation on the part of members. It would have greater flexibility based on their capacity to adapt to changing conditions in the least developed countries. Its simplicity and speed of execution, alongside its low cost, provide greater savings and optimised use of resources, along with more intense exploitation under administrative burdens, owing to the ability of developing countries to supply value-for-money goods and technical professionals (ECOSOC, 2011).

SSC is adapted to the priorities of its beneficiaries, providing funding for infrastructure and strengthening their ability to spend when channelled through national budgets. Their flexibility, malleable nature and predictability is enhanced. It is estimated that three-quarters of funds are spent during the economic provision for scheduled aid, in order to assist with the fiscal planning (United Nations, 2008). This predictable character is related to the absence of economic conditions or requirements from legal and statutory reforms. Nor is dialogue on policy or sensitive matters, such as human rights, involved, by virtue of the principle of non-interference in internal affairs⁶⁹.

⁶⁹ This is one of the most highly criticised aspects among civil society organisations. See ALOP (2010); Better Aid (2010).

Attributes of SSC

- *Greater adaptation to the needs of countries concerned.*
- *Diversification of ideas, subjects and methods of cooperation.*
- *Reduction of situations of monopoly in the provision of aid*
- *Greater sensitivity to specific contexts.*
- *Greater employment of local resources and higher levels of appropriation.*
- *Encourage reciprocal learning processes.*
- *No imposition of conditions for its horizontal character.*
- *Responds to a model that seeks solutions to development issues.*
- *Based on proven policies and experiences in developing countries.*
- *Priority over the exchange of ideas, expertise and techniques.*
- *Involvement of new players in cooperation processes.*
- *Taking advantage of sectoral capabilities of MICs.*
- *Low relative cost and faster execution.*

Source: prepared by the authors'

The speed of execution is also praised, compared to all the funding from traditional donors. This comes as a consequence of simpler procedures for a lot of developing countries which would otherwise hold things up, with fewer administrative steps and, in some cases, the application of procedures for the beneficiary countries. Finally, this deals with a type of cooperation that is of better than average quality and is not linked to the purchase of goods and services for technical cooperation and emergency aid.

However, without wishing to deny its positive aspects, there is a certain idealisation and a marked ambiguity and laxity with regard to the definitions of SSC, its scope, advantages and limitations with a view to its effectiveness and the frequent comparison with North-South Cooperation. The multiplication of platforms for debate on SSC, which previously fell within the United Nations, G-77 and the Non-Aligned Movement, presents a further challenge for developing countries, especially those in Latin America, which find themselves under pressure to make their cooperation practices more transparent. They feel under pressure to align themselves with the general consensus of DAC/OECD expressed in the Paris

Declaration.

This situation is made worse by the shortcomings and difficulties in terms of access to contrasting information and through the absence of assessments and evidence on their impact. The need for further detail makes matters more urgent insofar as certain European donors and EU institutions see the possibility of starting or increasing SSC aid actions through a triangular method. For this to happen, the potential impacts on the performance of the aid effectiveness agenda need to be known. At the same time, the EU and its Member States need to reflect on the best ways to incorporate SSC in their aid strategies, using the recognition of changes in international cooperation through the increase in agents involved and in the aid governance structures arising as a consequence of the progressive dilution of the donor-receiver pairing (Sotillo, 2010).

Latin American States manage their SSC with nearby countries of particular interest to them, for cultural, political, historical or security reasons. This does not imply the absence of motives of solidarity. For example, Colombia is concentrating its SSC actions on neighbouring countries and countries in the Caribbean basin. Venezuela divides its attention between this latter approach, with Cuba as its main partner, and Central America, with a lower presence in South America, where it prioritises its political allies (Bolivia and Ecuador). Argentina centres its efforts around South America, and more specifically with its neighbours and members of Mercosur (Bolivia and Paraguay), although Mexico is increasing its presence particularly in Central America and the Caribbean. Brazil is the only country in the region which demonstrates a greater diversity in its cooperation, prioritising Latin America, with El Salvador in Central America, Bolivia in South America and Cuba in the Caribbean as its main destinations. This does not diminish its growing presence in Africa, where it managed 52 % of the projects of the Brazilian

Cooperation Agency in 2007, with Mozambique, Angola, Cape Verde, Sao Tome and Principe and Guinea Bissau as priority partners, with Asia to a lesser extent.

By sector of activities, and just going by the Ibero-American scope of the bilateral performance of projects in 2009, SSC within the region was concentrated on economic activities (40 % of the 881 registered projects), social (another 40 %) and other sectors (20 %) such as culture, gender, the environment, disaster prevention, strengthening of public institutions, etc. Ibero-American General Secretariat, 2010).

SSC sectors offered by Latin American countries

Argentina	Agriculture, food safety, human rights, maternal and infant health, industrial technology, education
Brazil	Social programmes, rural development, agriculture, health, professional training, biofuels, digital inclusion, electoral assistance, humanitarian aid, science and technology
Chile	Regional integration, trade, decentralisation, State reform, public policies, environment, natural resources, production, higher education
Colombia	Security, refugees and displaced people, farming, social minorities, urban mobility
Costa Rica	Environment, tourism, electrical energy, education
Cuba	Health, education, sport, agriculture
Mexico	Public policies, technical cooperation, education, technology, agriculture, energy, environment and waste management, housing, technology, regional development
Venezuela	Energy, health, education, habitability, water, social missions, humanitarian and financial aid

Source: prepared by the authors

SSC includes Latin American foreign policies and works with various national strategies directed at strengthening a positive presence in the world, essentially in other countries in the region (**Colacrai, 2011**). These strategies are shown very clearly through the various visions of SSC which inform the cooperation policies of Venezuela, Brazil and Colombia – three countries which, with different political profiles, are seeking to exercise a certain amount of leadership in the SSC that takes place in Latin America.

Venezuela bases its leadership among certain countries in the wealth generated by oil and on the alternative model of Bolivarian socialism, which is instrumental in cooperation through the ideological support for friendly governments, putting forward a break from the traditional rules of North-South Cooperation. Colombia is opting for an alignment of SSC with DAC countries, adopting its directives in an almost uncritical manner, making it the greatest driver in the implementation of an effectiveness agenda in the region. Brazil is maintaining its role as regional leader and the level of relative development is reached in its industry and certain current sectors (agriculture, energy and health). This gives the South American giant a central position in Latin American SSC. We should also note its significant presence in Portuguese-speaking countries in Africa and East Timor in Asia, its structuring with other emerging powers in South-South coalitions (IBSA, BRICS, G-20 of the WTO), the international undertakings taken on alongside Argentina, Chile and Uruguay, among others, in the reconstruction of countries **undergoing conflict, political instability and disaster (Haiti)** and its huge diplomatic capability, which transforms its embassies into centres distributing successful experiences and promoting its own model of development, respecting market rules and generating social inclusion. This does not prevent the private sector from taking advantage of opportunities opened up by presidential visits, which translate into requests for cooperation which include the purchase of Brazilian goods and

services which have funding discounts from the National Economic and Social Development Bank (BNDES).

Among the types of players performing or receiving SSC actions in the region, public institutions dependent on central administrations predominate (investigatory institutions, foundations, public companies, sectoral ministry bodies, security forces, legislative and judicial powers, hospitals, regulatory entities, public financial bodies, national administration schools, etc.), but attention should be drawn to the increasing involvement of regional and local administrations which act bilaterally or through cross-border networks and cities (MERCOCIUDADES), universities, the for-profit private sector and non-governmental organisations (NGOs).

The coordination and political responsibility falls on the shoulders of agencies, general departments or secretariats dependent on the Foreign Ministry (Brazil, Chile, Argentina, El Salvador, Paraguay, Nicaragua, Peru, Mexico) or the Ministries or Secretariats for Planning (Honduras, Guatemala, Dominican Republic, Ecuador). Other countries are adopting a two-headed model (Costa Rica and Panama) with a distribution of responsibilities between the Foreign Relations and Planning Ministries, and in cases of close subordination to the President of the Republic (Colombia and Uruguay). In Cuba, international cooperation is subject to control from the Vice-Ministry for Latin America of the Ministry of External Trade and Foreign Investment. Venezuela is a unique case in that there is a huge fragmentation between the various ministries, although at the top of a pyramid with a wide base representing its structure we have the President of the Republic, and secondly the Ministries for Foreign Relations and Planning and Development. The quantity and quality of the human management teams for cooperation in all these countries varies enormously ranging between 14 civil servants in Costa Rica to 142 in Brazil for example (Vera, 2010).

An overview of SSC would not be complete without mentioning its importance in integration and regionalisation processes (Ojeda, 2010). This variant of SSC can be seen in the framework of post-liberal regionalist strategies that claim to reformulate and redirect integrationist paths in Latin America (ALBA-People's Trade Agreement, Mercosur, UNASUR), generating many more political areas for cooperation than in the past. More development-orientated visions for the role of the State predominate, with a higher level of participation and concern for the social dimension and, in some cases, for institutions and shared policies. This relates to a reinterpretation of regionalism and integration which rests on a positive agenda and a bolstered cooperation that moves beyond the trade dimension, with SSC mechanisms, dialogue and political and institutional agreement for the defence of democracy, peace and regional security (Sanahuja, 2010a, Sanahuja, 2010b).

Alongside the South-South regional cooperation schemes exclusively integrated by developing countries (SICA, CAN, Mercosur, AEC, Mesoamerica Project), whose horizons and alignment of projects with national strategies are highly accentuated, there are other North-South formats which rely on the participation of European countries (Spain, Portugal and Andorra in the Ibero-American General Secretariat, SEGIB) and American countries (United States and Canada in the OAS). In all this, the programmes and actions are performed in widely diverse sectors, running from social sectors (health, education, housing, sport) to the strengthening of economic and trade activities, with a rapid growth in physical, energy and production integration initiatives and the development of infrastructure. The management of interdependencies occupies a privileged place on the agenda of regional SSC, with ground-breaking local and territorial development initiatives, political and judicial cooperation, public

goods and the prevention and reduction of natural disasters⁷⁰. The creation of mechanisms for the correction and reduction of imbalances has also been incorporated into the spectrum of actions, such as the Mercosur Structural Convergence Fund (FOCEM), which funds projects relating to infrastructure, habitability, basic sanitation and tourism, mainly in the smallest countries within the block (Uruguay and Paraguay) or within the multi-state grouping (Mercosur project to combat foot-and-mouth disease).

Finally, with regard to the efforts made to generate shared visions on international cooperation, it is relevant to consider the existence of different regional platforms for debate which encourage the exchange of experience, the circulation of knowledge and the instigation of good practices which contribute to the advancement of the establishment of common denominators and minimum consensus on the natural world, aims and the most effective instruments in SSC for Latin America (Nivia, 2010). Over the long term, the Latin American Economic System (SELA), a regional body founded in 1975 which operates as a focal point for SSC support activities and which gathers together the directors of international cooperation in Latin America and the Caribbean every year, and the Economic Commission for Latin America and the Caribbean (ECLAC), which in 1979 founded a Technical Cooperation Commission for Developing Countries and Regions (and renamed in 2005 as the High Level Commission for SSC), will add to the dynamism and drive of the Ibero-American General Secretariat (SEGIB⁷¹).

SEGIB is an international body made up of a permanent body for institutional and technical support for the Ibero-American Conference, which includes the EU Member States of Spain and Portugal as members, along with the nineteen Latin American and Caribbean States. Since 2008, we have witnessed an SSC Strengthening Programme in which participating countries have defined a set of shared visions and methodologies⁷². Without a doubt, this is the main area within the scope of the region for the generation of information, knowledge and good practice in terms of SSC, in its bilateral and triangular dimension⁷³.

The SEGIB report on the state of SSC in Ibero-America is required reading, not only for its quantitative and sectoral approach, but also because it points out qualitative paths for the best possible exploitation⁷⁴. Its latest edition shows an overview of increasing diversification and a broadening of SSC and triangular projects and actions, with a total 881 bilateral projects and 46 triangular projects in 2009. Cuba and Venezuela are among the most active countries, followed by Mexico, Brazil and Argentina, with Colombia and Chile behind them. Bolivia, Ecuador, Costa Rica, Guatemala, Paraguay and Uruguay have a very low level of participation. With regard to triangular cooperation, Chile comes out as the

⁷⁰ For a detailed analysis of these experiences, please refer to SEGIB (2010).

⁷¹ Through its Inter-American Council for Integral Development (CIDI), the Organisation of American States (OAS) has also headed SSC within the context of the debate on aid effectiveness. COOPERANET, a mechanism used to promote the Inter-American system for cooperation was created in 2010. This provides an ongoing dialogue for effectiveness and SSC.

⁷² SEGIB South-South Cooperation Programme: <http://www.cooperacionsursur.org>.

⁷³ SEGIB has been entrusted with the drafting of an annual report on the state of SSC in the region since the 17th Ibero-American Summit held in Santiago de Chile in November 2007. The 18th Summit held in San Salvador (November 2008) re-affirmed this mandate to define future objectives for the SSC programme: the strengthening of national bodies coordinating cooperation, the promotion of the adoption of shared regional positions, the contribution of information systems to development, the monitoring, assessment, identification, systematisation and replication of good practices, lessons learned and successful cases.

⁷⁴ The SEGIB website details the documents published on SSC to date. It is well worth taking the time to assess the conceptual advances, the proposals for quantification and the identification criteria for good practices in SSC and triangular projects. <http://segib.org/programas/informe/>

performer of 40 % of projects, followed by Mexico, Brazil and Argentina making up another 40 %. Costa Rica, Venezuela and Bolivia make up the remaining 9 %, 7 % and 2 % respectively.

In summary, we can see a great deal of variety in SSC in Latin America, with countries putting forward a more ideologised and *ideologising* model (Cuba and Venezuela, and to various extents other countries of the ALBA – Bolivarian Alternative for Latin America). This comes as a clear obstacle to cooperation with DAC countries and represents the rejection of any external support and any support which champions more pragmatic and autonomous models (Chile, Brazil, Mexico and Colombia, amongst others), given to working alongside external partners through triangular cooperation and open to dialogue from their own particular viewpoints with regard to the effectiveness and governance of aid (Hirst, 2010). In its regional dimension, the dynamism of SSC in political, cooperative, regional and sub-regional coordination processes comes in response to the reformulation of open regionalism in the ECLAC circle and a search process for higher levels of autonomy and interdependence among Latin American countries. From this standpoint, SSC presents the clear ability to foster de facto solidarity and strong connections between the administrative, social and technical spheres of regional institutions and organisations, moving beyond political rhetoric.

4.3 SSC within the context of the effectiveness agenda:

In general terms, developing countries are increasing, diversifying and enriching their cooperative offerings with new approaches and focus, geared towards the achievement of results and effectiveness in the achievement of their goals. However, their action introduces uncertainty with regard to the possibility of generating a concerted action to bring about greater aggregate levels of aid effectiveness. It is currently difficult to confirm that the Paris Declaration (PD) is a benchmark for any type of regional coordination in Latin America (Prado, 2010).

This is partially due to caution and the rejection of initiatives and coordination frameworks brought forward by the OECD and by multilateral financial bodies. Both the DAC and the World Bank have tackled the effectiveness and quality of aid with a focus centring on the least advanced countries with the lowest income, from a donor-receiver duality, without considering the particularities of countries receiving ODA. They combine with cooperation programmes undertaken with other developing countries (DAC/OECD, 1996; World Bank, 1998). A shared perception on the unsuitability of these provisions has formed in Latin America regarding its MIC profile. Add to this the fact that the PD is based around the management of ODA flows and omits the debate on consistency between policies and donors, without dealing with other policies (trade protectionism, intellectual property and patents, science and technology, shipping, investments) which have a fundamental impact on regional development (Alonso/Sanahuja, 2006).

The involvement of Latin American countries in the aid effectiveness agenda has been gradual, with different positions wavering between enthusiasm and total rejection. While Venezuela is creating a rift with traditional methods of North-South Cooperation, Colombia is pushing for an alignment between SSC and the PD, making it one of the main driving forces in the region and the world, in terms of developing countries. The Colombian joint presidency of table 1 (appropriation) of the 3rd High Level Forum of Accra exemplifies this activism, as does its central role in the creation and presidency of the Task Force on SSC and the hosting of the High Level Event on SSC and the Development of Capabilities in Bogota in March 2010.

Including the Caribbean States, only 53 % of countries in the region have subscribed to the PD⁷⁵. The reasons for this are many and varied, based on the combination of a series of factors such as the level of aid dependency, directions in foreign policy, views on interference and the reduction of room for manoeuvre in relationships with donors, the existence of management and internalisation capabilities in administrative structures for the implementation of the PD or the assumed role of the SSC offering party (International National Forum, 2010).

With reference to the most relevant countries, the abovementioned factors enable Latin American countries to group together into three separate blocks (Shonrock, 2009):

- 1) Countries subscribing to the PD which have access to funding from the International Development Association and which were beneficiaries of the HIPC Initiative (*Highly Indebted Poor Countries*) to remove debt. These are Bolivia, Nicaragua and Honduras. These all have relatively high rates of aid dependency above GDP ⁷⁶ and accept monitoring and assessment mechanisms.
- 2) Countries which combine active membership, reluctance and rejection or indifference towards the PD. Their most prominent feature is that they offer SSC. These are countries which signed up to the PD in special circumstances (Argentina), or which have done this just to be receivers (Brazil), which have not endorsed it for ideological reasons (Cuba and Venezuela) or which have signed up, applied it and intend to extend it enthusiastically (Mexico and Colombia). These countries all have a common denominator, which is their negligible dependency rates on ODA, at under 1 % of GDP.
- 3) Countries with modest aid dependency levels (between 0.1 % and 1.3 % of GDP) which signed up to the PD in its early years (Guatemala, Dominican Republic, Peru and Paraguay), which have not signed up (Costa Rica and Uruguay) or which have recently signed up (Ecuador and El Salvador, 2009). Their main shared feature consists of being predominantly receivers of SSC to a much lesser extent than offering it.

More complicated has been the result of applying the principles and mechanisms established by the PD to SSC. On this point, most Latin American countries do not classify cooperation they offer as being part of the provisions of the PD. Some countries confirm that the PD is exclusively related to traditional donors and that SSC has its own features that set it apart from North-South Cooperation. It is questionable whether a restricted forum, such as the DAC – speaking for the partial vision of developed countries – can universally disseminate certain guidelines that developing countries reject because they do not come from international bodies with a multilateral, universal and fully representative character (such as the United Nations). However, the problem does not stem from the PD's principles, which have been fully incorporated in the SSC practices since the Buenos Aires Plan of Action in 1978 (although expressed in different terms, such as the horizontal standpoint, mutual consensus, fairness, self-sufficiency, shared costs, demand focus, etc.) but rather its interpretation, made worse because it failed to count developing countries in the discussions and drafting in a clear demonstration of the imposition of an agenda (Lopes, 2010).

The case of Brazil is representative of this position, as the country signed the PD in its capacity as ODA receiver, but not at all as a country offering cooperation. Taking this approach, SSC practices by Brazil

⁷⁵ The following have all signed up to the PD: Argentina, Bolivia, Brazil (solely as a receiver of ODA), Colombia, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru and the Dominican Republic.

⁷⁶ In 2006, Bolivia (5.2 %), Nicaragua (13.6 %), Haiti (11.7 %) and Honduras (6.3 %).

constitutes a sovereign act without being subject to rules generated by donors and intended solely for them. However, Brazil affects the application of PD principles which are noted in prior UN declarations as being the appropriation and mutual responsibility of developing countries regarding technical cooperation programmes (Pereira, 2008). Ultimately a preference for the efficacy of cooperation to be processed in regional platforms or in the United Nations can be seen. Argentina and Brazil are calling for the reorientation of these debates within the scope of ECOSOC's **Development Cooperation Forum**, founded in 2007. Although the legitimacy for participation in this is not doubted, there are doubts over its effectiveness, meeting biannually and without sufficient technical capabilities (Ayllón, 2009).

Similarly, the participation of countries in Latin America in the G-77 and China is full and active, with Argentina acting as temporary president in 2011. This forum gathers together 130 developing countries, and SSC has been present since the beginning, with three important milestones in the 21st century:

- 1) The Tehran Consensus (2001) which championed the construction of a multilateral platform for SSC supported by the community of donors.
- 2) The Marrakesh Declaration (2003) which reflected a new acknowledgement of SSC as an effective instrument for the pursuance of the Millennium Development Goals;
- 3) The Yamoussoukro Consensus (2008), launched three months prior to the High Level Forum in Accra, giving expression to the vision of the G-77 on SSC and the debate on its effectiveness. This confirms that SSC and its agenda should be led by the Southern countries and not analysed and assessed using the same standards used in North-South cooperation.

With regard to the inclusion of SSC in the global effectiveness agenda, the first multilateral reference to its role is recorded in the United Nations International Conference on Financing for Development (Monterrey, 2002), whose final declaration encouraged 'SSC, including triangular cooperation, to assist the exchange of opinions on strategies and methods that have met with success, along with the experience acquired and the repetition of projects' (Point 19). It goes on to detail the actions necessary for receiver and donor countries to increase the effectiveness of aid, stating the strength of triangular cooperation and 'SSC as instruments for the provision of assistance' (Point 43).

Neither the Declaration of Rome on the Harmonisation of Aid (2003) or the PD on Aid Effectiveness (2005) reflect the contributions of SSC to international development. This absence has not stopped SSC over the past five years as being acknowledged as an effective instrument for the mobilisation, construction and strengthening of capabilities between developing countries, which may have a positive contribution to a new architecture of aid and a more inclusive and horizontal governance of international cooperation.

This process has sped up owing to the proliferation of agents and by the growing penetration of 'emerging donors' or 'new providers' of aid in Africa. We should not lose sight of the impact that the international economic crisis, which affects the pace of growth in developed countries more strongly, may have on the reduction of budgets intended for ODA, and the calls made by some countries undergoing particular circumstances, such as Japan, so that emerging donors compensate for the cuts in their aid, proposing that SSC is accounted as 'global development aid'⁷⁷

⁷⁷ 'Brasil sob pressão para ajudar países mais pobres' [Brazil under pressure to help poorer countries], Valor Econômico, São Paulo, 20 April 2011.

The advance of the 'new donors', especially China, has stirred up some concern in DAC countries regarding repercussions on the application of the effectiveness agenda. The creation of the *Working Party on Aid Effectiveness (WP-EFF)* within DAC in 2003, which a number of developing countries have since joined (six Latin American countries: Bolivia, Colombia, Honduras, Nicaragua and Mexico), multilateral and bilateral institutions (CARICOM and IBD) and civil society bodies, provided a partial response to this concern. The promotion of dialogue going further than DAC with countries involved in SSC through the *Open Doors*⁷⁸ programme is another manifestation of the efforts made by traditional donors to enrich the debate over effectiveness and encourage mutual understanding about the respective goals and principles.

The acknowledgement of SSC contributions and the lessons that can be learned from its practice came to light during the 3rd High Level Forum on aid effectiveness (Accra, 2008). Intensive diplomatic activity among Latin American countries (Colombia and Brazil) preceded the meeting, alongside other developing countries, to ensure that the final declaration would include their role in the effective technical cooperation⁷⁹. These negotiations dealt with the need to adapt the PD to SSC principles and characteristics. This meant the observance of non-interference principles in internal affairs, the equality of partners, respect for independence, national sovereignty, diversity and cultural identity and local content.

The text of the Accra Agenda for Action (AAA) underlined the 'importance and particularities of SSC', and the lessons arising from the experience of developing countries, whose contributions constitute a valuable addition to North-South Cooperation (Sanin/Schulz, 2009). Greater development of triangular cooperation was also recommended. The AAA put SSC in the spotlight through the prominent role played by emerging and middle income countries, but it generated greater international pressure through the presentation of empirical evidence on its effectiveness⁸⁰.

At the same time, there were further questions asked about the 'self-legitimation debates' (Sanuhaja, 2010e) which fed into what is an idealised vision of SSC, whose philosophy and methods of execution placed it in a position of 'moral authority' with regard to North-South Cooperation. This position comes as a consequence of its more developmentally minded nature, on the disconnection of commercial and strategic interests, the absence of a focus on welfare and the equality between parties and the reciprocity of interactions, without any imbalances or vertical relationships between the countries carrying out SSC – and so basically through its intrinsic effectiveness.

The need for more evidence on the effectiveness of SSC came to light in the Follow-up International Conference on Financing for Development (Doha, 2008), whose final declaration called on developing countries (if they were in a position to do so) to continue to make 'concrete efforts to increase and make more effective their South-South cooperation initiatives in accordance with the principles of aid effectiveness'⁸¹. The United Nations recognised that the effectiveness of SSC is very limited in its analysis owing to the absence of evaluations. Where such evaluations exist, they are superficial, limited to the completion of steps in the performance of projects and with significant limitations on environmental

⁷⁸ http://www.oecd.org/document/62/0,3746,en_2649_33721_44131518_1_1_1_1,00.html

⁷⁹ Accra Agenda for Action (AAA). Point 14: 'Developing countries and donors will i) jointly select and manage technical cooperation, and ii) promote the provision of technical cooperation by local and regional resources, including through South-South Cooperation'.

⁸⁰ AAA. Point 19: 'We encourage all development players, including those engaged in South-South co-operation, to use the Paris Declaration principles as a point of reference in providing development cooperation'.

⁸¹ The Doha Declaration on financing for development, point no. 50. December, 2008.

and social effects, especially with regard to infrastructure projects. There is almost no registration of participation among SSC offering parties in formal initiatives for harmonisation with other donors. Nor is there any record of policy dialogue experiences with countries receiving SSC regarding statutory issues. In relation to the PD, it is believed that this has been endorsed by two-thirds of the countries performing SSC – countries that are generally highly dependent on foreign aid (United Nations, 2008).

In 2009, under the leadership of Colombia and Egypt, a Task Force on SSC (TT-SSC) was set up in the WP-EFF, defined as a platform headed by the southern countries, under the auspices of DAC, and confirmed by partner countries, middle income countries, donors, sectors within civil society, academia and regional and multilateral bodies. Its work responds to the triple objective set out in the AAA: adapt the principles of the PD and of Accra to SSC; enrich the effectiveness agenda with its practices and experiences; identify the synergies between SSC and North-South Cooperation, including triangular cooperation. To achieve these objectives, the TT-SSC is performing analytical work on the documentation, identification and systematisation of good practices. It is present in regional and global debating forums and platforms on aid effectiveness and SSC, and pushes for the constitution of practical and learning communities⁸². This initiative aims to extract evidence regarding what works and what could be done better in practice with SSC.

Two phases in the activities performed by TT-SSC between its creation and the time spent up to the 4th High Level Forum on Aid Effectiveness in Busan (South Korea) in December 2011 can be identified. The first phase was for structuring and growth, with the accommodation of new members and the search for aid to support them in their activities through three regional platforms (NEPAD in Africa, OAS in Latin America, and the Asian Development Bank in Asia and the Pacific region), and the World Bank Institute. The second phase was one of consolidation, high dynamism and projection through the political endorsement of the G-20 declaration (November 2010) and the deepening of evidence on the effectiveness of SSC, with a second generation of 30 case studies presented in Busan. To separate the two phases, a High Level Event on SSC and Capacity Development was held in Bogota in March 2010. This event was attended by 130 countries and organisations, during which an initial analytical report on 110 SSC, triangular and regional case histories was presented. This report was fairly general in nature and weak in terms of empirical evidence. However, this was the first effort by a certain to identify good practices and lessons learned regarding SSC⁸³.

The meeting was held with the theme of 'Contributing to a more effective and inclusive architecture of cooperation' and was presented as the convergence point for the three previous TT-SSC meetings in Africa, Asia and America. Its goals were based around sharing experiences on the lessons of SSC, strengthening practical communities and building bridges between SSC global and regional platforms. A road map was also drawn up, along with recommendations to push forward this type of cooperation along the lines set out in Busan. Disagreements between Latin American countries arose in Bogota regarding the application of the PD and AAA principles on SSC. It was not possible to reach a consensual final declaration to the text put forward by Colombia and other members of the TT-SSC (Aid Committee). Instead a Report⁸⁴ was published (known as a *statement*) endorsed by eleven countries (Colombia, Mexico and Peru from Latin America, and Spain from the EU), along with various multilateral bodies such as the European Commission (Surasky, 2010).

⁸² South-South Opportunity platform, with 1000 members: <http://www.southsouth.info>

⁸³ http://www.impactalliance.org/ev_en.php?ID=48706_201&ID2=DO_COMMUNITY

⁸⁴ Bogota report. Towards Effective and Inclusive Development Partnerships, 25 March 2010. Available at <http://www.oecd.org/dataoecd/1/23/45497536.pdf>

The major innovation in the multilateral discussion on the role of SSC and its relationship with the aid effectiveness agenda was the incorporation of the issue on the G-20 agenda and its inclusion among the nine pillars defined in the Seoul Development Consensus for shared growth. SSC appears to come as a reflection of part of the development principles of the G-20, in the section entitled 'systemic global and regional issues', which recognises the need for collective coordinated action, 'including through SSC and triangular measures' to create synergies with a maximum impact on development. In its ninth pillar (Exchange of knowledge), the multi-year consensus action plan details the concrete actions for increasing the effectiveness and enriching this exchange. To do this it requests the TT-SSC and the UNDP to recommend activities and proposals to increase *knowledge sharing* in its various forms (North-South, South-South and triangular).

Without going into the merit of the inclusion of SSC in the G-20 agenda, certain questions are raised over legitimacy owing to the low representative nature – shown in the absence of low-income economies and African countries, except for South Africa – and due to the convenience of assuming expertise in terms of development cooperation. The problem stems from determining whether the participation of emerging countries (and in the case of Latin American the 'big three' countries – Argentina, Brazil and Mexico) constitutes a strong ability to promote international development in other areas. This translates into a new paradigm for a more inclusive cooperation, or at least the broadening of the 'big game' that favours emerging countries and moves away from the aspirations of developing countries (Roy, 2010).

Everything indicates that the Busan Fourth Forum should pay special attention to 'emerging donors' and to SSC, even if this is in a radically different context to previous meetings, given that the economic crisis may cause tensions on the distribution of the cost of financing development. The Latin American countries are expressing growing concerns over this trend, which may involve an acceleration of the 'withdrawal of donors' for the region, putting forward SSC to occupy this space with a guarantee of aid from developed countries through triangular cooperation⁸⁵.

Nothing in the above, including the legitimate resistance of some Latin American countries to greater implementation of effectiveness in the agenda should serve as a reason to postpone the performance of qualitative improvements in the cooperation that they offer. It should serve for their decisive integration in coordination processes on the ground without ceasing to maintain the essence and characteristics of the way of cooperating with other developing countries. Instigating feasible proposals, building alternatives to a positive agenda and pushing forward coordinated initiatives to increase the impact of cooperation through development, regardless of its origin – all this is not just the responsibility of the OECD countries. Renouncing these tasks would undermine the legitimacy of SSC and diminish the opportunities of Latin American countries to influence the 'necessary reform of the global governance of aid' (Sanahuja, 2011).

4.4 The EU and South-South Cooperation and triangular aid in Latin America

The EU does not have a joint vision or a clear strategic definition to enable it to structure and develop an SSC aid policy and cooperative response with sufficient energy, not only in Latin America but also in its relations with other MICs. Some direction regarding relations with emerging economies certainly exists, but this is a fragmented approach, with problems in articulating ways of joint working using inclusive

⁸⁵ This idea appears to be explicitly shown and reiterated in different ways in the Final Report of Phase 2 of the Evaluation of the Paris Declaration, made public in May 2011 and which can be accessed at <http://www.oecd.org/dac/evaluationnetwork/pde>

and horizontal formats, such as those brought about by its involvement in the innovative associations that may arise out of SSC and triangular schemes (Schulz, 2010).

Upon examination of the **Lisbon Treaty and the Treaty on the Functioning of the European Union**, it would appear that there are no direct references to SSC or to triangular cooperation as measures or instruments for EU cooperation in development. A recent study aimed at determining the possible existence of a legal or political framework supporting an EU initiative in SSC aid failed to uncover any firm evidence, limiting itself to pointing out a number of legal provisions on which such an initiative could be based (Van Reisen, 2011). One of these provisions refers to Title V, Part 1, Article 21 of the Treaty of Lisbon, which establishes the objective of the EU to 'develop relations and build partnerships with third countries and ... regional organisations'. However, this excessively sweeping statement leaves the door open to interpretations liable to encourage SSC but fails to offer a firm and explicit anchoring point.

The absence of direct references to SSC in EU texts and regulations instils the need to begin a process of reflection which could lead to its inclusion in the EU's cooperation policy. It is a certainty that this gap does not prevent EU institutions and the **Member States** from expressing their interest in incorporating this working method into their cooperation. In any event, the reality is that close scrutiny of the activities of the Member States and the European institutions responsible for cooperation for development allows us to identify some timid, emerging responses to SSC.

In the Regulation of the European Parliament (EP) and of the Council of the EU of 18 December 2006 establishing the **Financing Instrument for Development Cooperation**⁸⁶ (IDC), there is a brief reference to SSC, linked with the thematic programme on food safety. It mentions the possibility of encouraging '*scientific and technical South-South and South-North cooperation and twinning*' along with the need for '*developing innovative food security policies, strategies and approaches, and strengthening the potential for their replication and South-South dissemination*'.

The EP has been progressively contemplating the benefit of paying attention to SSC in Latin America. And so in the framework of the Communication of the Commission entitled 'A stronger partnership between the European Union and Latin America' of 8 December 2005, the opinion of the MEP José Ignacio Salafranca noted the significance of the mobilisation of '*countries under South-South solidarity and cooperation programmes*' and '*emphasises the need for greater cooperation with Latin American countries which have not only succeeded within their own societies in progressing towards achievement of the Millennium Development Goals but are also playing a leading role in generating extensive South-South cooperation*'.⁸⁷

A year later, the EP reiterated the mention of these cooperation methods within a sub-regional context, more specifically in the framework of the Association Agreement between the EU and its Member States and the countries of Central America. The report with a recommendation proposal intended for the Council stated the benefit of 'also promoting three-way and bi-regional cooperation – especially with the Caribbean – and the policy of South-South cooperation'⁸⁸. It is worth noting that later on, in

⁸⁶ Since 2007, this financing instrument for cooperation has been spearheaded by the new Directorate General of the European Commission – EuropeAid Development and Cooperation (DEVCO).

⁸⁷ Resolution of the European Parliament on a stronger partnership between the European Union and Latin America (2005/2241(INI)), Opinion of José Ignacio Salafranca, 7 April 2006.

⁸⁸ Report with a proposal for a European Parliament recommendation to the Council (2006/2222 (INI)). Committee on Foreign Affairs Rapporteur: Willy Meyer Pleite. 5 February 2007.

2010, **the EP resolution on the EU strategy for relations with Latin America did not allude to SSC, limiting itself instead to suggesting the adoption of a triangular focus within the framework of a broader political dialogue with other continents, in the following words:**

‘... Proposes that a bi-regional political dialogue be opened with new triangular approaches on issues, areas and matters of common interest embracing EU-LAC-Asia, EU-LAC-Africa and EU-LAC-US, with a view to moving towards a Euro-Atlantic area comprising the US, Latin America and the EU’⁸⁹.

With regard to the declarations of the EU Council within the context of the EU-LAC Summits started in 1999 and in the process of the construction of a strategic association, we had to wait until the 6th Summit, held in May 2010, for SSC and triangular cooperation to appear in the final declaration. Point 37 of the Declaration of Madrid states that the main aim of the Joint Action Plan 2010-2012, the development of programmes and initiatives for bi-regional cooperation, ‘include SSC and triangular cooperation’. The text of the Plan builds on this mandate, firmly setting a purely instrumental incorporation of SSC and triangular cooperation in the EUroCLIMA programme, with the establishment of partnerships between the EU public administrations and the public administrations of the countries of Latin America and the Caribbean, and finally in the field of education and employment in order to foster inclusion and social cohesion⁹⁰.

In the first half of 2010, during the Spanish Presidency of the EU, the Council drafted some contributions to the High Level Event on SSC and Capacity Development held in Bogota. This is the only EU document giving a structured outline of the arguments in favour of SSC and triangular aid, although it recommends the need to have clear definitions and precise conceptual frameworks on these forms of cooperation which garner a better understanding of their characteristics. As well as this, the Council welcomed this type of cooperation and pushed for the generation of evidence on effectiveness to build a bridge between SSC and North-South Cooperation. Finally, it recommended that **Member States** get involved in mapping European experiences in triangular cooperation with the aim of broadening the limited knowledge held at the time.

For its part, the **European Commission (EC)** gradually introduced SSC onto its agenda for global cooperation and cooperation with Latin America. Two recent documents very briefly mention SSC and the role of new donors – in both cases relating to the financing of development. In the first, the Green Paper, the EC states that in spite of the growth of SSC, public financing in developing countries and ODA, the need for resources to comply with Millennium Development Goals is much greater⁹¹. In the second document, an EC communication entitled ‘A twelve-point EU action plan in support of the Millennium Development Goals’ calls for all donors, including new donors, to get involved in the fair sharing of the burden to raise their level of ambition to that of the EU. In this context, the contributions of new donors and of SSC are recognised to round off the needs of funding for development⁹².

The EC and the European External Action Service (EEAS) subsequently set in motion a consultation process⁹³ with actors involved in cooperation with regard to the EU's international priorities after 2013,

⁸⁹ European Parliament resolution of 5 May 2010 on the EU strategy for relations with Latin America (2009/2213(INI)).

⁹⁰ Parts 2, 3 and 5 of the Madrid Plan of Action (2010-2012): ‘Towards a new stage in the bi-regional partnership: Innovation and technology for sustainable development and social inclusion’.

⁹¹ EU development policy in support of inclusive growth and sustainable development – Increasing the impact of EU development policy’. COM (2010) 629 final. Brussels, 10 November 2010

⁹² COM (2010) 159 final.)=0 %(Brussels, 21 April 2010:-)

⁹³ ‘What Funding for EU external action after 2013?’, Public Consultation, 26 November 2010 to 31 January 2011.

which included questions over the possibility of joint working between the EU and the parties known as *emerging donors*. On entry: 'Should the design of the EU's financial instruments assist with the possibilities for joint cooperation with emerging donors?' – 26.15 % of participants stated they 'strongly agreed', and 49.5 % 'agreed'. Just 4 % declared that they 'disagree' and 'strongly disagree'. The percentage of people who failed to answer due to a lack of information is significant (20.1 %). Another aspect to point out is the introduction of SSC within the debate put forward by the Commission on the inclusion of civil bodies in the EU's development policy, through the implementation of a dialogue 'structured' by an effective partnership within the scope of development. This space encourages the importance of promoting networks and consolidating coalitions between civil bodies, including the performance of global campaigns within the framework of North-South and South-South partnerships.

With regard to the EU's cooperation policy towards Latin America, the presence of SSC can be identified at the three geographical levels in which it is deployed within the financial prospects covering the period 2007-2013: regional, sub-regional and national. Of the four regional plans with Latin America – three with a sub-regional scope and one with a regional dimension⁹⁴ – three include the horizontal dimension. The regional plan with Latin America mentions SSC as a useful method to enable less able countries to benefit from 'horizontal' or bi-regional programmes. It includes 'an SSC dimension between beneficiary institutions' (such as 'backing' from other institutions), reducing imbalances with regard to the countries involved in the programmes. In the case of the strategy with Mercosur, SSC is linked to scientific cooperation led by Brazil and Argentina. With regard to Central America, both the medium-term Strategy review and the indicative programmes for the period 2011-2013 herald the launch of a new programme aimed at strengthening regional governance and security. One of the tools identified for its performance consists of promoting triangular cooperation applied to the trans-regional dimension of security topics, citing Mexico as an example of a partner country.

Of the **bi-regional programmes**, thematic instruments for cooperation which converge with the priorities defined in the framework of relations between the EU and Latin America, several present a horizontal component which is limited to the exchange of experiences between participating countries⁹⁵. In 2009, the Commission communication entitled 'The European Union and Latin America: Global Players in Partnership' includes a statement that opens the door to the promotion of SSC and triangular cooperation. It states that 'the countries in the region have taken on cooperation with poorer countries' and so 'further opportunities for South-South and triangular cooperation should be explored'. To this end, it proposes the implementation of 'triangular cooperation with partners from Latin America and other regions', with the aim of contributing to the achievement of the MDGs and tackling 'trans-regional threats'. With regard to the EUROSOCIAL programme, it recommends its renewal, exploring 'opportunities for institutional partnerships and triangular cooperation'.

The recent assessment of EUROSOCIAL places great importance on the exchange of experiences between Latin American countries, and stresses how this has boosted the horizontal component, as well as the potential contributions of SSC in the various sectors of the programme (HTSPE, 2011). In the justice sector, it states that 'the participants take a very positive view of the strengthening of SSC. In taxation, SSC was encouraged to implement educational actions, inspired by the Argentinian experience, which contributed to progress in this area in El Salvador, and subsequently in Costa Rica. In

⁹⁴ The three sub-regional plans refer to the EU's regional strategy with MERCOSUR, with Central America and with the Andean Community. The regional plan corresponds to the plan with Latin America.

⁹⁵ EUROSOCIAL programme (social cohesion), URB-AL (urban development), AL-INVEST (internationalisation of SMEs), ALFA (higher education), and the Latin American Network of Knowledge Centres in the Water Sector (water management and governance).

health, the exchanges of experiences gave rise to the creation of networks favouring SSC. Finally, in the actions relating to employment, the progress gained related to the encouragement of SSC.

As part of the **Strategic Partnerships** respectively signed with Brazil (2007) and Mexico (2008), the promotion of the horizontal approach benefited from much greater political will than the regional and sub-regional agreements. With regard to Brazil, the EC Communication 'Towards an EU-Brazil strategic partnership'⁹⁶, is the heading of the section devoted to accomplishing the MDGs and encouraging regional development with recognition for the Brazilian cooperation programme:

'Like other emerging powers, Brazil is increasingly assertive in South-South cooperation, especially in its own neighbourhood and in Lusophone Africa. Whilst the engagement of most 'emerging donors' is often aimed at generating short-term results and returns, the emphasis of Brazil's own (relatively small-scale) cooperation programme tends more towards long-term, sustainable development'.

In this document we can identify the EC's preference for intensifying the cooperation with Brazil in the development of triangular initiatives in terms of energy with African states from the Community of Portuguese Speaking Countries (CPLP). A Letter of Intent was also signed on 14 July 2010 for cooperation in the electoral processes among Portuguese-speaking African Countries (PALOP). Within South America, the EC suggests that Brazil should concentrate on disseminating its experience and making innovative solutions available to its neighbours for application in the fight against poverty, inequality and social exclusion. The Joint Action Plan signed following the second EU-Brazil Summit (2008-2011) reiterates the role of triangular cooperation as the ideal instrument to consolidate peace, provide aid to countries experiencing a post-conflict situation and combat criminality. Among the recommendations made by the EP in 2009 on the EU-Brazil Strategic Partnership, triangular cooperation was highlighted to receive greater attention. This position was ratified by the 5th EU-Brazil Summit, as reflected in the new Joint Action Plan (2012-2014), held in Brussels on 4 October 2011. Triangular cooperation in partnership with developing countries was raised as a 'way to complement existing bilateral cooperation initiatives, so as to boost knowledge, consistency and additional financial resources to benefit developing countries'.

Generally speaking, the EU's involvement in triangular cooperation in Latin America derives its motivation from the role played by emerging countries which exercise a growing influence on their environment. With regard to Chile, the mid-term review in the *Country Strategy Paper (2007-2013)* emphasises the efforts made by Spain and Germany to increase their triangular cooperation and acknowledges that the EU still does not work with the country using this measure. In the framework of the launch of the EU-Chile Association for development and innovation (May 2009), whose role is to spread the benefits of the Association Agreements to the regional sphere, joint coordination and cooperation were established to assist other Latin American countries to achieve the MDGs. During the 4th EU-Chile Summit, held in May 2010, the 'willingness to work together on ways of cooperation such as triangular cooperation and SSC' was reiterated (Freres; Martinez, Angulo, 2010).

Germany stands out through its chosen path as one of the most active Member States in the encouragement of SSC and triangular cooperation. Other active community members are Spain, France, Belgium, the Netherlands, Sweden and the United Kingdom. Two recent studies by the OECD and the TT-SSC confirm that other Member States are working on triangular cooperation projects on a smaller scale (OECD-TT/SSC, 2010). This is the case with Denmark, Finland, Italy and Luxembourg, with a level of

⁹⁶ COM (2007) 281 final. Brussels, 30 May 2007.

involvement and integration of the horizontal component in their widely differing cooperation initiatives. A study of the profiles of Member States encouraging SSC reveals **the diversity of their approaches**.

Germany has the highest number of triangular cooperation projects. Its participation in these initiatives began in the 1990s, motivated by the possibility of mobilising more resources and by the advantages identified in achieving greater synergies and coordination between the parties concerned. From Germany's point of view, triangular cooperation constitutes an instrument for supporting the development and capabilities of partner countries – one of the priorities of its policy of cooperation in Latin America (Tezanos, 2010) – effectively combining the know-how, skills and experiences of the partner countries with the expertise accumulated by Germany⁹⁷. In 2009, Germany had 14 projects in Latin America, in areas such as sustainable development, waste management, public social welfare policies, urban and rural settlements, School-Business integration and public procurement systems (SEGIB, 2010). German cooperation rests on strengthening the technical and institutional capabilities of partner countries with a more advanced level of development which are seeking to offer cooperation and play a more active role. In terms of management, the focus is on delegating triangular cooperation initiatives to its local offices and on providing incentives for working networks.

Spain is another notable example. The support for SSC and the fostering of triangular cooperation are new features of Spanish cooperation, whose benchmark is the Second Master Plan (2005-2008) which puts forward the exploration of 'equal and triangular cooperation' as a way of working with the more advanced countries in Latin America. This focus is related to the reliance on aid for MICs that Spain has pushed forward in multilateral forums and in the DAC/OECD. The Third Master Plan for Spanish cooperation 2009-2012 **details the promotion of SSC as an additional strategy for cooperation with MICs in the process of consolidating their development achievements. This method enables the 'promotion of initiatives closer to the conditions and needs of partner countries', and is set to stimulate 'technical and institutional capabilities for both donors and receivers'**⁹⁸. Triangular cooperation is described as the '*bridge between traditional North-South cooperation and South-South cooperation*', defining itself as the association of human resources, technology and financing between two or more countries – usually a DAC donor and an MIC – for the benefit of a third country, where this latter may contribute with its own resources. The factor of the '*efficient division of labour*' is also included⁹⁹.

In Latin America, Spain's support for SSC in a small part responds to a 'strategy of withdrawal' and is more in line with a focus on adapting instruments to the level of development of each of its partners, strengthening capabilities through the broadening of successful experiences. At an operational level, Spain has signed a number of different conventions and memoranda of understanding for the development of triangular operations with Argentina, Brazil, Bolivia, Colombia, Chile and Uruguay¹⁰⁰. With Mexico, it is drafting a methodological framework based on the effectiveness principles enabling it to structure triangular cooperation initiatives towards third countries with financial aid from the mixed

⁹⁷ The countries that Germany triangulates with most in the region are, in order of preference, Chile, Costa Rica and Mexico.

⁹⁸ Spanish Agency for International Development Cooperation (AECID): Third Master Plan for Spanish cooperation 2009-2012.

⁹⁹ AECID: Glossary. 99 Aid Effectiveness Terms in Spanish Cooperation, <http://www.aecid.es/es/servicios/publicaciones/Publicaciones2/Otros/Normativa/glosario99.html>

¹⁰⁰ The focus on triangular cooperation is reflected in the AECID Management Agreement 2009-2010, which includes an indicator quantifying the 'number of agreements with donor countries for jointly financing and executing any cooperation programmes in partner countries'.

fund for Hispano-Mexican cooperation. Generally speaking, the focus for SSC support is at the **experimental stage**. There are some projects – pilot projects and triangulation initiatives of modest volume and breadth, such as support for the modernisation of public administration, with Chile and Paraguay.

The Spanish Agency for International Development Cooperation (AECID) is making **significant efforts to spread** the advantages and implications of triangular cooperation. During the Spanish Presidency of the EU in the first six months of 2010, a pioneering workshop for the community was organised in the days running up to the High Level Event on SSC and the Bogota Development of Capabilities, intended to make the triangulation experiences of European donors systematic, and to detail future prospects for the EU. The main findings were based around a better understanding of triangular cooperation and the consideration of its transaction costs, potentially compensated by the benefits arising from the exploration of complementarities between partners. This workshop also had a strong focus on reflections regarding the structure between this measure and the aid effectiveness agenda¹⁰¹.

One special case is that of **France, whose work in triangular cooperation** is still in its infancy. French cooperation has shown interest in incorporating triangular cooperation as part of its decentralised cooperation, recognising the '*capacity for innovation borne by the local groupings of the South*' (Le Saux, 2007). Another reason given for the fostering of SSC is the search for alternatives to the disadvantages of automatically reproducing the experiences of the North, favouring the exchange of South-South solutions and their most suitable responses to the issues faced by local entities.

Other European experiences also enrich the possible materialisation of the triangular approach in Latin America. **Belgium** has innovated in triangular cooperation among universities. The **Netherlands** has opted for triangular cooperation in sustainable development. With the support of Dutch cooperation, the *Partners on South-South Cooperation*, brings together three countries from different continents: Benin – Bhutan – Costa Rica. The main challenge has consisted of achieving the joint participation of the beneficiaries with very different geographical, social and cultural environments, identifying complementarities, exploring the comparative advantages of each country and defining the scope for intervention to bring about the exchange of knowledge and practices.

Sweden encourages SSC through the recognition of triangular cooperation as an effective method. In the direction of work set out in its Action Plan for Aid Effectiveness (2009-2011), the Swedish agency for cooperation through development (SIDA) included support for the development of capabilities which meet the demands of developing countries, create opportunities for SSC and provide expert knowledge. SIDA supports the *Capacity4Dev* platform, dedicated to the promotion of technical cooperation using local and regional resources through SSC (Lassey, 2010). It has limited direct experience in triangular cooperation in Latin America, with two projects in Guatemala and Bolivia, having Chile as a partner country.

The United Kingdom has shown strong support for joint work with Brazil in Africa, supporting the Africa-Brazil Cooperation Programme in social development. The initiative arose from a bilateral Brazil-Ghana cooperation project ('*Livelihood Empowerment against Poverty*', LEAP) in the area of tackling poverty and social exclusion, from the spread of Brazilian experiences in 'Transference Programmes for conditional income' (Bolsa Familia).

¹⁰¹ AECID (2010): 'Workshop Report and Concept Note: Triangular cooperation in the context of aid effectiveness – Experiences and prospects of European donors', Madrid, 19 March 2010.

This demonstration of the experiences of the Member States represents an attempt to express their growing interest in SSC and triangular cooperation. It highlights the absence of a shared vision among European partners with regard to the fostering of SSC, its incipient development, the wide range of approaches and the modest resources that have been provided for triangular cooperation to date.

4.5 Conclusions and Recommendations

The changes in world power dynamics and the current process of their distribution and vertical and horizontal movement, which can be seen globally and in the Latin American region in particular, represent serious and urgent challenges for the EU. The vigour of South-South relations, the creation of autonomous spaces for political agreement and cooperation among Latin American countries (Community of Latin American and Caribbean States, CELAC)¹⁰², without European or North American participation, and the presence of extra-regional actors (China, Russia, India and Iran) are profoundly important changes which **challenge the EU to redefine its strategy** and the instruments used to maintain its position as a relevant actor in relations with the region.

A special place is reserved among the conclusions of this report for the perceived absence of a global EU policy and of a regional focus with Latin America in supporting SSC. In reality, we are confronted by a varied set of actions, distributed among various isolated instruments and statements, or in different strategic documents on Euro-Latin American relations. It is impossible to state that there are clear political directives with regard to SSC, or a structured and articulated strategy which explores their complementarity and their coordination with the support brought by certain Member States and other DAC donors. The consistency of a policy or programme for the encouragement of SSC should be considered alongside the rest of community policy, and more specifically with the policy of development cooperation.

At the same time, the increasing recognition of the relevance of cooperation between developing countries within the agenda for the effectiveness and intensification of SSC in Latin America involve the assertion of regional autonomy and a strengthening of the leadership of certain countries, having direct repercussions **on the reduction of the priority attributed to EU cooperation** (Arenal, 2010). Faced with this view, it is probable that the traditional agenda for Euro-Latin American cooperation, concentrated on the pairing of social cohesion and integration, should be reviewed and extended with the **incorporation of mechanisms with a markedly horizontal nature** based on a focus on the exchange of knowledge, sharing the successful experiences of each region and exploring additional forms of cooperation that have the ability to boost their respective strengths. The main donors in the region, the EU and its Member States, define **a shared and coordinated strategy** faced with the reality of a more autonomous, assertive Latin America which is diversifying its options for international participation.

However, it is necessary to proceed with caution with SSC, not solely with regard to its principles, philosophy and contributions to international development, but also due to the fact that the existence of different ways that certain countries put it into practice recommends **weighing up the convenience of a selective focus by the EU**. Any decision should be taken using the clearest possible evidence and a detailed knowledge of the horizontal methods that hold the greatest potential for development. The implications for political dialogue and the regulatory aspects that SSC does not incorporate should not be underestimated, along with the possible impacts on the strengthening of coordination and

¹⁰² Formally constituted in the 'Unity Summit' in Cancun on 25 February 2010.

harmonisation among donors within the scope of the PD, of the European Consensus on Development and the Code of Conduct on complementarity and the division of work – processes to which the EU and its Member States are firmly committed.

As stated in this report, SSC has enormous potential, but presents certain contrasts in terms of its nature, effectiveness and structure with the cooperation of DAC/OECD donors. There are emerging signs of interest for SSC in the community institutions and in some Member States (Spain, Germany, United Kingdom, France, etc.) but it would be advisable to **deepen the understanding of this cooperative method**, find out more and assess the advantages and drawbacks of the way of introducing it, who would gain an incentive for it and what levels to operate it on.

Recommendations

As a result, the EP and the Commission could launch a process of clarification in regard to SSC and triangular cooperation. It would be advisable to explore the synergies between the community institutions and the Member States going further with this approach, capitalising on the experiences of triangular cooperation (Germany), the capacity for dialogue within regional platforms in Latin America for the promotion of SSC (Spain), the lessons learned in decentralised triangular cooperation (France), the focus on exploring complementarities in South-South-South triangular cooperation systems (The Netherlands) and support from Sweden and Belgium via triangulation with civil society and universities in developing countries. We also need to take advantage of the lessons learned by other DAC donors (Japan and Canada) who have more experience with triangular cooperation. We recommend the design of some **form of formal permanent mechanism for dialogue and exchange of ideas** to enable the relevant parties to share and systematise them.

The EU should **draw up a strategy at various levels**. At the **global and multilateral level**, it is essential that the European institutions define the scope of their support for SSC and the best ways of making it effective, giving an indication of the major aspects for the potential intensification of community cooperation with emerging countries (political dialogue, human rights, effectiveness, coordination, division of work). The practical translation of this political definition, coming alongside the position of multilateralism¹⁰³, is **a renewed involvement in the fostering of SSC within the United Nations**, in the Development Cooperation Forum of ECOSOC, in the High Level Committee on South-South Cooperation of the General Assembly and in the activities of the Special Unit for SSC of UNDP. Both the EU and the Member States should get more involved in the SSC programmes of the United Nations agencies and programmes. Similarly, financial support through contributions to the World Bank *South-South Experience Exchange Facility* or to funds such as the Pérez Guerrero Trust Fund (UN), would signal a European commitment to cooperation among developing countries.

At **bi-regional level**, this strategy would initially go through a political dialogue on SSC, also exploring the work opportunities alongside other regions through triangular initiatives. In the specific case of Latin America, **it is necessary to raise the priority of SSC in the partnership with the EU in the next cycle of the drafting of strategic documents**, given that neither the Regional Programming 2007-2013 nor the 2009 Commission Communication, 'Global Players in Partnership', grant it its due importance.

¹⁰³ See the Communication of the Commission to the Council and to the European Parliament (COM 2003, 526 final) of 10 September 2003 entitled: 'The EU and the United Nations: the choice of multilateralism'.

With the upcoming **7th EU – Latin America Summit**, to be held in Chile in 2012, the fostering of SSC should be one of the central themes. For this to happen it requires the political will of the EP, whose capacity for impacting Euro-Latin American relations needs to be increased. Both the EUROLAT Assembly and its various commissions could suggest that more attention is paid to SSC. It is advisable that, in the preparatory work for the Summit in Santiago de Chile, the option is on the table that EUROLAT could send a message to this effect to the European and Latin American representatives.

We recommend that the EUROLAC Foundation incorporate **a bi-regional programme for the investigation of SSC** into its activities in order to contribute to a fuller mutual understanding. This programme could be centred around identifying the ideal consensual parameters and conditions, using previously successful experiences, and putting forward shared methodologies to support SSC and its replication in new context, such as the creation of an SSC and triangular cooperation watchdog for example, to include *practitioners* and academics.

At **regional and sub-regional level**, the support for SSC should be concentrated around the encouragement of learning networks among Latin American peers and in the exchange of experiences (FIIAPP, 2010).¹⁰⁴

The EC could encourage the implementation of this focus with regard to all existing and future regional programmes¹⁰⁵. To do this, the component of circulating knowledge and horizontal reciprocity in these regional programmes could be boosted **through the reorientation of their objectives and instruments**. The results of the assessment of the EUROSOCIAL programme advocate greater consideration for the horizontal component and SSC in the second phase of the programme.

With regard to the EU's cooperation in the various regional integration processes, the inclusion of encouragement for SSC in the drafting of *Regional Strategy Papers* for the period 2014-2020 is recommended. The possibility of boosting cooperation within these processes through the strengthening of institutions, the creation of opportunities for horizontal cooperation, the generation of regional public goods, the push for citizen participation and the **encouragement of the design and execution of public policies in strategic sectors** (productive integration, governance and modernisation of Public Administrations, gender, social cohesion, environment, local development, health, education, employment) should be contemplated. It is necessary to go into more depth with the component parts of these strategies that have the potential to link into a more horizontal focus. This would include, for example, such fertile ground with past experience as the methods for cross-border cooperation and the management of the interdependencies which foster SSC. The drive and leadership in this area would match the European Commission and DEV-CO EuropeAid.

Support for forums and regional institutions which debate and work in SSC in Latin America should also be intensified. The experience of the European Commission with ECLAC in driving forward networks such as REDIMA (Network for Macro-economic Dialogue in Latin America) and EuropeAid in the political and regulatory dialogue of the @LIS Programme is a good precedent.

¹⁰⁴ This was what was meant by the EP's position regarding the EU strategy for relations with Latin America, when it stated that it 'welcomed the initiatives to promote and exchange knowledge and best practices', considering this initiative to be 'an extraordinarily useful tool' – European Parliament resolution of 5 May 2010 on the EU strategy for relations with Latin America (2009/2213(INI)).

¹⁰⁵ Communication from the Commission to the European Parliament and the Council: 'The European Union and Latin America: Global Players in Partnership', Brussels, 30 September 2009, COM (2009) 495 final.

The support for SSC should **under no circumstances displace or substitute existing priorities for community cooperation**. Instead, it would be advisable to introduce it gradually.

At **bilateral level**, a selective focus for the promotion of SSC is recommended, which **adapts to the capabilities and needs of Latin American partners**, based on their level of development, their availability to receive external support for the cooperation that they offer and their position on the aid effectiveness agenda. The route of triangular cooperation presents itself as an especially attractive method with countries such as Brazil, Mexico and Chile. These countries already have a reference framework in the context of association agreements and strategic partnerships set up in recent years. It does, however, present difficulties for the reasons already given in terms of its activation in countries such as Venezuela or Cuba, or with the ALBA. Another very large group of countries, including Central American countries with the exception of Costa Rica, Caribbean countries and Paraguay and Bolivia in South America, presents a profile which would be receptive to cooperation. Their current involvement in SSC as offering parties is fairly limited. For its part, a group of countries including Argentina and Colombia, and to a lesser extent Ecuador, Peru and Uruguay, is in the movement of receivers and offerers, taking its first steps in triangulation initiatives.

In all these cases, one way of entering into action for the EU's cooperation in Latin America would consist of **strengthening the capabilities of these countries for offering SSC** in different facets to match the stated weaknesses on this type of cooperation (IT and computer systems, knowledge management, systematisation of experiences, mechanisms for accountability, financing, monitoring and assessment, etc.) This means taking advantage of the expertise of the European experience for 'cooperating in cooperation', through the development of capabilities (support for the creation of agencies, training for civil servants, project cycle, methodologies, etc.)

As regards the distribution of tasks, **mixed formulas among the Member States and the Commission** could be envisaged for the performance of actions to stimulate the technical and institutional capabilities of Latin American countries. Consider that some countries (Chile, Brazil, Argentina, Uruguay, Peru, Ecuador and Colombia) have cooperation agencies and departments for triangular cooperation, while others (Mexico, Uruguay) have just created them or are in the process of doing so. In many cases, these agencies or bodies are institutionally weak, lack experienced civil servants and are unaware of the basic elements for the management of the project cycle, tools for assessment, planning and programming, or knowledge of the technical requirements involved in triangular cooperation.

The EU can make a contribution to enable partner countries to **identify their potential for SSC and strengthen the mechanisms for its promotion** at national and multilateral level. The creation of Euro-Latin American training programmes in this area would be very welcome. This would also contribute to the generation of actions with the double benefit of promoting the meeting of Latin American cooperation managers in forums and spaces for the exchange of experiences and discussion of the issues posed by the implementation of cooperation programmes.

With regard to the aid effectiveness and quality agenda, it is worth remembering that **not all potential EU partners in triangular cooperation**, both destination and intermediary countries, **are signatories of the PD and the AAA**. The criteria for effectiveness should be made standard for the prior assessment of interventions, considering that many middle-income partners in Latin America and many end receivers are reluctant to apply them, or show reluctance regarding the way in which attempts have been made to 'impose' the Paris principles on developing countries.

In the interests of the efficient division of work, it is possible that the execution of triangular cooperation projects and programmes should be weightier on the Member States willing to be involved in this three-pronged method which, in community institutions such as the Commission, is currently presenting procedural difficulties.

4.6 Remarks

by Alejandra S. Kern

The document drawn up by the European Parliament takes into account the relevance of SSC within a context of international transformations which go beyond changes to the cooperation system for development and have a bearing on the relations between the EU and Latin America. Among these, the emergence of new powers is key, in a context of economic crisis to which developed countries are unable to respond.

With regard to the characteristics of SSC and faced with the complexity currently attributed to its definition, the distinction made between the 'political', 'technical' and 'economic' dimensions is very useful in the document for the implicit acknowledgement of separate forms of collaboration in the region. Although the political dimension constitutes a general framework guiding and driving the other dimensions, actual experiences of SSC show that technical and economic cooperation tend to run in parallel, with few points of contact. We are still lacking a way to pursue the integration of visions and actions within these dimensions.

The presented characterisation of SSC clearly summarises certain consensus on its main features, as well as its problems. The resulting definitions are somewhat ambiguous and tend to idealise this type of cooperation and restrict SSC to being an instrument of foreign policy. On this point, it is worth pointing out that the relative opening of the development cooperation system to SSC has caused a great deal of debate in Latin America and an effort by countries to specify what these actions consist of, to improve their registration systems and to learn about the impact of their results. As stated in the document, the Paris Declaration provides pressure to make SSC practices more transparent. However, the impact of this Declaration and of the entire process undertaken within the OECD framework to improve the effectiveness of aid goes further, crossing and simultaneously fracturing the debate over SSC in the region. The PD and the Accra process act as a divide in the region, making it difficult to reach a consensus and forge a common front for the reaffirmation of regional autonomy which is clearly stated as part of the changes at the beginning of the document. Other aspects and views within the internal policies and interests of certain countries in the region which have considerable political weight are incorporated with this point. The document presents a clear view of differing positions with regard to SSC.

Taking and adding to the perspective of this document, we can think of this diversity as an arc going from the strongly 'ideological' model at one end, to a more 'pragmatic' model at the other. Most countries in the region switch alternately and gradually between one end of this space and the other. From this perspective, we can also see a variety of positions towards the PD, ranging from 'enthusiastic support' ('pragmatic' more than enthusiastic) to 'complete rejection'. Going beyond this fragmentation of the political landscape, and as stated in the document, the practice of SSC performs an important function in the region: '[it] generates de facto solidarities and strong connections between the administrative, social and technical spheres of regional institutions and organisations'.

As stated in the document, within a context of change in the global dynamics of power, the EU needs to redefine its strategy towards Latin America. However, this redefinition should transcend the classic and structural view of the distribution of power and orient itself by societal criteria which increase the dialogue on critical issues of development, which affect the global politics and economy. The redefinition of a strategy of links between the EU and Latin America should base itself on an open and constructive dialogue which incorporates and boosts the experience of cooperation between Latin American countries. In this sense, some of the document's proposals run the risk of excessively concentrating on the definition of an essentially 'European' strategy, paying little attention to interregional dialogue. By way of example, the preoccupation with 'the consistency of a policy or programme for fostering SSC with the rest of the objectives of community policies', although clearly necessary, could imply the subordination of the former to the objectives of the EU and its Member States, limiting the contributions emerging from the experiences of SSC. The proposal of 'a selective focus' using *a priori* criteria, such as the various ways of putting SSC into practice and their relationship with the PD criteria, limits the potential to define joint strategies based on new criteria which may go beyond the OECD's definition of Effectiveness.

A more open strategy, built up through dialogue, would not involve the renunciation of commitments already assumed by the EU, but rather would transcend them with a view to a more participatory governance of a development cooperation system constantly open to questioning. This aim appears in the document when it refers to the 'bid for multilateralism' and proposes 'a renewed involvement in the fostering of SSC within the United Nations'. The EU's choice of a more democratic – and therefore more legitimate – character for this forum is consistent with the stated proposal to exceed the way in which the PD has defined aid effectiveness, opening up a new stage in international discussions beyond the upcoming meeting in Buzan. The essence of the choice for multilateralism should be based on the definition of a new strategy for cooperation between the EU and Latin America which raises the priority of SSC in the agenda and in bi-regional documents.

Among the more instrumental and firm proposals, improving existing knowledge and promoting capabilities on international cooperation occupy a significant position. Both proposals should be constituted on the basis of the academic experience available both in Europe and in Latin America. In this sense, the active participation of Latin American training and investigatory institutions is crucial to discover, understand and become familiar with SSC from the definition of its new concepts, thereby avoiding its reinterpretation in the light of concepts which have characterised North-South Cooperation.

Also, the recommendation of a bi-regional investigation programme should be based around and expand other platforms which already exist such as the Ibero-American Support Programme for SSC, or which have been proposed, such as the SSC watchdog planned by the UNDP alongside Argentina. This would enable us to capitalise on knowledge already in place and not duplicate efforts involving the same actors.

Finally, the references to triangular cooperation state that there is already a broad knowledge base to be understood and analysed. Some case studies reveal a wide variety of coordination and management efforts, whose advantages, difficulties and effects are as yet unknown. Generating this knowledge would contribute to a focus on triangular cooperation 'as an element supporting SSC', incorporating and promoting its best principles and practices.

by *Maria Clara Sanin*

Global transformations and emerging countries: in terms of SSC, the emphasis placed on 'protagonist' emerging countries (BRICS, Venezuela, Saudi Arabia, etc.) should come alongside a reference to the increasing institutional activity and strengthening in countries experiencing less growth in order to position themselves as actors in SSC. Although this has been included, I believe that making it a little more explicit would mean SSC is not only associated with what the most powerful MICs are doing.

Features of SSC. The experiences of Latin America: I have two comments on this:

1. As regards, the regional definitions of SSC, I believe that it would be important to include not only academic definitions in the characteristics of SSC, but also political consensuses coming to light in the region within the framework of SEGIB. I believe that the way that the role of SEGIB is described in the topic of SSC is highly pragmatic. However, I think that one of the main advantages of SEGIB is the fact that it is a political forum for discussing SSC, and this is not reflected in the document.

2. I do not entirely agree with the statement that 'Colombia is opting for an alignment of SSC with DAC countries, adopting its Directives almost uncritically, making it the main driver in the implementation of an effectiveness agenda in the region'. Colombia has pushed for a pragmatic position that comes out in the effectiveness agenda for development and SSC. I believe that the analytical work arising from the TT-SSC and the discussions and preparations prior to ACCRA do not reflect an uncritical position. Furthermore, this has also promoted regional spaces such as the SEGIB programme.

SSC within the context of the effectiveness agenda: although positions within the region are very diverse, I believe there are a couple of points worth mentioning.

- The ultimate aim of the TT-SSC is to present recommendations based on evidence taken from the 4th Forum in Busan, on how the Effectiveness Agenda adapts to and is adopted in SSC, and how South-South Cooperation and North-South Cooperation complement one another. It therefore works with partners who are interested in participating in the construction of this agenda. This obviously means that the region does not have many political allies.

- It would appear to me that it would be interesting to ask how the region's countries will participate in Busan. For the time being, there does not appear to be any regional debate on this topic. What I mean is: won't they attend? Won't they raise their discussions and positions?

The EU and South-South Cooperation and triangular cooperation in Latin America. To cite the case of Spain as a country which drives forward triangulation, I do not know if it would be relevant to mention the support that this country offers through Ibero-American cooperation. Although they do not call it triangular cooperation, it is an interesting case of horizontal work from a Member State of the EU with a regional bloc.

Conclusions and Recommendations: It would appear important to me to differentiate between the priority topics of aid and the methods of bringing that aid. I believe that the emphasis on social cohesion and integration is certainly not incompatible with SSC and triangular cooperation, as some topics refer to the 'what', whereas others respond to the question 'how'. I think it is interesting to see how the EU can add to its current aid scheme for the region in terms of social cohesion and integration, incorporating certain support tools to SSC and triangular cooperation. I believe it could be very useful to

start with pilot schemes, or support regional SSC schemes (e.g. Mercosur, CAN or even the SEGIB programme).

On cooperation to strengthen cooperation, I think this idea has merit, but I see an inconsistency in this topic in that some countries in the region fail to accept any discussion on the effectiveness agenda.

Finally, with regard to the selective focus of countries for triangular cooperation, although I agree that not all of them are capable of doing this, I am reluctant to endorse the idea that there are 'chosen' or 'better' countries in the region.

by Juan Pablo Prado Lallande

South-South cooperation, similar to what happens with North-South cooperation, is determined by factors emerging from the situation (internal or external) that are particular to the application of foreign policy, be it from the government or, ideally, from the State. This points to the latent vulnerability of SSC in Latin America which, faced with the lack of consolidated public policies on international cooperation, may lessen its potential and the effectiveness of its results.

In the South, and among the countries of the South, there are huge disparities in political and economic terms as well as in terms of capabilities. If we deem it suitable to go deeper into the analysis in this regard, this fact may serve as a warning to the reader that this situation may, in some cases, return SSC to a top-down exercise of influence or power.

The essay talks about the relatively greater ease of instrumentation with SSC. In my role as a former civil servant working in Mexican SSC, I believe that this is not entirely accurate, given that when a partner country (receiver) from the South does not have the management or absorption capacity for collaboration from other offering countries (be they in the developed world or from the South) it is not easy to implement SSC, but quite the reverse. This suggests that this idea should be clarified.

When we talk about different levels of acceptance and implementation of the Paris Declaration (PD) in Latin America and the Caribbean, it may be of relevance to point out that in some cases, despite a number of countries endorsing the Declaration, in practice they have not become actively involved. This complicates the view of this aspect even more. When we talk about the participation of Latin American countries in the PD, we should point out that, in part (depending on the case at hand – in which Colombia would appear to me to be the most obvious), some countries of the South have used their political and practical support for the aid effectiveness agenda as a foreign policy resource (which is totally legitimate, just to be clear), both to promote their visibility and 'prestige' in the cooperation system and to be seen by the North and its bodies as 'suitable' or 'competent' receivers, or in other words more 'trustworthy' in the interests of maintaining or increasing the ODA provided to them. As part of the proposals aimed at reinvigorating cooperation between the EU and Latin America and the Caribbean, which I consider to be fully correct and consistent, I believe it is right to stress that, in the event that any EU programme with greater magnitude is implemented regarding triangular cooperation with Latin America, it should remain clear that the EU's role should not exclusively be viewed as a 'mere financial backer' for SSC activities. This would not be in the same spirit as triangular cooperation, at least insofar as several Latin American countries (such as Mexico, for example) understand and practice this activity.

It may be of use that in its final section, the Report states more clearly that Triangular Cooperation, given its operative characteristics and the nature of its actors, constitutes the most viable strategy to link European North-South cooperation towards Latin America and the Caribbean with the aim of

strengthening the South-South cooperation of this region, as long as the countries in this latter region (although these will doubtless be highly select countries) want this. In this sense, the strategy currently being established should have criteria that methodologically guides the process through to completion. As indicated in the text, this should include prior successful experiences at bilateral and trilateral level in specific sectors.

by Jorge Balbis

The document presents a balanced view of the advantages and the risks of SSC in Latin America. Although the analysis does not fall into the trap of assimilating topics or issues such as social cohesion and regional integration (the 'traditional' pairing of reference for the EU's cooperation with Latin America) with a firm practice to undertake SSC development cooperation, it would be better for the text to emphasise the distinction between these conceptual categories. The SSC method could be supported by the EU, both with regard to the 'traditional pairing' of topics in the Euro-Latin American cooperation agenda and with regard to other issues such as: the environment and climate change, institutional strengthening, State reform, etc.

There is a fundamental problem which deserves highlighting when thinking about the EU's potential support for SSC in Latin America: given the difficulty or resistance experienced by many Latin American countries in accepting the PD and AAA criteria that they disagree with and seek to change through their practice of SSC, how can the EC support this method of cooperation in Latin America if it wishes to both impose and promote the PD and AAA criteria in this practice along with the criteria it identifies? This possibility appears to come into conflict with fundamental political difficulties, for both the EC and for the Member States of the EU.

We need to insist on the need not to neglect the importance of the EU's N-S cooperation with Latin America. The potential support for SSC should not become an excuse for reducing this latter with MICs (especially with lower MICs). We also need to stress the possible advantages of triangular cooperation, supporting upper middle income countries with regard to initiatives in lower middle income countries within the region of Latin America, especially on aspects which mainly concentrate on SSC projects: productive development, infrastructure and health; and on sectors abandoned by traditional donors (agriculture and trade facilitation).

We agree with raising the priority of SSC in the partnership between the EU and Latin America in the next cycle of drafting strategic documents, especially with the 7th LAC-EU Summit 2012 in mind. I would go as far as to suggest the possibility that support for some SSC initiatives/experiences could be included in the new Multiannual Strategies for cooperation with Latin America, its regions and countries, on a trial basis, where those initiatives/experiences have been duly assessed as a means for the EC to learn from the experience.

5. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

One of the great challenges of the EU-LAC Strategic Partnership is its alignment with the European Consensus on Development and, above all, with the twelve-point EU action plan in support of the Millennium Development Goals, which ties **EU ODA** in with attaining the MDGs. Both documents recognise the need to concentrate efforts in low-income countries, which implies a geographic concentration in Sub-Saharan Africa. At the same time, the fight against poverty, inequality and exclusion – or the promotion of social cohesion – remains a key priority of the EU-LAC strategic association. Making the issues referred to in the Consensus compatible with the objectives of the EU-LAC Strategic Association is a challenge that should be addressed through bi-regional political dialogue, as well as the implementation of cooperation instruments. Paragraph 61 of the Consensus offers strategic perspectives of great relevance to most of the LAC countries. However, both the Commission and the EP should give the region clear signals that the commitment to fight poverty also includes middle-income countries with problems of poverty and social and territorial inequality. The new strategy of ‘inclusive growth’ as a principle of EU development policy is of enormous importance to LAC. The determinants of inclusive growth defined by the Commission – productive, sustainable investments; access to credit; legal and regulatory framework; innovation; decent work; and social protection – are in fact part of the agenda of the Strategic Association.

This context is precisely the basis for the relevance of the concept of **social cohesion** as a primary axis and guiding principle of public policies and development strategies in Latin America. This concept is made relevant too by the fact that inequality has become an obstacle to LAC’s economic growth and the strengthening of its democratic institutions. The region itself is recognising it in this way when the government’s concern focuses on the fight against inequality and incorporates the debate on social cohesion in the national and regional political agenda. Beyond its various connotations, the concept of social cohesion constitutes a common denominator, insofar as it allows development strategies to be aimed at ensuring the wellbeing of the population as a whole, thus avoiding polarisation, disaffection and loss of confidence in democratic institutions.

Together with social cohesion, the EU’s support for **integration in LAC** has also been relevant, since it seeks to adapt to the various options for international involvement that the countries in the region are pursuing today. If the agreements that have been signed at the Madrid Summit are added to the agreements already in force with Mexico and Chile, as well as the negotiation with Mercosur – including, in due course, Venezuela – and the negotiations with Ecuador and Bolivia are reopened, a ‘network’ of association agreements covering the entire region would be formed, and the objective outlined by the EU more than a decade ago would thus become a reality. Association Agreements are a powerful incentive for integration. However, trade policy and the incoherence of certain policy areas with development policy undermine these incentives. The strategy of support for integration and regionalism has relied, fundamentally, on two large tools: the signing of interregional Association Agreements; and cooperation programmes based on financial and technical assistance to strengthen institutions and carry out shared policies. Regional cooperation programmes have been limited, firstly, by the scarce economic support for community cooperation with regional integration and, secondly, by the EU’s very close focus on strengthening institutions that, in a context of ‘open regionalism’, have been of little importance (Sanahuja). Since mid-2000, however, regionalism and regional integration

have been presented with a new 'post-liberal' logic or strategy, through such organisations as the Union of South American Nations (UNASUR). This gives more relevance to policy agendas, stability and crisis management, institution building and functional cooperation in non-trade areas, such as security and defence, the reduction of asymmetries, physical infrastructure, or financial cooperation, which creates new possibilities for dialogue and cooperation from the EU.

The strength that **south–south cooperation** has gained in LAC poses a growing challenge for the EU. The creation of autonomous spaces for coordination and political cooperation among Latin American countries, such as the CELAC – without European or North American involvement – and the presence of extra-regional actors like China, Russia, India, or Iran demand coherent responses on the part of the EU. However, it is necessary to proceed with caution in regard to SSC, in that the co-existence of various forms of SSC requires a selective approach on the part of the EU. Any decision should be taken using the clearest possible evidence and a detailed knowledge of the horizontal methods that hold the greatest potential for development. It is important to underscore the absence of a comprehensive EU policy and a regional approach to Latin America in support of SSC. Therefore, there are no clear policy guidelines with regard to SSC, nor any structured, articulated strategy that explores its complementarity and coordination with the support that some Member States and other DAC donors already provide.

RECOMMENDATIONS

On development aid

- *Opportunity in crisis:* The EU needs to conduct a detailed analysis of the changes made to the architecture of development cooperation. That analysis must include a realistic balance of the twelve-point Action Plan, which makes two things clear: A clear position taken by the Consensus and the Member States as well on the commitment being made to meet the agreements adopted in the financing of the MDG and, secondly, an own strategy regarding the quality of the aid and the fulfilment of the Paris Declaration.
- *More coherence with ODA:* The presence of the EU and three Latin American countries in the G-20 may be an opportunity to find common ground in this area, so that PCD can be implemented jointly.
- *Maintain the commitment of ODA in MICs:* This commitment requires sectoral concentration, on the one hand, and geographical selectivity, on the other. *The eradication of poverty should be kept as a primary objective for LAC, however it must be adapted to the particular demands of MICs which are characterised by a high level of inequality and the need to improve public policies for social cohesion.* Emphasis should be placed on paragraph 61 of the European Consensus on Development, where it clearly describes strategic perspectives of enormous relevance to the majority of LAC countries.
- *A better division of tasks:* ODA should be concentrated on key sectors for the development of the region defined in the last Madrid Summit: support for integration, infrastructure, new technologies and competitiveness, education and training in human resources, renewable energies or government reform and social cohesion. Despite the effects of the crisis, Spain could still assume the leading role, although the involvement of countries with greater economic stability like Germany or Britain would be necessary.
- *Make the most of new spaces:* ODA is also affected by changes in multilateral government. Within the G-20, there are three LAC countries – Mexico, Brazil and Argentina – that have experience in

cooperation. With the Seoul Consensus for development and the Cannes Agenda, the EU could initiate more horizontal links that would enable the aid to be modified for the conditions of low to middle-income countries.

- *Make MDG8 the focus of ODA:* The EU could encourage greater efforts to improve living conditions for the poorest. In particular, policies aimed at achieving the goal of full and productive employment and a decent occupation for all. This strategy would be aligned with the new vision for 'inclusive growth' formulated by the Commission in its Green Paper. The MDG8 is a greater challenge for the EU in LAC and what it offers, moreover, for both regions is the horizontal relationship.
- *Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs)* are, in our opinion, the most appropriate starting point for reformulating horizontal cooperation.

Social cohesion

- Creating agreements and political consensus with a spectrum broad enough to give social cohesion policies the dimensions of State, and not merely government, policy. To accomplish this, it is important to strengthen the democratic institutions and the process for citizen participation in order to achieve consensus on the country-agenda.
- The EU must continue to promote peer learning, the creation of networks and setting common objectives around social cohesion. The EU EFF (Extended Fund Facility) is one model to be discussed for its implementation.
- In accordance with the Paris Declaration, the EU must encourage a more decisive division of tasks and coordinate programmes between Member States to promote social and territorial cohesion. Preparing a common conceptual framework through the EU could be a first step.
- The EU-LAC Social Cohesion Forum, as a space for political dialogue must in fact offer the principles of this conceptual framework to ensure the implementation of more ambitious mechanisms.
- Likewise, the Eurolac Foundation could drive and support a network of European and Latin American think tanks aimed at elaborating proposal for modernising social models to promote social cohesion in the region with the support of international cooperation.

Regional Integration

- The EU must seek out a renewed strategy for supporting 'positive integration' and common policies: as an external partner, the EU cannot restrict itself to the 'classic' strategy of support for formal institutions and the policies for liberalising 'open regionalism'. Therefore, it must encourage policies to improve insertion in international trade through greater competitiveness and an assured access to external markets: the improvement of infrastructure and, in particular, the improvements in productivity by incorporating knowledge, and the improvement of education and research, development and innovation (R&D&I).
- Support for mechanisms to correct regional imbalances: in particular, it may be very appropriate for the EU to provide financial and/or institutional support for instruments and funds established or that may be established by the various sub-regional groups to address these imbalances, such as the Fund for Structural Convergence of Mercosur (FOCEM), or that may be created within the framework of the Central American customs union.

- Mobilisation of additional resources: the EU can promote major involvement by the European Investment Bank (EIB), beyond the criteria of mutual interest provided for in the new mandate for the 2007-2013 period, in collaboration with integration banks such as the Andean Development Corporation (ADC) or the Central American Bank of Economic Integration (CABEI). The launch of the new Latin American Investment Facility (LAIF) by the Commission, as announced at the Madrid Summit in 2010, in this respect constitutes an important innovation.
- The key role of Association Agreements: in this respect, a development cooperation policy especially adapted for the middle-income countries of Latin America need not be limited to 'classical' help, supplemented by well-configured strategies for open trade, through agreements – whether through south-south integration or north-south agreements – that ensure access to external markets, encourage external investment and incentivise innovation and competitiveness.
- A broader agenda for political dialogue: For that purpose, the EU can promote specialist dialogue between public and private actors and civil society and encourage regional institutions to become involved in political crises in the region through a broader consultation process with the Council of the EU within the framework of the CFSP. To this end, initiatives such as the Euro-Latin American Parliamentary Assembly (Eurolat Assembly) are of particular importance.
- The relevance of energy sector policies – especially in the sphere of renewables – and physical infrastructure and communications: in these spheres, the cooperation with South-American initiatives is an important component of the new agenda for integration in response to shared interests.
- More extensive cooperation in science and technology: through programmes that favour both the generation of endogenous capacities, such as external technology transfer.
- Greater emphasis on the promotion of 'regionalisation' dynamics: in particular, cross-border cooperation, management of water basins and transnational natural areas, regional networks of cities and 'bottom-up' regionalisation processes through the creation of regional civil society networks that are able to participate actively in the integration process.

South-South Cooperation

- This concerns how the EU and its Member States, the major donors in the region, define a common coordinated strategy for the challenge of SSC in LAC. In no case should it displace or substitute the existing priorities of community cooperation, as it is recommended that it be introduced gradually. The horizontal nature of SSC and its practices based on the exchange of experiences and peer learning should enrich the programmes and actions intended to promote social cohesion and the support of processes of regional integration.
- As a result, the EP and the Commission could launch a process of clarification in regard to SSC and triangular cooperation. It would be advisable to explore synergies between Community institutions and the Member States that have focused on this in their development.
- With the upcoming 7th EU – Latin America Summit, to be held in Chile in 2012, the fostering of SSC should be one of the central themes. Both the Eurolat Assembly, and its different commissions, may suggest that greater emphasis be placed on SSC.

- We recommend that the Eurolac Foundation incorporate a bi-regional research programme on SSC into its activities to help greater mutual understanding. This programme could centre on identifying parameters and mutually ideal conditions based on prior successful experiences.
- As for EU cooperation with the various processes of regional integration, it is recommended to include the promotion of SSC in preparing the *Regional Strategy Papers* for the 2014-2020 period. It is up to the European Commission and the Directorate-General for Development and Cooperation – EuropeAid to promote and to lead in this task.
- Support for forums and regional institutions which debate and work in SSC in Latin America should also be intensified. The experience of the European Commission with ECLAC in driving forward networks such as REDIMA (Network for Macro-economic Dialogue in Latin America) and EuropeAid in the political and regulatory dialogue of the @LIS Programme is a good precedent.
- The route of triangular cooperation presents itself as an especially attractive method with countries such as Brazil, Mexico and Chile. These countries already have a reference framework in the context of association agreements and strategic partnerships set up in recent years.

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AUTHORS AND REVIEWERS

Authors

Pedro Morazán: Economist and researcher at the SÜDWIND Institute, Germany

FIIAPP: International and Ibero-American Foundation for Administration and Public Policies, Madrid.

José Antonio Sanahuja: Professor of International Relations, Faculty of Political Science and Sociology, Universidad Complutense de Madrid, and Associate Researcher at the Instituto Complutense de Estudios Internacionales (ICEI)

Bruno Ayllón: Researcher at the Instituto Universitario de Desarrollo y Cooperación (IUDC-UCM), Universidad Complutense de Madrid.

Reviewers

Oscar Angulo: Head of the Aid Quality and Programming Unit of the Technical Cooperation Office at the Agencia Española de Cooperación Internacional para el Desarrollo (AECID), Bolivia.

Jorge Balbis: Secretary General of the Asociación Latinoamericana de Organizaciones de Promoción al Desarrollo [Latin American Association of Promotion Organisations] (ALOP), Mexico D.F.

Mónica Hirst: Professor of International Relations at the Universidad Torcuato di Tella (Buenos Aires, Argentina)

Martín Hopenhayn: Director of the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC), Santiago de Chile

Alejandra Kern: Researcher at the Centro de Investigaciones sobre Cooperación Internacional Más Desarrollo, Universidad Nacional de San Martín, Buenos Aires.

Fernando Nivia Ruiz: Escuela Latinoamericana de Cooperación y Desarrollo. Universidad de San Buenaventura (Cartagena, Colombia)

Félix Peña: Director of the International Trade Institute of the Fundación Standard Bank, Academic Consultant of the MERCOSUR Network, Professor of International Commercial Relations at the Universidad Nacional de Tres de Febrero, Buenos Aires.

Juan Pablo Prado Lallande: Professor of International Relations, Benemérita Universidad Autónoma de Puebla, Mexico.

Fabián Repetto: Programme Director for Social Protection at the Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento (CIPPEC), Argentina

Francisco Rojas Aravena: Secretary General, Facultad Latinoamericana de Ciencias Sociales [Latin American Faculty of Social Sciences] (FLACSO)

Lorena Ruano: Jean Monnet Chair. Research professor, International Studies Division. Centro de Investigación y Docencia Económica (CIDE), Mexico

María Clara Sanín Betancourt: Director of Enlaza, Colombia

Philipp Schoenrock: Centro de Estudios de Pensamiento Estratégico Internacional (CEPEI), Bogotá, Colombia

Ricardo Sennes: Professor of International Relations, Pontificia Universidade Católica de São Paulo,
Director General of Prospectiva

Andrés Serbin: Executive Chairman.

Coordinadora Regional de Investigaciones Económicas y Sociales (CRIES)

Camilo Tovar: Coordinator of the European Office of the Asociación Latinoamericana de Organizaciones de Promoción al Desarrollo [Latin American Association of Promotion Organisations] (ALOP), Brussels

Carlos Umaña: Director of the consultancy PRODEC SA, and researcher with FLACSO, El Salvador.

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