

ISSUE

CHAILLOT PAPER N° 145 – April 2018

Dealing with diversity

The EU and Latin America today

BY
Lorena Ruano

Chaillot Papers

ISS European
Union
Institute for
Security Studies



European Union
Institute for Security Studies
100, avenue de Suffren
75015 Paris
<http://www.iss.europa.eu>

Director: Gustav Lindstrom

© EU Institute for Security Studies, 2018.

Reproduction is authorised, provided the source is acknowledged, save where otherwise stated.

print	ISBN 978-92-9198-742-9	online	ISBN 978-92-9198-744-3
	ISSN 1017-7566		ISSN 1683-4917
	QN-AA-18-002-EN-C		QN-AA-18-002-EN-N
	DOI:10.2815/735418		DOI:10.2815/414344

Published by the EU Institute for Security Studies.

Luxembourg: Publications Office of the European Union, 2018.

Cover image credit: sunsinger/Adobe Stock

DEALING WITH DIVERSITY

THE EU AND LATIN
AMERICA TODAY

Lorena Ruano

CHAILLOT PAPERS *April 2018*

The author

Lorena Ruano is a Professor of International Relations at CIDE in Mexico City and Jean Monnet Chair. In 2017 she was Senior Associate Analyst at the EUISS where she worked on EU-LAC relations.

Acknowledgements

I would like to thank, first and foremost, Antonio Missiroli, the former Director of the EUISS, for inviting me to spend seven insightful and productive months at the Institute during a sabbatical leave from CIDE. Thanks to him and to the staff and analysts at the Institute, I had the time and space to read, discuss and think about the issues analysed in this *Chaillot Paper*, as well as access to experts and policymakers who provided a unique and stimulating environment. Dr Missiroli asked me to organise an Experts Workshop on EU-LAC relations, held in Brussels in April 2017, at which I had the opportunity to meet officials, think tank analysts and academics, whose ideas and frank discussion fed this project. In particular, I am thankful to Edita Hrdá, Manfredo Fanti, and their staff at the EEAS, as well as the other participants at that workshop. Another conference organised by Real Instituto Elcano and Undersecretary Socorro Flores (Mexican Foreign Ministry) in Brussels, gave me the opportunity to meet and exchange ideas with Latin American diplomats as well as staff from the Spanish Foreign Ministry dealing with the bi-regional relationship. I hope this publication will be useful to them. I am specially indebted to Gearóid Cronin at the EUISS for his careful editing which greatly improved the text and to Christian Dietrich for his work on the graphics.

Disclaimer

The views expressed in this *Chaillot Paper* are solely those of the author and do not necessarily reflect the views of the Institute or of the European Union.

European Union
Institute for Security Studies
Paris

Director: Gustav Lindstrom

© EU Institute for Security Studies, 2018.
Reproduction is authorised, provided the source
is acknowledged, save where otherwise stated.

Contents

	Executive Summary	5
	Introduction	7
1	Understanding the other transatlantic relationship	9
	<i>Late encounter of distant regions</i>	9
	<i>The emergence of the EU's policy towards LAC:</i>	
	<i>convergence around liberal values</i>	10
	<i>The partial failure of EU policy objectives</i>	12
	<i>Drifting apart</i>	14
2	Between Trump and Venezuela: Latin America today	17
	<i>Trump and US retrenchment from the region</i>	17
	<i>The new role of China and its implications</i>	20
	<i>Domestic politics in LAC: opportunities and challenges</i>	22
3	The institutional architecture of the EU-LAC relationship: adapting to diversity	27
	<i>The three-pillar approach: one size fits all?</i>	28
	<i>Stagnation at the bi-regional level: EU-CELAC</i>	39
	Conclusion	43
	Annex	45
	Abbreviations	45

Executive Summary

EU policy towards Latin America and the Caribbean (LAC) has a long history and many layers: bilateral (with individual countries); sub-regional (with the South American Common Market - MERCOSUR, Central America, the Andean Community, and the Caribbean Forum); and bi-regional (with the *Comunidad de Estados Latinoamericanos y Caribeños* - CELAC). To understand the current state of the bi-regional relationship, this *Chaillot Paper* provides first, a historical overview of relations between the EU and LAC, and argues that the original assumptions upon which the EU built its policy towards the region in the 1990s no longer hold fully: the liberal consensus is increasingly frayed, while the promise of regional integration in LAC has not materialised as expected. Hence the partial failure of original EU policy objectives towards this part of the world, notably with regard to its 'inter-regional' emphasis.

Despite those shortcomings, the current international and domestic circumstances of many LAC countries have evolved during the last couple of years in such ways as to offer new opportunities for a *rapprochement*. Bearing this in mind, the second chapter of the paper analyses the current situation in LAC, stressing how recent events could affect its relationship with the EU. Among the factors that favour closer relations between the two regions are the Trump Presidency, the economic crisis that followed the end of the commodities boom, the ebbing of the 'pink wave' in South America, and *détente* with Cuba. On the other hand, certain recent developments have also militated against the 'other transatlantic relationship': the rise of China as a primary LAC economic partner, and the ideological divisions within the region that are eroding the commitment to human rights and democracy, and which have crystallised in the Venezuelan situation. Regional integration agreements such as the Central American Integration System (*Sistema de la Integración Centroamericana* - SICA), MERCOSUR and the Caribbean Community (CARICOM) face enormous obstacles to their consolidation, as their intergovernmental institutions struggle to align differing national priorities. The region also features the highest homicide rates in the world, fuelled by unacceptable levels of inequality and widespread impunity in the face of rising criminality and corruption. In helping to address these non-traditional security threats, the EU needs flexible cooperation instruments which individual countries can join on an *ad hoc* basis, and which have bilateral as well as regional components.

The third chapter of this paper reviews the current state of play regarding the various instruments the EU has deployed in its policy towards LAC. The aim is to assess what can be expected of each part of this multilevel structure. It is argued that focusing on the bilateral level (EU relations with individual countries) is the way to move

forward today, because it is at this level that deeper and more concrete cooperation has flourished and can continue to do so in the foreseeable future. This is because this level of interaction is best suited to accommodate an increasingly diverse region. Even if the EU has not been able to replicate the Association Agreement model it originally intended to extend to most of its LAC partners, a range of alternative hybrid formats has emerged, tailored to each partner's preferences and priorities. By contrast, at the sub-regional level results have been mixed: progress has been possible with groups of small countries in Central America and the Caribbean, while frustration and stagnation characterise relations with the Andean Community and MERCOSUR respectively. Finally, the bi-regional level (EU-CELAC) could remain useful for spelling out general principles and political objectives, as well as articulating EU regional cooperation programmes to seek better coherence in what might otherwise evolve into an excessively fragmented set of individual relations. However, the region has become so polarised today that CELAC, with its weak institutional structure, has become an obstacle to a properly functioning EU-LAC dialogue for the time being.

Most LAC countries face uncertainty with regard to the role of the US, as its policy towards them has shifted to neglect (in South America), if not open hostility (towards Mexico and Cuba). Both regions therefore need to coalesce around their common values, i. e. the defence of multilateralism and the rule of law in the international arena, the peaceful resolution of disputes, the fight against climate change, and women's rights. It is in the EU's interest to help the region overcome its governance, violence and impunity problems, for this is a relatively peaceful area of the world, with many like-minded countries with which to team up at the multilateral level in defence of the values the Union strives to uphold.

Introduction

Europe's relations with Latin America and the Caribbean (LAC) enshrine a paradox: despite having much in common, a long history, and a sophisticated institutional framework that binds them, the level of interaction is relatively low and, in the view of many observers, remains below its potential.

Decolonised in the early nineteenth century, Latin American countries joined the international states system long before most of the developing world, and have been interacting with Europe, both bilaterally and multilaterally, for nearly two centuries. They broadly share with Europe a liberal view of international relations, based on institutions and the rule of law, which they have actively contributed to building. For that reason, French President Charles de Gaulle saw LAC as a potential 'reservoir of votes' in multilateral organisations, that could be instrumental in countering the excesses of the superpowers during the Cold War, and especially American hegemony – something with which LAC was familiar since the heyday of the Monroe Doctrine (1823). Moreover, this relatively peaceful region, devoid of inter-state wars for decades, has seldom posed a severe security challenge to Europe, except briefly during the Malvinas/Falklands war in 1981. LAC countries also share with Europe a generally Christian background and certain political values derived from this common civilisational heritage, a fact that led the French author, Alain Rouquié, to characterise Latin America as 'l'Extrême Occident'.¹

After a decade of political democratisation and economic liberalisation, in the 1990s the EU began to formulate a policy towards the region, aimed at negotiating free trade deals, promoting regional integration, and pursuing a political dialogue that eventually led to the bi-regional relationship being labelled as a 'Strategic Partnership'. Yet, today, LAC represents only around 6% of EU external trade,² and does not feature among EU foreign policy priorities, while the EU-LAC summit planned for October 2017 was postponed indefinitely, without anyone appearing to miss it particularly. Despite some successes over the last 20 years, overall the results seem disappointing, to the extent that some analysts have described the bi-regional relationship as suffering from 'fatigue',³ while others feel the need to explain why Latin America should matter to Europe.⁴

To understand such a paradox, it is necessary to elucidate what sort of partner LAC represents for the EU today. This *Chaillot Paper* therefore provides a broad picture of

1. Alain Rouquié, *Amérique Latine. Introduction à l'Extrême Occident* (Paris : Éditions du Seuil, 1987).

2. In 2017, Latin America represented 5.3% of EU total imports and 6.1% of exports. Data retrieved from www.eurostat.eu

3. José Antonio Sanahuja, 'La UE y CELAC: La revitalización de una relación estratégica', EU-LAC Foundation: Series de los Foros de Reflexión, Hamburg, 2015.

4. Carlos Malamud (coord), 'Por qué América Latina importa', *Informe Elcano*, no.22, Real Instituto Elcano, Madrid, December 2017.

EU relations with LAC from historical, contextual and institutional perspectives, which makes it possible to identify future likely trends in the region, as well as which course of action seems most promising for the relationship. It argues that, as Rouquié warned more than thirty years ago, LAC is often mistakenly viewed by Europe as being much more homogeneous than it actually is, which is why it is difficult to advance meaningful and concrete agendas with the region as a whole. The current frustration with the stagnating EU-CELAC summitry stems from the fact that this bi-regional structure was created at a time of unusual unity and ideological convergence in the region, known as the Washington Consensus, which has been dissolving since the mid-2000s. Moreover, Latin American fondness for the creation of regional institutions, visible since the nineteenth century, has rarely produced the kind of partners with which the EU expected to negotiate interregional agreements. Bilateral channels with individual countries, or specific initiatives with *ad hoc* groups of interested partners, seem better suited to accommodate the characteristics, priorities and interests of such a diverse group of countries. Most of them are actually keen, in the current international context, to seek a *rapprochement* with the EU, which they see as a key partner, not only in economic but also in political terms, in defending an international order they have contributed to build but which is now under question.

CHAPTER 1

Understanding the other transatlantic relationship

Late encounter of distant regions

Latin America did not feature in the foreign policy agenda of the European Community (EC) until the early 1980s, when the peace process in Central America and Spain's accession to the EC brought the two regions closer. Before that, the EC's early interests in the area had to do with the decolonisation processes of some of its member states, which had direct implications for the Caribbean. A special framework was set up to organise relations with former European colonies in the region as part of a broader post-colonial arrangement, composed of trade preferences and aid from the European Development Fund (EDF), targeting the poorest countries of the African, Caribbean, and Pacific Group of States (ACP) and enshrined in the Cotonou Agreement (2000). In contrast, Latin America received scant EC development aid and was subject to the Generalised System of Preferences (GSP). Thus, EU relations with Latin American countries and those of the Caribbean have very different origins and have evolved with separate and distinct institutions (see chapter 3).

The EC's involvement in the peace process in Central America constituted one of the first *démarches* of European Political Cooperation (EPC), and led to the establishment of the San José Dialogue, through which European foreign ministers met regularly with their Latin American counterparts.⁵ These regular meetings continued throughout the 1990s and evolved into the so-called 'Rio Process', launched in 1999. This experience resonates strongly today within EU-LAC relations in two key respects. First, the need to join forces to uphold international law and the peaceful resolution of disputes, in

5. Spain and Sweden were not part of the EC at the time but actively participated in the San José Dialogue, a good instance of 'flexibility' in the early days of EPC. Meetings were held with the countries supporting the Contadora peace process (Colombia, Mexico, Venezuela, Panama) and were expanded to include other Latin American countries (Argentina, Brazil, Peru and Uruguay) which became the Rio Group in 1990.

an effort to counter the less palatable aspects of US unilateralism. Second, through its involvement in the peace and reconstruction efforts in Central America, the EC accumulated expertise in the building of security through development, which is today a key element of the EU's Global Strategy towards the developing world.

The emergence of the EU's policy towards LAC: convergence around liberal values

These two geopolitically distant regions were also brought closer by the wave of democratisation that started in Spain and Portugal in 1974-75 and then continued across the Atlantic. This removed the main obstacle to Iberian enlargement, which was completed in 1986, and brought to the then European Community two new member states for which Latin America was a foreign policy priority. The 1980s also changed Latin America's relationship with the developed Western world, as the region gradually came to embrace human rights and democracy and, after a 'lost decade' of economic structural reform, adopted open markets and orthodox public finances. Such transformation led to the so-called 'Washington Consensus' spelled out at the Summit of the Americas in Miami in 1994, when 34 presidents from throughout the continent (except Cuba) pledged to defend democracy and human rights, through the strengthening of the Organisation of American States (OAS), and to 'promote prosperity through free trade' with the negotiation of a Free Trade Area of the Americas (FTAA).⁶ The liberal values embraced by Latin America coincided with those of the EU, which was establishing its Common Foreign and Security Policy (CFSP) at the time.

Latin America became an attractive partner, not just due to its embrace of liberalism, but also because, now that peace had been achieved in Central America (with EC help), this area of the world featured no inter-state wars, was generally respectful of international law, and supportive of multilateral institutions. Most important for the EU was the fact that this wave of economic liberalism led to a renewed interest in *regional integration*.⁷ With the establishment of MERCOSUR in 1991 and of the North America Free Trade Area (NAFTA) in 1994, as well as the revival of the Central American Common Market (CACM) and of the Andean Community, this was the only other part of the world where regionalism seemed to be taking root. Moreover, Latin American Regional Integration Agreements (RIAs) saw the EU as a model as they intended to build customs unions and relatively strong institutions (except for NAFTA). The EU, interested in promoting other RIAs around the world, provided funds and technical expertise to support these efforts, even though they stopped short of moving in a supranational direction.

6. First Summit of the Americas, Declaration of Principles, Miami, Florida, 9-11 December 1994. Available at: http://www.summit-americas.org/i_summit/i_summit_dec_en.pdf

7. Previous attempts had failed in the past because Latin American governments had been pursuing inward-looking development strategies that were not compatible with free trade and market integration. See Inter-American Development Bank, *Más Allá de las Fronteras: El Nuevo Regionalismo en América Latina*, Washington, 2002.

As the governments of Latin America now perceived that their integration into the world economy would be achieved through ‘trade, not aid’,⁸ the EU established the negotiation of Free Trade Agreements (FTAs) as one of its main policy objectives in relation to LAC. Moreover, negotiations would not only be carried out with individual states, like Mexico and Chile, but more importantly, with RIAs, in the hope that this would also foster their own processes of integration.⁹ Furthermore, the EU insisted that these FTAs be inserted into broader treaties that followed the model of Association Agreements (AAs) that the EU had developed to deal with Central European countries early in the decade. They were built on three pillars:

- Political dialogue (regular meetings at all levels), including a democratic clause;¹⁰
- Economic association, composed of a FTA and Investment Protection and Promotion Agreements (IPPAs) with each EU member state;¹¹
- Development Cooperation, generally funded by the EU.

Negotiations to establish three-pillared AAs were thus opened with Mexico and MERCOSUR in 1995, the Andean Community in 1996,¹² Chile in 1999, and Central America in 2002. The AA with Mexico, signed in 1999, was the first the EU concluded with a non-European partner (see chapter 3).

Meanwhile, the ‘Rio Process’ was launched in 1999, committing Heads of State and Government of both regions to meet every two years, with meetings of foreign ministers and senior officials convened in-between. This transformation of the San José Process fitted with the establishment of EU dialogues with other regions, notably the partnership with the Mediterranean, known as the ‘Barcelona Process’, launched in 1995. Based on the liberal consensus of the moment, the Rio Declaration committed the governments of the EU and LAC regions ‘to representative democracy, the rule of law, good governance, pluralism and social development’.¹³ In economic terms, they pledged to support the World Trade Organisation (WTO) and to work for the establishment of new trade and bilateral investment protection agreements.

Thus, by the end of the 1990s, the EU had established a clear policy towards Latin America, with visible political, economic and development objectives (liberal political values, free markets, development aid) and their corresponding instruments, which operated at three levels: bi-regional (EU-LAC Rio Process), sub-regional (MERCOSUR,

8. Mexican President, Carlos Salinas de Gortari, used the expression when campaigning for the signature of the NAFTA.

9. This view was also promoted by Brazil, which was adamant that MERCOSUR participate in external trade negotiations ‘as a bloc’, notably in those of the FTAA.

10. The EU insisted that all the Association Agreements signed with third parties had to include a democratic clause which stipulates the suspension of the agreement in the event of democratic breakdown. See footnote 31, page 29.

11. Since investment did not pertain to EU competences before the Lisbon Treaty (2009), FTAs have been complemented by a series of bilateral IPPAs with each EU member state.

12. ‘Joint Declaration Political Dialogue between the European Union and the Andean Community’, (The Declaration of Rome), DN: PRES/96/191, 30 June 1996.

13. Preamble of the Declaration of Rio de Janeiro, 28-29 June 1999. Available at: <http://www.europarl.europa.eu/delegations/noneurope/idel/d12/docs/cumbrederio/prioridadesaccionen.htm>

CACM, CAN) and bilateral (individual countries). However, over the next decade, its implementation was complicated, due primarily to increased polarisation within LAC, but also to the region's failure to achieve a sufficient level of integration – a precondition for such EU policy to work.

The partial failure of EU policy objectives

Fewer interregional FTAs than expected

Trade negotiations, the cornerstone of EU policy towards LAC, encountered several obstacles and yielded mixed results. The negotiations for the establishment of AAs with Mexico (1999) and Chile (2002) concluded quickly, but negotiations with MERCOSUR became bogged down over protectionism (specifically regarding Europe's agriculture and MERCOSUR's industry) and have remained so ever since. Moreover, under the weight of the 2001-2002 economic crisis, which met with divergent national responses, MERCOSUR became less interested in free trade or its customs union, and shifted its focus towards cooperation in areas such as energy, infrastructure, physical connectivity and the social agenda. Meanwhile, the Andean Community disintegrated in 2006, in the middle of a dispute between Venezuela and Colombia, thus leaving the EU without one of its three regional interlocutors in the area. After a couple of years, the EU decided to continue free trade negotiations of a Multi-Party Agreement first with Colombia and Peru (concluded in 2013) and later Ecuador (2014). In this way, the negotiation of inter-regional AAs (EU-MERCOSUR, EU-Andean Community, EU-Central America), which had been regarded as a centrepiece of EU policy towards LA, was a failure in two out of three cases. To date, only the one with Central America has been concluded (in 2013) and is still awaiting ratification by some EU member states.¹⁴

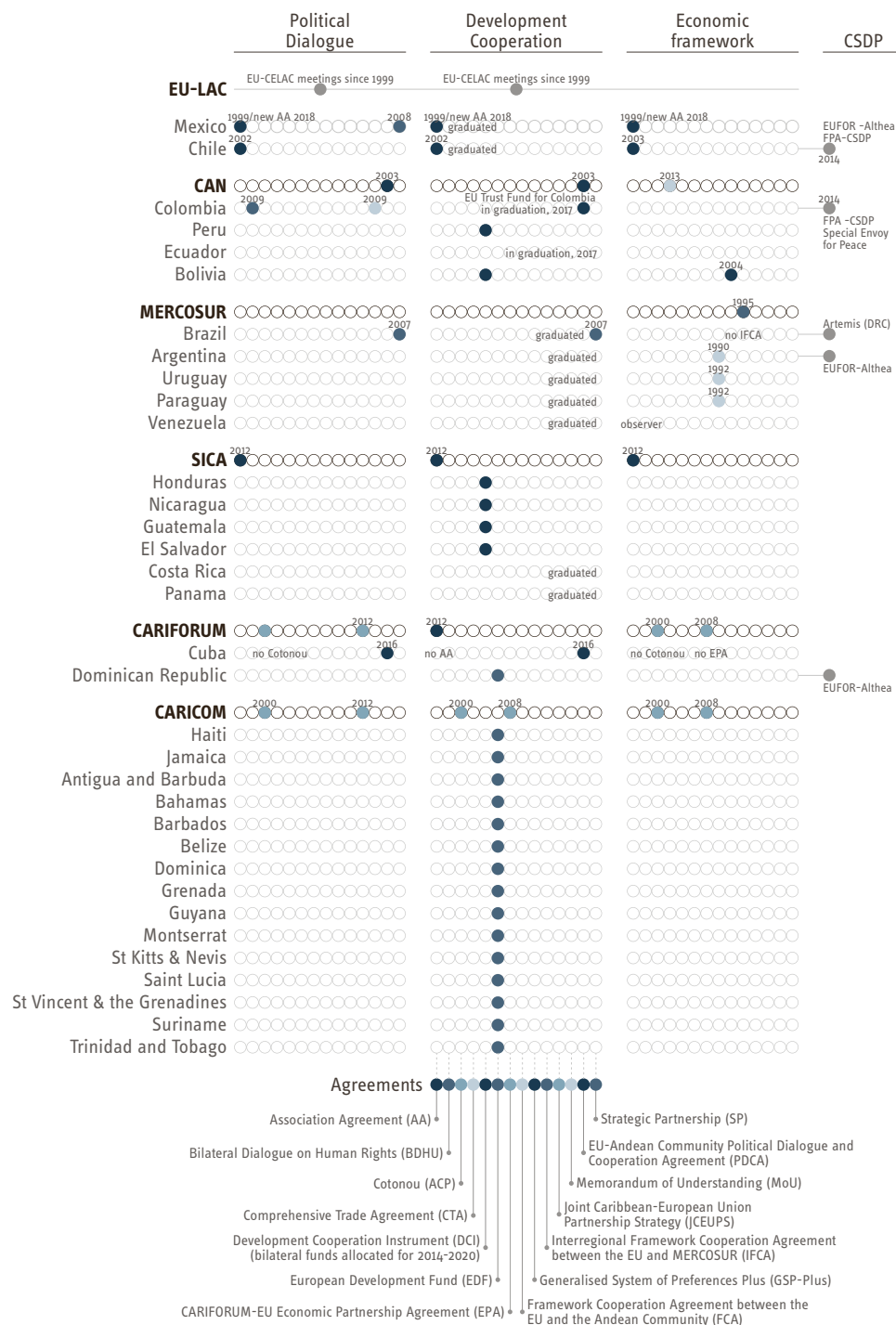
An increasingly contested democracy and human rights regime

Beyond interregional FTAs, a second key objective the EU established for its policy towards LAC was the promotion of human rights and democracy. This has been a partial failure too, as the Inter-American regime has come under pressure. In the 1990s, when the EU was establishing its policy towards LAC, those countries were consolidating their democratic transitions and building a robust international regime to protect them from a return to authoritarianism. This process culminated in 2001 in the adoption by the OAS of a Democratic Charter which allowed for the suspension of a member in case of democratic breakdown. The Inter-American Commission on Human Rights (ICHR) and the Court (Corte IDH) were made stronger, and their recommendations and rulings accepted across the region. The Commission was given the authority to investigate a case without state consent, and

14. See: <http://ec.europa.eu/trade/policy/countries-and-regions/regions/central-america/>

Figure 1: EU-LAC relations

Current instruments, sub-regional and bilateral, years of entry into force.



to verify the implementation of the Court's rulings. Thus, the Inter-American human rights regime became the most developed outside Europe. The EU and its member states welcomed these processes and became the main extra-regional funders of the ICHR.¹⁵ Many bi-regional declarations and EU official documents mention the 'common values' that made Latin America a special partner in comparison to other regions.

However, from the middle of the 2000s, most LAC governments became defensive about the interventionism intrinsic to this regime. Member states questioned the authority of the Commission as it criticised important national projects, such as the building of the Belo Monte Dam in Brazil, opposed by indigenous people's groups. Other more serious types of challenges have come from *Alianza Bolivariana para los pueblos de nuestra América* (ALBA) countries, which have equated the Inter-American regime with US/Western interventionism, criticising its rulings and reports on their restrictions upon freedom of the press.¹⁶ As Venezuela drifted towards an increasingly authoritarian regime, its relationship with the Inter-American system deteriorated to the point of its withdrawal from the OAS in April 2017.

Further challenges have come from the fact that many states have seen their human rights situation deteriorate because of rising criminality, flawed justice systems and corruption, like Brazil, Mexico or Central America. Some have responded with the increased use of the military and/or militarised police, with a consequent escalation of violence and the use of force. Although most governments in LAC do not officially contest the principles of the Inter-American system, they are simply incapable of observing them, and end up in a defensive posture. Many have questioned the Commission and the Court, tried to limit their attributions and threatened to withdraw their funding in a context of dwindling resources.

Drifting apart

Various factors led to the growing fragmentation the region experienced during the 2000s and which eroded the liberal consensus upon which EU-LAC relations had been built. First, the economic crisis that hit Argentina and Brazil in 2001-2002 affected MERCOSUR's economic integration as it called into question their commitment to open markets. Second, a wave of left-wing governments,¹⁷ which ranged from the moderate to the populist, propped up by a commodities boom (2005-2014), implemented nationalist and redistributive policies, sometimes at the expense of orthodoxy in public finances, and were less keen on FTAs than their predecessors.

15. See: http://www.oas.org/en/iachr/mandate/financial_resources.asp

16. 'War of attrition: human rights in the Americas', *The Economist*, 30 March 2013; 'Latin America's human rights court moves into touchy territory', *The Economist*, 8 February 2018.

17. Hugo Chávez in Venezuela (1999-2013), Evo Morales in Bolivia (2006-), Tabaré Vázquez (2005-2010; 2015-) and José Mujica (2010-2015) in Uruguay, Michele Bachelet (2006-2010; 2014-2018) in Chile, Luiz Inácio 'Lula' da Silva (2003-2010) and Dilma Rousseff (2011-2016) in Brazil, Néstor Kirchner (2003-2007) and Cristina Kirchner (2007-2015) in Argentina, Manuel Zelaya (2006-2009) in Honduras, Daniel Ortega (2007-) in Nicaragua, Rafael Correa (2007-2017) in Ecuador.

Third, the radicalisation of Hugo Chavez's Venezuela was accompanied by a diplomatic offensive intent on fighting what it regarded as US imperialism – to which the EU was associated. Bolstered by Venezuela's vast oil resources, Chavez created the ALBA with Bolivia, Cuba, Ecuador, Nicaragua and a number of Caribbean countries.¹⁸ Thus, LAC fragmented into three broad groups that displayed varying degrees of enthusiasm about opening markets: those committed to free trade, like Mexico, Chile or Colombia; those with a more protectionist stance, like MERCOSUR; and the members of ALBA which regarded free trade as an imperialist instrument of oppression. Pan-American negotiations for the establishment of an FTAA collapsed under the weight of these divisions at a summit meeting in Mar del Plata in 2004 – the first of a series of bad-tempered summits¹⁹ that marked the end of consensus and harmony among the 'sister republics' of LAC.

Certain developments on the European side also eroded EU interest in Latin America during the 2000s, further driving the two regions apart: first, the EU's 'big bang' enlargement in 2004-2007 shifted the centre of gravity of its geopolitical interests to the East. The accession of the new member states also diluted the influence of Spain inside the EU – a process that was, in turn, aggravated by the 2007-2008 global financial crisis and subsequent 'Great Recession', which hit Spain and Portugal, the drivers of EU policy towards Latin America, particularly hard.²⁰ Furthermore, after 2007, the EU's move towards the establishment of Strategic Partnerships undermined its relationship with LAC as a whole, because cash-strapped member states and the EU concentrated their resources in Brazil and Mexico, leaving aside what became increasingly regarded as a marginal forum: EU-LAC summit meetings. Another element that undermined the region-to-region partnership was the reform of EU cooperation policy in 2012, which led to the 'graduation' of most Latin American countries from bilateral aid programmes. This means that they have stopped receiving bilateral development funds from the EU as they get classified as 'middle income' countries (see Figure 8). The EU is the fifth-largest Overseas Development Aid (ODA) donor to the region, accounting for 10% of the total.²¹ The move has not been well received in the region, which has insisted on measuring development with more sophisticated indicators than GDP per capita in various fora, from the United Nations (UN) to the OECD.

As both regions drifted apart during the second half of the 2000s, EU-LAC meetings became less well attended, and the long declarations produced at those summits came to be perceived as mere rhetorical exercises. The creation of CELAC in 2011 at

18. Antigua and Barbuda, Dominica, Granada, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Surinam, and Honduras (which has since withdrawn).

19. At Mar del Plata in 2004, Chavez got into a confrontation with Vicente Fox, the Mexican President, whom he called 'the lap-dog of the Empire'. Perhaps the most acrimonious one was the 2007 Ibero-American summit in Santiago, when Spain's King Juan Carlos told Chavez 'to shut up'.

20. Austerity affected Spain's development cooperation budget, most of which had been going to Ibero-America: Spain's ODA to the Americas declined from \$245 million USD in 2013 to \$118 million in 2015. See Organisation for Economic Cooperation and Development (OECD), Development Aid Committee (DAC), 'Development aid at a glance: Statistics by region, 3. America', 2017. Available at: <http://www.oecd.org/dac/stats/documentupload/America-Development-Aid-at-a-Glance.pdf>, p. 4.

21. Ibid.

a summit in Cancun and its designation as the interlocutor of the EU in bi-regional relations did not manage to generate a more coordinated position on the LAC side. Observers and participants alike started to question the usefulness of the process amidst a general impression that the so-called ‘bi-regional strategic partnership’ had not lived up to its full potential and was stalling. It was in this atmosphere of ‘fatigue’ that, at the Brussels summit of 2015, EU-CELAC leaders mandated their foreign affairs ministers to ‘commit to a comprehensive and inclusive exercise of reflection on the future of the bi-regional relationship’.²² While foreign ministers and other senior officials gathered to analyse the malaise in the relationship, several events that occurred in 2016 again altered the context in which the 2017 summit was to be held in San Salvador.

22. Preamble, *EU-CELAC Action Plan*, Brussels, 10-11 June 2015.

CHAPTER 2

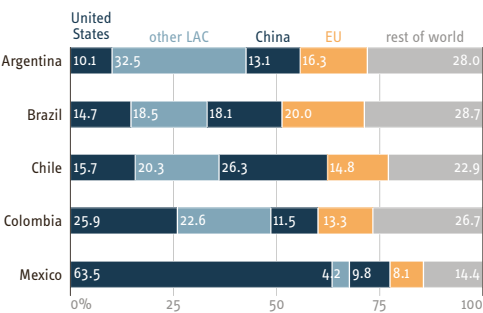
Between Trump and Venezuela: Latin America today

Many changes have occurred in the hemisphere since the last EU-CELAC meeting in 2015: the election of Donald Trump to the US Presidency, the peace process in Colombia, the crisis in Venezuela, the signature of a Political Dialogue and Cooperation Agreement (PDCA) between Cuba and the EU, and changes of government in several countries such as Argentina, Brazil, Chile and Peru. Some of these represent formidable challenges, while, at the same time, most offer new opportunities for a *rapprochement* between the EU and LAC.

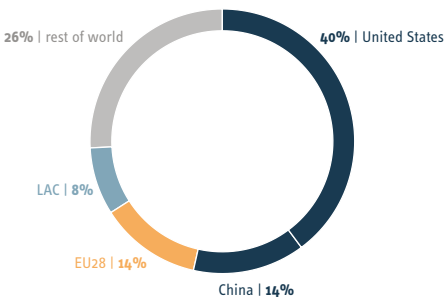
Trump and US retrenchment from the region

The change of administration in the US, the leading partner for both Europe and Latin America, is the single such event with the most far-reaching consequences, as it has the capacity to

Figure 2: Main trade partners
Selected LAC countries, 2016, % of total trade



LAC total, 2015, % of total trade

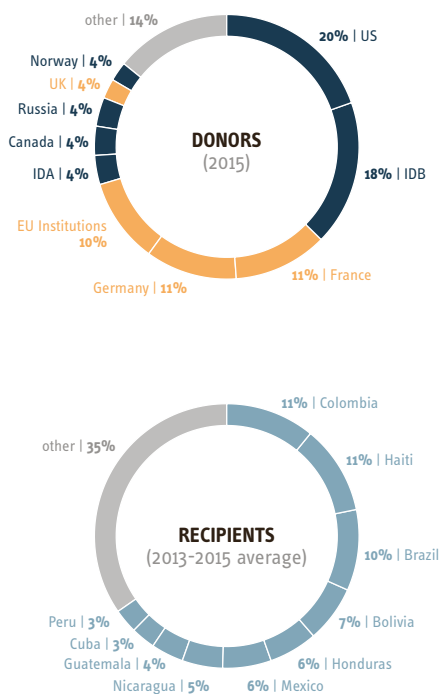


Data: Trademap.org.

affect many key variables on both sides of the Atlantic. In the political arena, Trump represents a challenge because he has put under question some of the common liberal values that have been mentioned as key to the EU-LAC relationship: multilateralism, peaceful resolution of disputes, respect for international law, regional integration and free trade. His readiness to wage a trade war with the US's major economic partners (China, Mexico and Germany) and to undermine the regimes that constitute the basis of today's liberal international order, from NAFTA to the Paris Treaty on climate change, have triggered a sense of urgency to team together in the defence of these values, and underlined the need to strengthen political and economic ties with other partners. As early as in January 2017, Trump's decision to pull out of the negotiation of the Trans-Pacific Partnership (TPP) left Chile, Peru and Mexico, the Latin American partners of the group, somewhat out in the cold, as they had entered this complex negotiation following the lead of the US. Shortly afterwards, in what was a strong reaction to US protectionism, the remaining partners decided to go ahead with the negotiations, which concluded in March 2018 with the signature of a new version of the trade pact, the Comprehensive and Progressive Agreement for a Trans-Pacific Partnership (CPTPP).

Figure 3: Official Development Assistance in LAC

Top donors and recipients, %



Data: OECD, DAC, 2017.

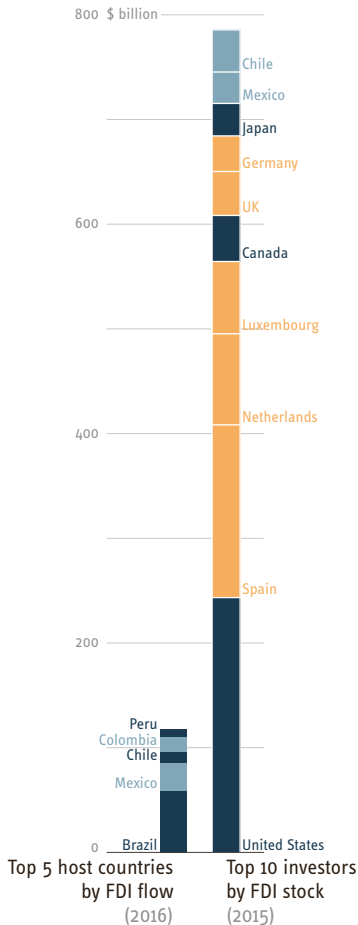
The shock reverberating from Trump's statements and actions has reinvigorated cooperation between the EU and some LAC countries. In certain multilateral fora, as Charles de Gaulle once put it, Latin America constitutes an important 'reservoir of votes',²³ because the region is broadly part of Western culture and shares European concerns and viewpoints on many global issues, ranging from climate change to women's rights. As in the 1980s during the Central American conflict, US aggression and unilateralism promotes closer ties between Europe and Latin America, as both sides are eager to find support for their views, in the face of the confusion and disorder currently emanating from Washington. This is partly why Federica Mogherini, the EU's High Representative for Foreign Affairs and Security Policy and Vice President

23. The expression was used by de Gaulle during his trip to the region in 1964.

of the European Commission (HR/VP), has identified LAC as a priority region and intensified her visits there in 2017. As Donald Tusk, European Council President,

Figure 4: Foreign Direct Investment in LAC

Top hosts and investors, \$ billion



Data: UNCTAD, World Investment Report, 2017.

put it: ‘we should use the change in the trade strategy of the US to the EU’s advantage by intensifying our talks with interested partners’.²⁴ Among such partners, Mexico features prominently. Since the announcement of a renegotiation of NAFTA, which Trump accused of being ‘the worst deal ever’, Mexico’s economic prospects have worsened and its currency sent tumbling. In this context, the visit by EU Trade Commissioner Cecilia Malmström to Mexico in January 2017 to announce the acceleration of the negotiations to update the EU-Mexico agreement, followed by the visit in June by German Chancellor Angela Merkel, who criticised walls and defended free trade, sent out powerful signals of solidarity. An agreement to conclude this negotiation was announced on 20 April 2018.

The bumpy renegotiation of NAFTA currently underway has cast uncertainty over the future of other countries in the region that have FTAs with the US: Central America, Chile, Colombia and Peru. All of them have FTAs with the EU as well and are looking to reinvigorate exchanges and political ties. The relaunch of EU-MERCOSUR negotiations can also be interpreted in this context, although these initiatives have also been undertaken by the new governments in Brazil and Argentina which are eager to institutionalise their liberal preferences (see below).

In sum, few partners are as interested in reinforcing their economic partnership with Europe as Latin American countries are today. This is because they remain highly vulnerable to the destabilising effects of changes in US policy, which still has an overwhelming presence in the region. The US accounted for 37% of LAC total trade in 2015,²⁵

more than half of foreign direct investment,²⁶ and is the first aid donor (20% of the

24. ‘United we stand, divided we fall’, Letter by President Donald Tusk to the 27 EU heads of state or government on the future of the EU before the Malta summit, 31 January 2017. Available at: <http://www.consilium.europa.eu/en/press/press-releases/2017/01/31-tusk-letter-future-europe/>

25. Data retrieved from <https://trademap.org>

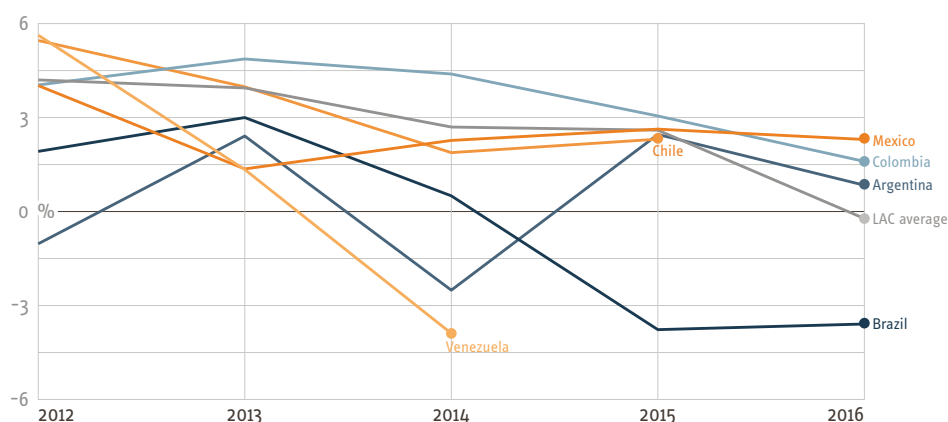
26. UNCTAD, *World Investment Report*, 2017, pp. 57-58. Available at: http://unctad.org/en/PublicationsLibrary/wir2017_en.pdf.

total).²⁷ It is true, however, that there is enormous variation in this respect within the region: as one moves further south, economies are less dependent on the US, are less open (see Figures 2, 4 and 6) and trade more with the EU. Mexico, at one extreme, is among the most vulnerable: it is a very open economy that sends over 80% of its exports to its northern neighbour (see Figure 3). For Colombia, the figure is 31.8% and for Brazil, a relatively protectionist economy, the US only absorbs 12.5% of exports while the EU represents 18%.²⁸ The question now is who will fill the vacuum left by US retrenchment? The latest trends seem to indicate that if Europe does not, China will.

The new role of China and its implications

In the last decade, China has become one of LAC's main economic partners, displacing the EU from its traditional second place (see Figure 2). China is today the primary buyer of exports from Venezuela, Brazil, Argentina and Chile, and, in several cases, has become the second source of imports (17.8% of LAC imports in 2015). This has had major consequences for the economic structure of the region. From 2004 to 2014 China's rapidly expanding industry led to a surge in demand for raw materials from LAC, feeding a commodities export boom that led to accelerated growth, but also to the de-industrialisation of the region's external sector. For the ALBA countries, and especially Venezuela, China is also a major source of capital, since its loans and cooperation programmes come with no 'governance strings attached', because Beijing does not follow the guidelines from the OECD's Development Aid Committee (DAC).

Figure 5: GDP Growth in LAC
Selected countries, 2012-2016, %



Data: IDB, 2017.

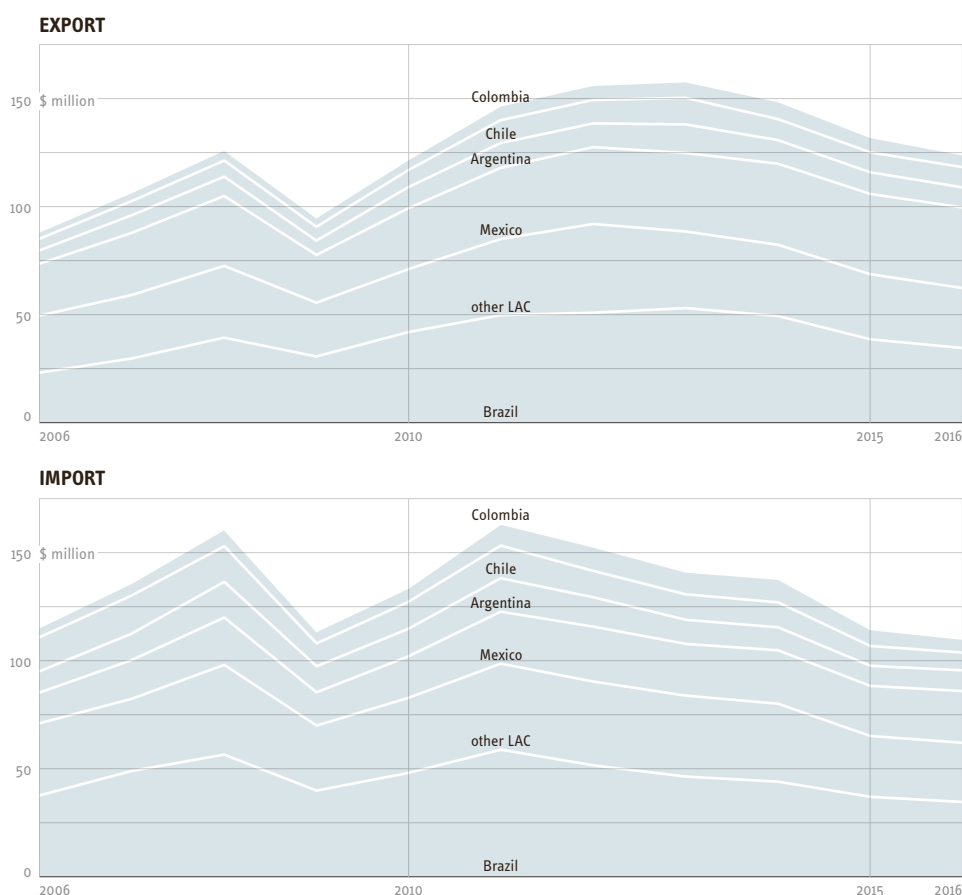
27. According to the OECD's Development Aid Committee (DAC), in 2016, the second donor was the Special Fund of the Inter-American Development Bank (IDB), which is funded to a large extent by the US as well. See OECD, op. cit. in note 20.

28. Data retrieved from the database: www.trademap.org

The deceleration of China's economy and the fall in oil prices during the last three years has therefore plunged LAC in a difficult economic situation. According to the World Bank, the region's GDP contracted by 1% in 2016 and was expected to grow 1.8% in 2017, down from the 4.2% of 2012 (see Figure 5). Brazil is facing the worst recession in its history with negative growth for two years in a row, and just below 1% in 2017,²⁹ compounded by the uncertainty provoked by its political situation. Argentina has also been struggling with a severe adjustment policy implemented by the Macri government in 2016. Venezuela is in complete disarray; it has not even published economic data since 2014.

Figure 6: EU trade with LAC

2006-2017, \$ million



Data: Trademap.org

29. Tatiana Bautzer and Patricia Duarte, 'Brazil's GDP weaker than expected in fourth quarter as farm exports slip', *Reuters*, 1 March 2018. Available at: <https://www.reuters.com/article/us-brazil-economy-activity/brazils-gdp-weaker-than-expected-in-fourth-quarter-as-farm-exports-slip-idUSKCN1GD5HJ>

In this context of declining US presence and falling demand from China, the value of the EU as an economic partner has increased for most LAC economies. They need further diversification, and are bound to be interested in boosting the role of the EU, not just in terms of trade, which has shrunk in value since 2012 (see Figure 6), but, crucially, as a source of foreign direct investment (see Figure 4). This is usually accompanied by more research and development, as well as local capacity building, than its Chinese equivalent. It is true that the degree of openness and guarantees provided to foreign investors vary considerably among LAC countries, ranging from the most open, like Chile, Colombia and Mexico, to the more protectionist, like Argentina and Brazil, and much will depend on the regulatory frameworks of specific sectors in each country. Still, aside from Venezuela and some of its allies, Latin American economies are generally characterised by a market-driven approach, while the growth of the middle class has made these markets more attractive for European businesses. A factor playing in favour of the EU is that, over the years, it has built a dense institutional infrastructure that facilitates political exchanges, cooperation and trade with many countries in the region (see chapter 3 and Figure 1). It already has FTAs with Central America, Chile, Colombia, Mexico and Peru; an agreement with these countries to accumulate origin in accessing the EU market, for example, could be a powerful political sign of support, at a relatively low cost.

Domestic politics in LAC: opportunities and challenges

Recent developments in the domestic political sphere may also be conducive to closer EU-LAC relations.

First, there is the ebbing of the so-called ‘pink wave’ in South America, after government changes in Brazil, Argentina and Peru, which brought the centre-right to power, have renewed interest in trade and integration, both within MERCOSUR and the Pacific Alliance and with external partners. President Mauricio Macri has been eager to bring Argentina back to the realm of free trade negotiations by hosting a WTO meeting and a gathering of MERCOSUR and Pacific Alliance foreign ministers in Buenos Aires in 2017, as well as giving renewed political impetus to EU-MERCOSUR trade negotiations. In this, he has been supported by Michel Temer in Brazil, who is also attempting to implement a number of reforms to reactivate his country’s economy after two years of recession. It is important, however, to bear in mind that both Macri and Temer hold fragile majorities in their respective congresses and face considerable opposition to their liberalising plans. EU-MERCOSUR negotiations could easily get

stuck again over the same issues that have dogged them in the past: protectionism in European agriculture and South American industry.³⁰ Past experience indicates that expectations about this deal should remain modest. Perhaps other more expeditious ways to foster trade and investment should be explored.

Second, Colombia's peace process offers a unique opportunity for the EU to have an important presence as an actor that promotes security through development, as highlighted in the EU Global Strategy (EUGS). The EU is already supporting the process through a Trust Fund it launched in December 2016, devoted mainly to boosting rural development, one of the main points of the peace agreement. The HR/VP, Federica Mogherini, designated Eamon Gilmore as special Peace Envoy, and he was present at the ceremony at which the FARC (*Fuerzas Armadas Revolucionarias de Colombia*) handed in their last weapons in June 2017. Since the peace process is highly controversial at the domestic level,³¹ international support is key to the government's plans, especially as it is now entering a new phase of negotiations with another guerrilla group, the ELN (*Ejército de Liberación Nacional*), with which a ceasefire was agreed at the end of September 2017.

Third, although domestic reforms advance at a glacial pace, Raúl Castro stepped down from the Cuban presidency in April 2018, and economic change is imminent as Venezuelan support for the Cuban regime dries up.³² In that context, the PDCA signed by the EU with Cuba in December 2016 not only positions the EU favourably in preparation for such changes, but also, and more importantly, has had a symbolic effect across the whole region where it has been welcome. Ever since the Cuban Revolution in 1959, US hostility towards the Castro regime has been equated in LAC with undue foreign interventionism in domestic affairs, a behaviour that has historically been resented by most countries in the area. It was through these lenses that the EU's Common Position towards Cuba was interpreted by many.³³ And this is why the recent change of track constitutes a factor that favours closer ties between the two regions, beyond the bilateral EU-Cuba relationship. During 2017

30. In March 2017 the 27th round of negotiations took place in Buenos Aires, under the Argentinian *pro-tempore* presidency of MERCOSUR. There was progress in Competition and Trade and Sustainable Development, but the contentious areas remain: European agriculture and MERCOSUR industrial protectionism. European Commission, *Report of the XXVII negotiation round on the trade part of the EU-Mercosur Association Agreement*, Buenos Aires, March 2017, 10 April 2017. Available at: http://trade.ec.europa.eu/doclib/docs/2017/april/tradoc_155477.pdf.

31. International Crisis Group, 'In the shadow of "No": Peace after Colombia's plebiscite', *Latin America Report* no. 60, January 2017; Leonard Fried, *The European Union and the Colombian Conflict: The EU's Impact in Fostering Peace*, M. A. Thesis, College of Europe, Bruges Campus, 2017.

32. Evita Schmieg, 'Cuba "updates" its economic model: perspectives for cooperation with the European Union', *SWP Research Paper*, Berlin, SWP, April 2017.

33. In 1996, the EU adopted a Common Position towards Cuba, conditioning full cooperation with the island on the improvement of the human rights situation, especially the release of political prisoners. This has been the only Common Position the EU has adopted in relation to Latin America and the Caribbean. Cuba has rejected it as interference in its internal affairs. Relations deteriorated when the EU imposed stiff economic sanctions on Cuba in 2003, following the imprisonment of over 70 political dissidents. The EU lifted economic sanctions on Cuba in 2008, after the release of most political prisoners, but decided to review the Common Position annually. During the negotiation of the PDCA, the EU Council stated that it would work towards the elimination of the Common Position.

the symbolic value of the EU's new approach to Cuba was further enhanced, because Trump announced a partial reversal of the normalisation policy promoted under the Obama administration, putting a further strain on relations between LAC and the northern colossus.

There are, however, serious challenges emanating from the domestic politics of LAC countries, some of which do not favour a *rapprochement* with the EU. Serious governance issues inside many LAC countries pose a threat to democratic institutions, and their legitimacy. The most widespread problem is that of criminality and weak rule of law, in most cases related to organised crime and drug trafficking, but not exclusively. Widespread impunity feeds some of the world's highest murder rates, with one quarter of all homicides in the world occurring in LAC. The problem is particularly acute in Central America's 'northern triangle' (Honduras, El Salvador and Guatemala), Venezuela, Colombia, Mexico, Brazil and Haiti.³⁴ Beyond the direct menace this poses to the population, citizen insecurity also provokes migration, hampers development, and delegitimises fragile democratic systems, as the basic social contract of state-provided security breaks down. The EU and its LAC partners recognise these acute problems and have on numerous occasions vowed to increase cooperation in the matter (see Figure 8); nevertheless, this is a difficult area for international involvement, as it is controlled by national police forces, intelligence and military institutions, which are traditionally sensitive about sovereignty and reluctant to share information and be held accountable. So, although the EU is bound to target an increasing amount of its cooperation and support to this matter in its LAC policy, it will be treading on delicate ground.

The most serious challenge today comes from Venezuela's slide towards authoritarianism, which has been going on for some time, but which became more acute in 2017. Since Nicolás Maduro replaced President Chávez in power and oil prices collapsed, depriving Venezuela of its only source of foreign currency, the Bolivarian economic model has plunged into disarray, provoking skyrocketing inflation, shortages of basic foods and medicines and an ensuing humanitarian crisis, as well a shocking rise in criminality.³⁵ Political polarisation has led to street protests, violence and repression since the opposition won a super-majority in Congress in December 2015. In 2017, after the breakdown of dialogue, the government proceeded to strip powers from Congress through the establishment of a new Constitutional Assembly that it controls, while the chief prosecutor had to flee into exile to Colombia.

The Venezuelan crisis is not only dangerous for the country's own population; it is spilling over to other parts of the region, putting institutions and fragile neighbours under strain. Hundreds of thousands of people are fleeing the country, especially to neighbouring Brazil and Colombia. In May 2017, a number of countries called the Lima Group, led by Mexico and the Secretary General of the OAS, Luis Almagro,

34. Robert Muggah and Ilona Szabo de Carvalho, 'Latin America's murder epidemic: How to stop the killing', *Foreign Affairs*, 22 March 2017.

35. Joaquín Almagro, the Secretary General of the OAS, issued a report on the Venezuelan situation in 2015, triggering a confrontation with the Venezuelan government, which eventually led to the latter leaving the organisation in May 2017. The report is available at: <http://www.oas.org/documents/spa/press/OSG-243.es.pdf>.

unsuccessfully promoted a resolution invoking the Democratic Charter's principles. This led to Venezuela's withdrawal from the organisation amidst increasingly bitter exchanges between those endorsing the resolution and Venezuela's allies. Later in the year, CELAC was affected by the same divisions, leading to the abrupt and indefinite postponement of the EU-CELAC summit, originally planned to take place in early October in San Salvador.

CHAPTER 3

The institutional architecture of the EU-LAC relationship: adapting to diversity

Nineteen years after the launch of the Rio Process, it is pertinent to take stock of the complex and multilevel institutional infrastructure the EU has built in its relations with LAC and to revise what objectives and expectations should exist at each level and with the various partners. The structure of the framework was originally conceived as a 3x3 matrix (see Figure 1), with three levels (national, sub-regional, bi-regional) and three areas (political dialogue, economic association, development cooperation). Cooperation on defence matters has recently been added, in the form of the potential contribution of individual LAC countries to EU peacekeeping activities.

This chapter argues that EU relations with LAC have found their strongest expression at the *bilateral* level with individual states or groups of them, because LAC is an increasingly diverse region. At this level, the EU has been able to sign AAs with Mexico (1999), Chile (2002), as well as last-generation FTAs with Peru, Colombia (2013) and Ecuador (2014) that complement a previous Political Dialogue and Development Cooperation Agreement signed with the Andean Community (2003). It has also established Strategic Partnerships with Brazil (2007) and Mexico (2008) that include discussion of international issues. The latest addition was the PDCA with Cuba (2016).

Relations with the *sub-regional* groupings have been weighed down by the pitfalls of regional integration in Latin America, which set high expectations in the 1990s that were never met. The ‘jewel of the crown’ of inter-regional negotiations, the FTA with MERCOSUR, initiated in 1995, remains under negotiation, while the Andean Community disintegrated in 2006 when Venezuela withdrew. The agreement with Central America (2012) stands out as the only inter-regional AA the EU managed to conclude, and it is still awaiting full implementation. The Economic Partnership

Agreements (EPAs) with the Caribbean (2008) have a rather different emphasis, being more focused on development and aid than on trade liberalisation, and treating each country separately or in smaller groups, as their own integration process through CARICOM stagnated.

At the *bi-regional* level, LAC has never been as coordinated or integrated as the EU would have liked, despite the creation of CELAC in 2011. The expectations of what can come out of this 'inter-multilateral' dialogue need to be adjusted to avoid the impression of under-achievement. In fact, despite the current favourable context described in the previous section, there was a clear sense of 'fatigue' after the last EU-CELAC summit in Brussels in 2015, while the one planned for October 2017 in El Salvador had to be postponed due to disagreements inside CELAC about the Venezuelan situation. Still, the bi-regional channels continue to be useful to the EU, not least because of its cooperation policy, now mainly articulated around regional (and thematic) programmes.

The three-pillar approach: one size fits all?

The bilateral level is the level at which the EU has achieved more concrete results with LAC partners because it is possible to address specific issues and to design agreements tailored to the particularities of each partner. The EU has sought a certain uniformity in the establishment of its bilateral relations, ideally structured along the three pillars: political dialogue, economic partnership, and cooperation. In reality, as the following section explains, their contents vary considerably, and only in the cases of Mexico, Chile and Central America are there three pillars with similar content, bound by a single treaty. With other partners, each of these areas is treated separately and/or at a different level (see Figure 1). Here they are analysed in turn.

Three-pillared Association Agreements: Mexico, Chile and Central America

Mexico: the template for the rest of LAC

Given its size, integration to the US market and close relations with Spain, Mexico has long been of interest to the EU and was a key partner in the *rapprochement* of the two regions in the 1990s. The so-called 'Global Agreement' (1999) was the first AA the EU signed with a non-European country and became a template for the relations the

EU wanted to establish with other partners in Latin America. The AA with Mexico established three pillars: political dialogue, economic association, and development cooperation and included a ‘democratic clause’ that stipulates the suspension of the treaty in case of democratic breakdown.³⁶

In 2008, the EU recognised Mexico as a Strategic Partner, its second after Brazil in the region. In practice, this has amounted to the addition of new (global and regional) items to the pre-existing bilateral political dialogue pillar. The Global Agreement is currently being re-negotiated to update its economic pillar, bring political dialogue closer, and adapt cooperation to the new EU and Mexican frameworks.

The EU-Mexico **political dialogue** includes many actors at multiple levels. At the top level, it consists of bi-annual summits that tend to coincide with EU-CELAC summits. At ministerial and more technical levels, the Joint Committee and special committees meet once a year or more often. There is also an inter-parliamentary yearly meeting (European Parliament-Mexican Congress), as well as gatherings of Civil Society Organisations (CSOs) from both sides. The bilateral dialogue covers topics as varied as trade, science and technology, higher education, security, human rights, the environment or social cohesion. Discussions on human rights became a contentious issue as the situation in Mexico deteriorated, especially after 2006.

Since the **Strategic Partnership** was established, the EU and Mexico have engaged in a dialogue on multilateral and regional issues including climate change, sustainable development, international peace and security, democracy and human rights, global economic governance, migration, triangular cooperation with Central America and EU-LAC relations. The EU values Mexico as a partner at the international level because it holds compatible views in many areas (trade and climate change stand out), and it is a member of the OECD and of the G20.

The **economic association pillar** of the Global Agreement established a free trade area and a series of IPPAs with each EU member state. This was relatively easy to negotiate because, after the signature of NAFTA (1994) and its entry to the OECD (1995), Mexico had become committed to the opening of its economy, including its agricultural sector, which did not pose a threat to that of the EU. Such conditions have not been present in all the countries of the region, a factor that has made the ‘Mexican template’ difficult to replicate.

Since May 2016, the EU has been renegotiating the Global Agreement with Mexico, especially the economic association pillar, to include elements of the ‘new trade agenda’, such as intellectual property, government procurement, regulation convergence, sustainability and the green and digital economies. It also aims to include provisions for European investment in the newly reformed telecommunications and energy sectors, the opening of which had long been awaited by European investors.

36. The Mexican authorities were reluctant to accept this clause during the negotiation, as it represented a break with its tradition of staunch defence of sovereignty and non-intervention in its domestic affairs. Human Rights CSOs have been campaigning for the application of this article in view of the difficulties with the implementation of the rule of law that Mexico has been experiencing over the last decade.

In recent months, Mexico and the EU have accelerated the pace of re-negotiation of the Global Agreement. Since Trump's arrival in the White House, Mexico's dependence on the US market has become a source of enormous fragility, and the perennial search for deepening relations with Europe as a means of diversification has returned with force to its external agenda. On the European side, Trade Commissioner Cecilia Malmström emphasised, when she visited Mexico in May 2017, that she wanted 'to send a clear signal to the world about the importance of strengthening – not weakening – the rules that govern international trade'.³⁷

The Global Agreement provided a framework for articulating numerous **bilateral and regional cooperation programmes** in various areas, from social cohesion, small and medium-sized enterprises, to competitiveness and environmental sustainability. Cooperation has generally been fragmented into many programmes. There are also projects that fall directly under general EU headings, like human rights (with the EIDHR), non-state actors (with the CSOs programme), the environment, nuclear safety (INSC), migration and asylum, or H2020 for research.

In 2004 both parties signed an Agreement on Science and Technology, an early example of where the EU wants cooperation with middle-income countries in LAC to move, as it committed the Mexican government to provide matching funds, thus encouraging their 'ownership' by partners. Since the last EU financial perspective in 2014, as a higher middle-income country, Mexico stopped receiving any bilateral EU development aid. Bilateral relations are moving towards 'partnership cooperation', which means that, like Brazil, Mexican organisations can participate in general EU calls and programmes, but increasingly, the funding for their participants comes from the Mexican government's resources earmarked for those purposes, which can be problematic.³⁸

The bilateral AA format has facilitated the establishment of specific dialogues and programmes tailored to the challenges facing each country. In the case of Mexico, for example, support to tackle violence against women and female homicide ('femicide') in Ciudad Juárez in 2012, and currently citizen security-related initiatives.

Chile: the champion of free trade and a partner in CSDP

In 2002, the EU concluded an AA with Chile, with a very similar structure to the Global Agreement with Mexico, but the **economic association** pillar was more ambitious, because Chile is the LAC country that has the most open trade policy, and is probably the economy with the least red tape in the region. With over 20 free

37. 'EU Trade Commissioner in Mexico: "Trade deal possible by year's end"', 8 May 2017. Available at: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1659>

38. The lack of certainty in budgeting processes means that funding is not guaranteed on the side of the Mexican authorities, or indeed, any other LAC partner. For example, the Mexican Council on Science and Technology (CONACYT) announced in January 2017 that, due to budgetary restrictions, it would not honour its commitment to fund the Mexican research institutions participating in H2020 Projects.

trade agreements with more than 50 countries – including one with the US signed in 2004 – and as a member of the OECD since 2010, Chile is a valued EU partner in the multilateral arena, as it holds similar positions on many areas, especially in economic matters, but also on democracy, human rights, climate change and social issues.

Chile is the EU's third economic partner in LAC, after Brazil and Mexico. Since the entry into force of the AA, trade has more than doubled and investment has grown even faster. Conversely, the EU is Chile's first source of foreign direct investment, its second-most important supplier of goods after the US and its third-largest export market. However, Chile's historic reliance on copper exports increased during the commodities boom, which turned China into its main client. The country has had to contend with economic difficulties since the decline of commodity prices in 2014.

Political dialogue meetings, structured like those with Mexico, have regularly taken place at all levels since 2002, and on numerous topics, ranging from human rights to employment. In the case of Chile, special emphasis has been given to employment and social policies by its social-democratic governments, interested in the European social model. The EU is currently assessing the possibility of upgrading the trade section of the AA with Chile, as it is doing now with Mexico, to include new disciplines and topics. In the **development pillar**, the EU has decided to 'graduate' Chile from bilateral cooperation, so like Brazil and Mexico, Chile remains eligible for co-funded cooperation under thematic, regional and sub-regional cooperation programmes, but bilateral aid has stopped.

Beyond the AA template, in 2014, Chile signed a Framework Partnership Agreement (FPA) in the **security field** with the EU, which provides the institutional underpinning for Chilean participation in Common Security and Defence Policy (CSDP) missions. Chile participated in the EU Military Operation in Bosnia and Herzegovina, *Althea*. It is the only LAC country to have such an agreement in place. Other LAC countries have contributed in an *ad hoc* way to specific CSDP missions: Brazil in *Artemis* (Democratic Republic of Congo), and the Dominican Republic and Argentina in *Althea*. Colombia signed an FPA with the EU in 2014 as well, but it is still pending ratification. Since 2014, Argentina and the EU have been exploring the possibility of cooperation in EU crisis management missions (see Figure 1).³⁹

Central America: building peace through development and integration

Central America is the first part of the world with which the EU has successfully signed a 'region-to-region' AA. In force since 2013 (although still not fully implemented), it encompasses the two previously existing agreements on **Cooperation and Political Dialogue, plus an FTA** negotiated between 2007 and 2010. The latter considers the different levels of development and the asymmetric levels of exchange, so it is opening up the EU market much faster than the Central American one.

39. Thierry Tardy, 'CSDP: Getting third states on board', EUISS, Brief no. 6, March 2014. Available at: <https://www.iss.europa.eu/content/csdp-getting-third-states-board>

The establishment of this agreement was possible in large part because the EU has been present in Central America since the 1980s, when it became engaged in the peace processes of El Salvador, Honduras and Nicaragua and, later, in reconstruction efforts as police trainer, institution builder, election observer, and development promoter. In a way, in Central America, the EU established its approach to peacebuilding through development long before the EUGS made the security-development link explicit as it is today. Thanks to this longstanding presence, the EU enjoys high levels of recognition in the area, where it is generally perceived as a positive force, as an alternative to heavy-handed US hegemony, and an important aid donor.⁴⁰

This is also an area where the EU has been rather successful in its promotion of **regional integration** abroad. The CACM launched in the 1960s explicitly sought to emulate the EC's customs union, and its relaunch after the wars in the 1990s was part of the peace process that the Community supported through EPC. Today, the region is integrated through the Central American Integration System (*Sistema de la Integración Centroamericana* - SICA) which brings together the Central American countries (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) as well as the Dominican Republic from the Caribbean. SICA is a flexible arrangement of differentiated integration ('variable geometry' in EU parlance) in which not all members participate in all policies. Institutionally, it features a complex architecture, which includes a Parliament and a Court, but it remains unequivocally intergovernmental, and national rivalries remain strong. State weakness, especially in the 'northern triangle' (Guatemala, El Salvador and Honduras), is an important obstacle to effective integration and cooperation. Despite such strong centrifugal forces, these countries know that, given their small size, they have more weight with outside partners if they negotiate collectively. So, size has been a powerful force in favour of regional cooperation, which has been most successful in the construction of the customs union,⁴¹ and the integration of the region in the world economy. Thus, Central America has successfully negotiated two FTAs as a group: one with the US, known as the Dominican Republic and Central America Free Trade Agreement (DR-CAFTA), signed in 2004, and that with the EU, signed in 2012.

In recent years, citizen security and democratic governance have been major objects of concern and have led to some regional initiatives,⁴² not least, because of the transnational nature of the problems as well as the fact that outside donors, such as

40. Mark Aspinwall, Elsy González and Lorena Ruano, 'Perspectives from Mexico, Colombia and Honduras', *Atlantic Perspectives: Interviews*, Report 02, Atlantic Future Project, 2015. Available at: <http://www.atlanticfuture.eu/contents/view/perspectives-from-the-americas>

41. Although the customs union does not include key products, like coffee or sugar, most other goods are now included in the regime.

42. At an extraordinary summit meeting in 2010, the presidents of SICA member states decided to 'relaunch' the process of integration around five themes: (i) Democratic security; (ii) Natural disaster prevention and mitigation; (iii) Social integration; (iv) Economic integration; and (v) Strengthening of regional institutions.

the EU and the US, favour dealing with these countries as a group. Actually, the most important topics discussed within the political dialogue pillar of the AA between the EU and Central America are migration, security and drugs issues, which are very serious problems in the area,⁴³ as well as climate change and regional integration.

In contrast to Mexico and Chile, the development pillar of this AA is the most important one in the relationship, because the EU is still a leading donor of ODA to the Central American region, providing considerable technical and financial support, much of which goes to boost the regional integration project. So, even though the structure of these AAs is similar, based on three pillars, the content of each one and their relative weight are different. The 'AA template' has made it possible to accommodate programmes and issues adjusted to the characteristics and priorities of each partner: economic association and global partnership with Mexico; social policy and defence cooperation with Chile, development and integration with Central America.

Between the bilateral and the regional levels: hybrid arrangements

Despite the apparent simplicity of the AA template, it has been difficult to extend it to articulate EU relations with other countries and groupings in the LAC region. One important reason has been that the EU initially privileged 'region-to-region' AAs, but the two South American RIAs, the Andean Community and MERCOSUR, did not live up to the rhetoric of integration and open markets they had deployed in the 1990s. The disintegration of the first and the transformation of the second during the 2000s meant that the EU had to change course and improvise alternatives with individual countries, thus widening the spectrum of possible arrangements. Today, they range from the Colombian and Peruvian cases, which resemble the AA template, to the Strategic Partnership with Brazil.

Colombia, Peru and Ecuador: a hybrid arrangement between the bilateral and the regional

Relations between the EU and these countries are structured in an *ad hoc* manner that departs from the AA template because the Andean Community, with which the EU had started negotiating in 2002, practically disintegrated after Venezuela pulled out abruptly in 2006, and Bolivia announced that it would follow suit, although it still belongs formally. Thus, relations with Colombia, Peru and Ecuador are structured by, on the one hand, a PDCA between the EU and the CAN, concluded in 2003, which is partially implemented. On the other hand, the trade pillar is organised in a Multiparty Free Trade Agreement (MFTA) that the EU negotiated separately with

43. For a recent review of the security situation and migration in the region see International Crisis Group, 'Mafia and the Poor: Gang Violence and Extortion in Central America', April 2017, <https://www.crisisgroup.org/latin-america-caribbean/central-america/62-mafia-poor-gang-violence-and-extortion-central-america>; 'Undocumented Migration from the Northern Triangle of Central America', October 2017, <https://www.crisisgroup.org/latin-america-caribbean/central-america/el-salvador/undocumented-migration-northern-triangle-central-america>

Colombia and Peru between 2007 and 2012. They are soon to be joined by Ecuador which concluded the negotiation of its treaty in 2014, and whose ratification is pending. As a result, the political dialogue and cooperation pillars are anchored at the regional (CAN) level, while the economic pillar is being built from the national (bilateral) level.

This hybrid situation is not devoid of tension, because prioritising the bilateral path would inevitably end up undermining the regional one. The PDCA with the CAN exists, but it has been overshadowed by a much more potent set of actions and programmes at the bilateral level with each individual Andean country. In trade, the EU negotiated three separate FTAs, that are compatible among themselves, but which are not formally linked to the cooperation and political actions and programmes at the national or regional levels. There are therefore close links in all aspects, but they are fragmented by theme and country, and not articulated in a single instrument.

Today, the EU has the closest relationship with Colombia, the most like-minded country of the three, given the predominantly liberal outlook of its successive governments. The EU is very supportive of the peace process signed in June 2016 between the Colombian government and the FARC, and it has already committed to provide financial assistance to its implementation, with a focus on rural and local development, through a special Trust Fund launched with €95 million. This comes on top of the bilateral development aid amounting to €67 million budgeted for 2014-17 (see Figure 8). The HR/VP appointed Eamon Gilmore who had been Special Envoy for the peace negotiations in Havana, to continue overseeing its implementation and the operation of the Trust Fund. So, paradoxically, even without an AA, political dialogue is wide-ranging, and Colombia is the only other country in the region (after Chile) to have signed an FPA for participation in CSDP missions. In contrast, Peru and Ecuador have been more distant partners, as their nationalist left-wing governments were, until recently, more reluctant to sign up to the project of an FTA with the EU.⁴⁴

Brazil: the Strategic Partnership overtakes the inter-regional AA with MERCOSUR

Given Brazil's size and aspiration to be a global player, it is the main regional power in LAC, and the EU and its member states have therefore long regarded it as a crucial partner in the region. It seems essential to engage with Brazil, which is the largest economy, the main contributor to UN peacekeeping forces (the United Nations Mission for the Stabilisation of Haiti – MINUSTAH – was mainly staffed by Brazil), the only Latin American country with an ambition to sit in the UN Security Council, the leader of regional initiatives like the Union of South American Nations (UNASUR), and one of the 'emerging powers' in the BRICS group.

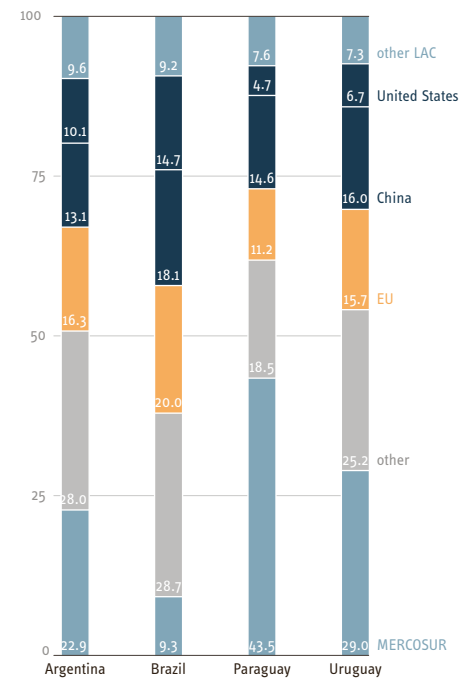
44. In Peru, the left-winger Alejandro Toledo was replaced by the less radical Ollanta Humala in 2011. In Ecuador the left-winger Rafael Correa, who was closer to the ALBA group, moderated his positions, and was replaced in 2017 by his less radical ideological successor Lenin Moreno.

However, establishing an AA framework with the South American giant has not been possible so far. First, because during the 1990s the EU opened the negotiation of an AA with MERCOSUR, and second, because Brazil and the EU often find themselves on opposing sides of arguments. Common views on democracy, human rights, and regionalism coexist with sharp differences in other areas in which Brazil articulates positions pertaining to the global South, such as trade, the principle of non-intervention or how to deal with climate change. In multilateral fora, like the UN, WTO or the Conferences of the Parties (CoPs) on climate and bio-diversity, Brazil has tended to hold nationalist positions that remain distant from the views of the EU.

The EU had started negotiations for an inter-regional AA with MERCOSUR in 1995 as a priority objective in its policy towards LAC and, especially, towards Brazil. This was the integration scheme that most resembled the EU in its early days, based on reconciliation between former foes, aiming at establishing a common market with a customs union and, consequently, a common trade policy. However, on top of the difficulties intrinsic to such objectives, the economic crises in Brazil (2001) and Argentina (2002) triggered nationalist responses with increasing policy divergence among member states. Over the 2000s, ‘pink wave’ governments in the member states (notably Lula in Brazil and Kirchner in Argentina), enlargement to include Venezuela, and the commodities boom which made exports to China more attractive, led MERCOSUR to drift away from its original market integration purposes and towards a mechanism for intergovernmental discussion of new topics, such as infrastructure, energy and social issues. In addition, under Brazilian leadership during the Lula administration, the establishment of UNASUR further weakened MERCOSUR, as it overlapped in content: the new body’s remit encompassed energy and infrastructure, social affairs and, crucially, defence and security, with the establishment of its South American Defence Council. Not ambitious in terms of economic liberalisation and investments, UNASUR hailed a new era of ‘post-liberal integration’. Meanwhile, in contrast to the other members of MERCOSUR, Brazil trades much more with outsiders than with its fellow members of the bloc (see Figure 7).

Figure 7: Main trade partners of original MERCOSUR members

% of total trade, 2016



Data: Trademap.org

In this evolving contest, only the cooperation pillar of the AA with MERCOSUR was successfully established in 1995, while trade talks got stuck due to protectionism on both sides. Thus, when the EU launched its scheme of Strategic Partnerships after 2005, the format seemed most appropriate to engage with Brazil, as it made it possible to launch several political and strategic dialogues on a wide range of issues, as well as bilateral cooperation on a variety of topics and formats. Moreover, Brazil was similar to other strategic partners, like China and India, insofar as an FTA was not possible, but a political dialogue seemed necessary to engage with these emerging powers, which were increasingly influential in the international system. The establishment of the EU-Brazil Strategic Partnership in 2007 therefore marked a shift from the inter-regional EU-MERCOSUR approach to a bilateral one, at a time when Brazil's standing in the world was growing fast.

Recently, the regional panorama has shifted yet again, due to the collapse of commodity prices and the deceleration of the Chinese economy, which have plunged Brazil into one of the severest recessions in its recent history. This has been compounded by a political crisis that brought down the government of Dilma Rousseff in 2016. The arrival of centre-right governments in Brazil and Argentina has renewed expectations of these countries liberalising their economies, reviving MERCOSUR, and of advancing the trade negotiations with the EU. However, it is hard to see how Brazil, polarised as it is today, and with a complex election looming in October 2018, might succeed in bringing about a radical opening of the economy in the immediate future.

A downside of this hybrid situation is that the other members of MERCOSUR lack a structured bilateral political dialogue with the EU. And for those who are more eager and able to pursue trade talks with outside partners, like Uruguay, the regional organisation has become a hindrance.⁴⁵ Perhaps a scheme like the MFTA with the members of the CAN could be explored.

The 'C' in LAC: The Caribbean's special arrangements

Although the Caribbean shares some of the features of the Latin American neighbourhood, like the threats of organised crime, inequality, and climate change, and it is geographically situated in the Western Hemisphere, the instruments that the EU has established to deal with that region have distinct purpose, depth and scope, and have evolved from a different starting point.

The Caribbean: EPAs to reconfigure a post-colonial arrangement

Through its overseas regions and territories, the EU is physically part of the Caribbean, and some of its member states (France, the United Kingdom and the Netherlands) view this heterogeneous region as geopolitically close. In some cases, the Caribbean is

45. In 2006, Uruguay was warned by Brazilian Foreign Minister, Celso Amorim, that pursuing an FTA with the US would leave it outside MERCOSUR. Today it is pursuing an agreement with China, to which Brazil strongly objects. 'Uruguay ignora negativas de Brasil y adelanta tratado de libre comercio con China', *Panam Post*, 27 November 2017. Available at: <https://es.panampost.com/karina-martin/2017/11/27/uruguay-tlc-con-china/>

still part of domestic politics. For instance, France has a direct presence in the region, through the French *Départements d’Outre Mer* (DOMs), French Guiana, Guadeloupe and Martinique, which are an integral part of the state and do not feature in EU policy towards the area. Like the Overseas Countries and Territories (OCTs) linked to the UK – Anguilla, Montserrat and the British Virgin Islands – they receive structural funds from the EU’s Regional Policy in the same way as other European regions such as the Canary Islands, participate in certain EU programmes, such as education, research and innovation, and their nationals hold British passports. However, the latter are not formally part of the EU, and as external actors, they participate in the Caribbean Forum (CARIFORUM), and enjoy access to some ACP features, such as resources from the EDF (see Figure 1).⁴⁶ Other Caribbean states, which are clearly independent, belong to the Commonwealth, where further variation is visible: some, like Barbados or Bahamas, are more developed and still very close to the UK; others, like Jamaica, less so.

It is for this reason that EU relations with the Caribbean retain a strong colonial and post-colonial flavour. They are more asymmetrical than those with the rest of Latin America, and they evolved separately and at a different time. The non-Spanish speaking Caribbean was linked early on to the EC through the Yaoundé (1963) and Lomé (1975) Conventions. Later replaced by the Cotonou Agreement (2000), these instruments granted poor former colonies of EC member states, known as the ‘ACP group’, preferential access to the Common Market and considerable amounts of aid through the EDF, on the grounds that they were highly dependent mono-exporters of tropical produce like sugar, fruit and coffee.⁴⁷ This trade regime was highly contested at General Agreement on Tariffs and Trade (GATT) dispute resolution panels (especially the chapter on bananas) and eventually ruled illegal by the WTO in 2008. Therefore, the EU had to replace the ACP trade regime with EPAs, which removed those aspects of trade that were most discriminatory to third parties, and compensated Caribbean countries with additional aid. In 2012, a Joint Caribbean-EU Partnership Strategy added a political dialogue pillar to the already existing trade and cooperation instruments included in each EPA. It identified five core areas for closer cooperation: (i) regional integration (around the Caribbean Community – CARICOM); (ii) the reconstruction of Haiti after the 2010 earthquake; (iii) climate change and natural disasters; (iv) crime and security, and (v) joint action in multilateral fora.

To re-organise its relations with this group of countries and help in the management of the considerable amount of aid they received,⁴⁸ the EU encouraged the establishment of the CARIFORUM as a subgroup within the ACP in the 1990s. Except for Cuba, all the members of CARIFORUM, are signatories to the ACP-EU Partnership Agreement

46. What will happen to EU policy towards these islands after Brexit remains to be negotiated.

47. After Spain’s accession to the EC in 1986, the Dominican Republic was included in the ACP Group. Today, it is grouped with Central America in SICA, but also shares some features with the ACP group, such as funds from the EDF.

48. Haiti, the poorest country of Latin America, is the main focus of EU aid towards the region: between 2000 and 2010, the EU provided more than €500 million to support the development of the country. Following the devastating earthquake of January 2010, the EU has increased its level of humanitarian and cooperation support, needed again after Hurricane Mitch. The EU also funds a programme to deal with cross-border cooperation between Haiti and the Dominican Republic, where Haitian migrants are systematically discriminated against.

(known as the Cotonou Agreement) and the EPAs. It is worth noting that the EU had to establish the CARIFORUM, because the CARICOM did not turn out to be a viable partner for these negotiations, due to internal disagreements, some of them accentuated by Venezuelan aid and diplomacy, since several countries in the area belong to the ALBA (see footnote 16). Thus, the EU's need to foster regional coordination to manage its change of policy towards the region, ended up creating an additional structure on top of the existing regional integration arrangement.

The fact that the Caribbean receives more aid, and from a different fund from the rest of Latin America, means that much of the relationship with the region is processed by different EU bureaucracies, those that deal with the ACP Group.⁴⁹ It is for that reason that, in discussions about the bi-regional relationship, the Caribbean often ends up marginalised, somehow forgotten.

Cuba: from the Common Position to defrost

Cuba has set itself apart, given its revolution, tense relationship with the US, and antipathy towards the liberal values that constituted the basis of the EU-LAC policy launched in the 1990s – although it was never excluded from it. In recent years, policy towards Cuba is perhaps the part of EU policy towards LAC that has changed most markedly. It moved from the Common Position, which conditioned full cooperation with the island on the improvement of the human rights situation, to the signature, in December 2016, of a PDCA. The instrument contains three main chapters (political dialogue, cooperation, and trade facilitation) reminiscent of the three-pillared structure that articulates relations with the EU's closest partners in the region (Mexico, Chile and Central America). Still, the contents and expectations are very different, given the illiberal nature of the regime as well as its closed economic system.

The recent *rapprochement* came in the context of the reestablishment of diplomatic relations between Cuba and the US and the announcement of a gradual lifting of the embargo during the Obama administration. This shift signalled a change of approach towards promoting political change in the island through engagement rather than confrontation. It was in this atmosphere of *détente*, and of imminent change in Cuba (after the death of Fidel Castro) that the EU negotiated the PDCA. European companies and individual member states had already ventured into Cuba, and their presence had become second only to Venezuela's. It was therefore important for the EU to be also present politically. This is even more the case today, with the resurgence of hostile rhetoric under Trump and the unravelling of Venezuela. Thus, the EU is becoming Cuba's most important outside relationship: first trade partner,

49. The EU's cooperation instruments that make funds available to Latin America are the Development Cooperation Instrument (DCI) and the Partnership Instrument (PI), while funding for the Caribbean comes from the EDF within the framework of the ACP-EU Partnership.

first source of investment, and main origin of tourists. So, although dialogue and cooperation still remain limited and difficult,⁵⁰ the value of the new three-pillared instrument should not be underestimated, especially in view of the leadership transition in 2018.

Stagnation at the bi-regional level: EU-CELAC

When bi-regional summit meetings were launched at Rio de Janeiro in 1999, it made sense for the EU and its member states to be able to group encounters with LAC leaders in a single bi-annual gathering, not least because LAC was becoming a *region* that worked towards integration, and, most importantly, explicitly declared that it drew its inspiration from the EU's success. A negotiation with the US and Canada was under way to establish an FTAA and a strong regional human rights regime under the OAS. At a time in which the EU was developing its system of summit meetings with other parts of the world (the Mediterranean, Asia, Africa), inter-regionalism made most sense with Latin America, as this was a group of like-minded countries that seemed relatively homogeneous and which were working towards integration. On the practical side, the EU-LAC 'Strategic Partnership' was accompanied by a series of development cooperation projects, generally funded by the EU, and aimed at the whole region, like the ALFA grants to promote academic exchanges.⁵¹

However, very soon 'summitry fatigue' set in and stagnation began to affect the EU-LAC bi-regional relationship. As in other large multilateral summits, gatherings only produced long joint declarations highlighting the shared liberal values that bound the two regions together, with no binding commitments, and sparse and fragmented concrete results.⁵² Furthermore, as the Washington Consensus evaporated over the 2000s and LAC became increasingly divided, the declaratory output of the summits became even vaguer. EU officials and other observers attributed such stagnation to the fact that LAC did not even conceive itself as a coherent entity; while EU leaders came to the summit meetings armed with previously discussed perspectives and flanked by their institutions, LAC governments were disorganised, and even used the gatherings as a forum for contention, as happened in Vienna in 2006.⁵³ Meanwhile, EU cooperation policy started to align with the Millennium Development Goals (MDGs) and the guidelines set out by the OECD's DAC. This led to a reduction of the amounts destined to LAC countries bilaterally, most of which are classified as

50. See Evita Schmieg, *op. cit.* in note 32.

51. For a comprehensive overview of such programmes see European Commission (Development and Cooperation (DevCo) and Europe Aid), *Regional Programmes: Latin America and the Caribbean*, Brussels, 2014; EU-LAC Foundation, *Vademecum on EU cooperation programmes with LAC*, Hamburg, 2017.

52. Gianluca Gardini and Andrés Malamud, 'Debunking interregionalism: concepts, types and critiques - with a transatlantic focus', *Atlantic Future Working Paper*, no. 38, 2015.

53. At the EU-LAC summit in Vienna, Venezuela announced its withdrawal from the Andean Community in the middle of a row with Colombia; Argentina's Cristina Kirchner raised the Malvinas/Falklands issue against the UK; Argentina and Uruguay were not speaking to each other because of a dispute over the construction of a Finnish paper factory on their border; Brazil was weary of Bolivia's recent nationalisation of oil and gas assets owned by Petrobras. The 2017 EU-CELAC summit was postponed in order to avoid a similar situation over the Venezuelan issue.

middle-income; as such, they are classified as having ‘graduated’ and therefore no longer eligible to receive bilateral aid from the EU (see Figure 8). As funds moved from the bilateral (DCI) envelope to regional and thematic programmes (open to all other partners, like the initiative on human rights or the initiative to promote the development of CSOs), the EU-LAC relationship was left without one of its main concrete underpinnings.

Such was the disenchantment with the bi-regional process that, at the last summit meeting in Brussels in 2015, the Heads of State and Government instructed their foreign ministers to ‘commit to a comprehensive and inclusive exercise of reflection on the future of the bi-regional relationship including the assessment of the programmes and actions adopted by the Summits and on the best way to ensure these common objectives’.⁵⁴ Under the CELAC presidency held by the Dominican Republic, a number of ministerial meetings produced in 2016 an evaluation of the ‘EU-CELAC Action Plan’, a document that had been adopted at the 2010 Madrid summit, and revised at each subsequent summit. The 2016 Assessment stated quite frankly that ‘major efforts need to be undertaken to achieve more concrete results’, signalled ‘the lack of an overall standing joint mechanism of evaluation and monitoring of the implementation’, and stressed that ‘more efforts should be made to promote CELAC-EU bi-regional cooperation programmes that address the CELAC region as a whole’.⁵⁵ Indeed, most of the programmes, actions and policy dialogues mentioned in the Assessment are not strictly bi-regional in nature, but involve the EU and certain CELAC countries or groups of them, highlighting the higher feasibility of cooperation at a bilateral level than with CELAC as a whole, not least because of different EU rules for cooperation funding applying to each member or group.

In that sense, and despite their shortcomings, bi-regional summit meetings retain an important practical value, widely recognised by policymakers: they provide a useful opportunity to gather together all the relevant leaders in a single event, thereby making it easier to take forward bilateral affairs and agendas. This has been called ‘bilateral multilateralism’.⁵⁶ Indeed, the summit meetings that are part of the Political Dialogue pillar with Mexico, with Chile and with Central America, take place in parallel to the bi-regional summits, as do other meetings with MERCOSUR, Brazil, and the CAN. Consulting with the members of *ad hoc* groups, like the drugs cooperation programme COPOLAD, is easier when everyone is present at the summit. Overall, the bi-regional process, including preparatory meetings at ministerial level and involving senior officials, is also important as an arena in which to seek better coherence and synergies in what might otherwise evolve into an excessively fragmented set of individual relations.

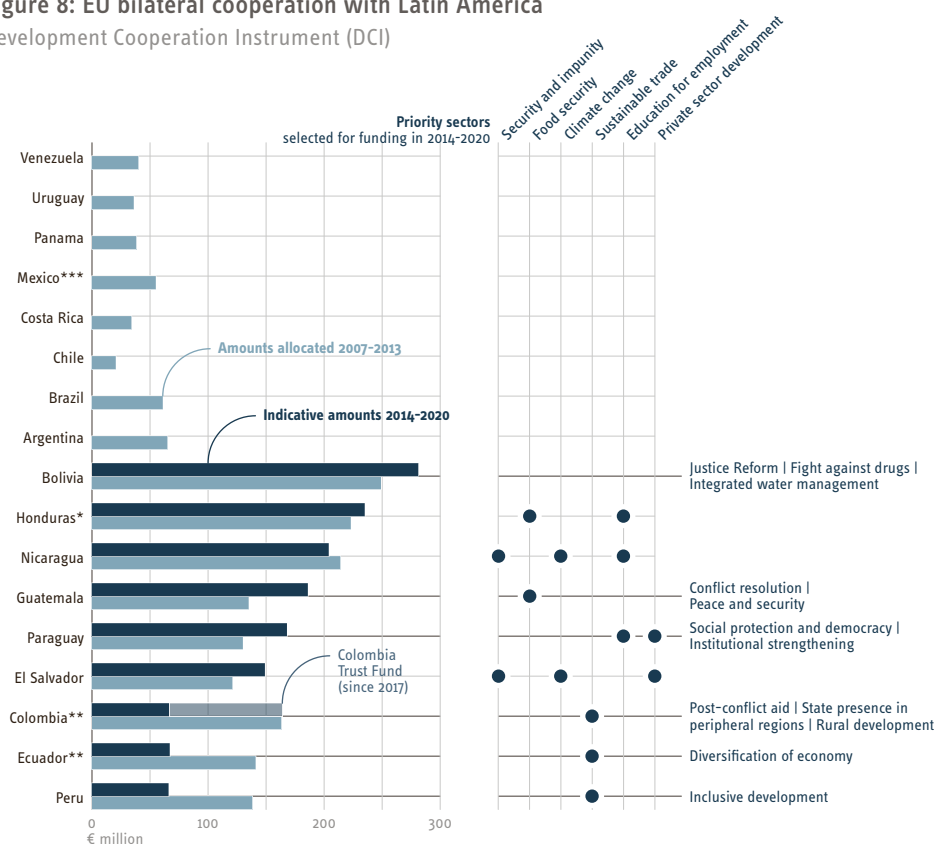
54. Paragraph 7, Political Declaration of EU-CELAC Heads of State and Government, Brussels, 10-11 June 2015.

55. CELAC-EU, *Assessment of Programmes and Actions*, Santo Domingo, 2016. Available at: <http://www.consilium.europa.eu/media/24235/read-the-assessment-of-programmes-and-actions.pdf>.

56. Christopher Hill and Michael Smith, *International Relations and the European Union* (Oxford and New York: Oxford University Press, 2011).

Figure 8: EU bilateral cooperation with Latin America

Development Cooperation Instrument (DCI)



* Data from Country Strategy Paper 2007-2013 (E/2007/478) and Indicative Pluriannual Programme 2014-2020

** Colombia and Ecuador amounts are for the period 2014-2017. They are to 'graduate' in 2017.

*** Data from Country Strategy Paper 2007-2013

Data: elaborated with information from https://ec.europa.eu/europeaid/regions/latin-america/continental-cooperation-latin-america/bilateral-cooperation_en

Paradoxically, the establishment in 2011 of CELAC as the EU's partner in the bi-regional dialogue has turned out to be a mixed blessing. The creation of this mechanism for diplomatic consultation, intended to coordinate regional positions in multilateral fora and with extra-regional actors, was initially welcome as it was supposed to enhance the coherence of LAC positions, to carve out common views before arriving at the summits with the EU. However, the postponement of the 2017 bi-regional summit speaks volumes about the weakness of CELAC as a coordination mechanism.

Box 1: The 10 points of the EU-CELAC Action Plan (2015 version)

1. Science, research, innovation and technology
2. Sustainable development; environment; climate change; biodiversity and energy
3. Regional integration and interconnectivity to promote social inclusion and cohesion
4. Migration
5. Education and employment to promote social inclusion and cohesion
6. The world drug problem
7. Gender
8. Investments and entrepreneurship for sustainable development
9. Higher education
10. Citizen security

Instead of facilitating the bi-regional dialogue, the addition of CELAC has led to what might be called ‘inter-multilateralism’: the EU, itself a multilateral system (albeit a more coherent and institutionalised one), meets CELAC, another multilateral mechanism whose output, in the best of cases, consists of long declarations at a very general level, often replicating agreements reached in wider global organisations (e.g, the UN) on issues that are already settled, like support for the peaceful resolution of disputes or respect for sovereignty. In the worst cases, as last year, CELAC has become an obstacle to the celebration of a summit meeting at which, at least, the sturdier bilateral, sub-regional and *ad hoc* agendas could have been pursued. CELAC has not turned out to be the regional partner that the EU wanted on the other side of the Atlantic.

At the time of writing, the EU and El Salvador (which has the rotating presidency of CELAC) have started to explore holding the postponed meeting at a ministerial level in Brussels to try to save the process and continue work on the Action Plan.⁵⁷ Yet, in the current acrimonious atmosphere within a languishing CELAC, even the basic function of choosing the presidency is a highly contentious affair, so it is not clear who will succeed El Salvador and be in charge of following up on such ministerial meetings on behalf of CELAC. It seems therefore that, for the time being, bilateral, sub-regional and other non-CELAC avenues will gain even more weight in EU policy towards the region, while the bi-regional partnership will be put into some sort of hibernation.

57. See the joint communiqué at: http://www.rree.gob.sv/index.php?option=com_k2&view=item&id=7215:comunicado-conjunto-de-la-reunion-del-canciller-de-el-salvador-y-presidente-pro-tempore-de-la-celac-con-directora-ejecutiva-para-las-americas-del-servicio-europeo-de-accion-exterior&Itemid=1489

Conclusion

This *Chaillot Paper* has provided an overview of the history and current state of EU policy towards LAC to show how the original assumptions behind it, notably a liberal consensus between the two regions on open markets, democracy and human rights, and regional integration, eroded over time. This led to the improvisation along the way of a range of hybrid multilevel instruments that departed from the Association Agreement model, which were better suited to accommodate an increasingly diverse region. As a result of this evolution, the bilateral format is today the most suitable level at which to promote ambitious common agendas, while the bi-regional one provides a less favourable context due to the internal struggles affecting CELAC, which has not turned out to be the partner that the EU expected on the other side of the Atlantic. Even before the current crisis inside CELAC, it was clear that many of the concrete results that appeared to validate the bi-regional relationship actually emanated from the bilateral level and EU cooperation programmes, implemented at a national and global scale. Still, the bi-regional process offers some value to the EU, as an arena in which to seek better coherence in what might otherwise evolve into an excessively fragmented set of individual relations.

The postponement of the 2017 EU-CELAC summit has been all the more regrettable given that the current international context presents renewed opportunities for a *rapprochement*. Most LAC countries face uncertainty with regard to the role of the US, as its policy towards them has shifted to neglect (in South America), if not open hostility (towards Mexico and Cuba). It is clearly in the interest of both regions to coalesce around the common values mentioned so many times at bi-regional summits, in particular, the defence of multilateralism and the rule of law in the international arena, the peaceful resolution of disputes, and the fight against climate change. Another factor favouring closer relations is the recent economic downturn in LAC, which is today more eager than before to engage with the EU as a trade partner, source of investment, and leader in the defence of rules-based trade.

There are, however, a number of factors in the current context that also complicate EU relations with LAC. RIAs such as SICA, MERCOSUR and CARICOM face enormous obstacles to their consolidation, as their intergovernmental institutions struggle to reconcile differing national priorities. The commitment to a strong democracy and human rights regime around the OAS is also dwindling as the governments of the region face serious political, economic and citizen security crises that undermine the legitimacy of their fragile democracies. While Venezuela represents the most serious challenge, it is by no means the only one. The region features the highest murder rates in the world, fuelled by unacceptable levels of inequality and widespread impunity in the face of rising criminality and corruption. In helping to address these non-traditional security threats, the EU needs flexible cooperation instruments, such as COPOLAD, which individual countries can join on an *ad hoc* basis, and which have

bilateral as well as regional components. It is in the EU's interest to help the region overcome such problems, for this is a relatively peaceful area of the world, with many like-minded countries with which to team up at the multilateral level in defence of the values it seeks to uphold.

Annex

Abbreviations

AA	Association Agreement
ACP	African, Caribbean, and Pacific Group of States
ALBA	Bolivarian Alliance for Peoples of our America (<i>Alianza Bolivariana para los pueblos de nuestra América</i>)
BIDH	Bilateral Dialogue on Human Rights
BRICS	Brazil, Russia, India, China and South Africa
CACM	Central American Common Market
CAN	Andean Community (<i>Comunidad Andina</i>)
CARICOM	Caribbean Community (<i>Comunidad del Caribe</i>)
CARIFORUM	Caribbean Forum
CELAC	Community of Latin American and Caribbean States (<i>Comunidad de Estados Latinoamericanos y Caribeños</i>)
CFSP	Common Foreign and Security Policy
COPOLAD	Cooperation Programme between Latin America, the Caribbean and the European Union on Drugs
CoPs	Conferences of the Parties
Corte IDH	Inter-American Court of Human Rights (<i>Corte Interamericana de Derechos Humanos</i>)
CPTPP	Comprehensive and Progressive Agreement for a Trans-Pacific Partnership
CSDP	Common Security and Defence Policy
CSOs	Civil Society Organisations
CTA	Comprehensive Trade Agreement
DAC	Development Aid Committee
DCI	Development Cooperation Instrument
DOMs	<i>Départements d’Outre Mer</i>
DR-CAFTA	Dominican Republic and Central America Free Trade Agreement
EC	European Community
EDF	European Development Fund
EIDHR	European Instrument for Democracy and Human Rights
ELN	National Liberation Army (<i>Ejército de Liberación Nacional</i>)

EPA	Economic Partnership Agreement
EPC	European Political Cooperation
EUGS	European Union Global Strategy
FARC	Revolutionary Armed Forces of Colombia (<i>Fuerzas Armadas Revolucionarias de Colombia</i>)
FCA	Framework Cooperation Agreement
FDI	Foreign Direct Investment
FPA	Framework Partnership Agreement
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GSP	Generalised System of Preferences
HR/VP	High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the European Commission
ICHR	Inter-American Commission on Human Rights (<i>Comisión Interamericana de Derechos Humanos</i>)
IDB	Inter-American Development Bank
IFCA	Interregional Framework Cooperation Agreement
INSC	Instrument for Nuclear Safety Cooperation
IPPA	Investment Protection and Promotion Agreement
JCEUPS	Joint Caribbean-European Union Partnership Strategy
LA	Latin America
LAC	Latin America and the Caribbean
MERCOSUR	South American Common Market (<i>Mercado Común del Sur</i>)
MFTA	Multiparty Free Trade Agreement
MINUSTAH	United Nations Stabilisation Mission In Haiti (<i>Mission des Nations Unies pour la stabilisation en Haïti</i>)
NAFTA	North American Free Trade Agreement
OAS	Organisation of American States
OCTs	Overseas Countries and Territories
ODA	Overseas Development Aid
OECD	Organisation for Economic Cooperation and Development
PDCA	Political Dialogue and Cooperation Agreement
RIA	Regional Integration Agreement
SICA	Central American Integration System (<i>Sistema de la Integración Centroamericana</i>)
SP	Strategic Partnership

TTP	Trans-Pacific Partnership
UK	United Kingdom
UN	United Nations
UNASUR	Union of South American Nations (<i>Unión de Naciones del Suramericanas</i>)
USD	United States Dollars
WTO	World Trade Organisation



Publications Office



European Union Institute for Security Studies
100, avenue de Suffren | 75015 Paris | France | www.iss.europa.eu