

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



**The EU-Latin American
Strategic Partnership:
state of play
and
ways forward**

AFET



STUDY

The EU-Latin American Strategic Partnership: state of play and ways forward

ABSTRACT

By looking at the current social, economic and political trends in Latin America and the Caribbean and at recent developments in the EU's relation with the region, this study explores windows of opportunity for advancing the EU-Latin American strategic partnership. It is argued that, although asymmetries between Europe and Latin America might impact and diminish the bi-regional relationship, the EU is well-positioned to play a more active role in Latin America by strengthening existing institutional links, such as the strategic bi-regional partnership between the EU and the Community of Latin American and Caribbean States (CELAC) and the Euro-Latin America Parliamentary Assembly (EuroLat). The study concludes with tailor-made recommendations in order to advance the EU's engagement and cooperation with individual Latin American countries and with the region as a whole, both through traditional cooperative channels and through closer parliamentary links within the framework of EuroLat.

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Executive Summary

This study aims at identifying short and long term trends in the political and socio-economic spheres of Latin America and recent developments in the European Union's (EU) relationship with the region. By doing so, the study identifies windows of opportunity that are currently available to the EU and its Member States to further enhance the existing strategic bi-regional partnership with Latin America and the Caribbean (LAC).

On the Latin American side, the **general political trend** indicates that **gains in democratisation** seem to have, with few exceptions, solidified across the region, where most countries now run regular, free and fair elections with frequent political transitions. The trend of electing left and centre-left governments across the region starting in the late 1990s now appears to be retreating. At the same time, re-democratisation means that Latin American citizens are formally guaranteed extensive social and economic rights in the constitutional regimes across the continent. Nevertheless, there remains the **challenge of ensuring that citizens actually enjoy formalised rights** such as healthcare, education, and employment. The current economic slowdown means that citizens tend to have reduced access to such rights because of worsening economic conditions and entrenched socio-economic inequalities. Living conditions are also affected by crime-related violence and by weak state institutions, which in some cases cannot ensure the protection of fundamental human rights.

Socioeconomic development in Latin America has shown mixed trends overall in recent years. As a consequence of the commodity super cycle and the implementation of redistributive social policies, large parts of the populations of most countries have moved above poverty lines and joined the continent's middle class. However, with the end of the commodity super cycle, which was a main factor in sustaining social programmes in the region, many of the **social gains of the past 15 years** have become **more vulnerable to short term political and economic fluctuations**. The rather abrupt end of the extra revenue provided by the export of commodities has also revealed that Latin American economies, which went through a process of 'reprimarisation' (*reprimarización*) following a period of high global prices and high demand for commodities, rarely took the opportunity to guarantee the sustainability of the social gains via much needed structural reforms. Such structural reforms could have ensured protection of citizens' rights, strengthening of political institutions and accountability, and economic competitiveness via innovation and technology. As a consequence, large portions of the population risk a **return to poverty** and might find themselves once again unprotected by the State.

While looking at the current **process of regional cooperation**, the study has found that the long-awaited qualitative evolution of the **Southern Common Market** (*Mercado Común del Sur*, **Mercosur**) has not materialized; on the contrary, trade among its Member States has actually decreased. The **Pacific Alliance** (*Alianza del Pacífico*), which is often pointed to as a new shining light for Latin American regionalism, remains focused almost exclusively on economic cooperation with a low level of institutionalisation. The **Union of South American Nations** (*Unión de Naciones Suramericanas*, **Unasur**) seems to have lost some of its initial impetus to construct a coherent South American space, in the wake of the economic slowdown and more recently political changes in key countries such as Brazil and Argentina. Nevertheless, it constitutes an important institutional channel for fostering dialogue and trust among its members, as well as for coordinating regional infrastructure integration. Unasur's rather pragmatic regionalism contrasts with the ideological cooperation of the **Bolivarian Alliance for the Peoples of our America** (*Alianza Bolivariana para los Pueblos de Nuestra América*, **ALBA**), which is above all a platform for political concertation and joint initiatives between likeminded governments. In Central America, the **Central American Integration System** (*Sistema de Integración Centroamericana*, **SICA**) remains the umbrella organisation for the various regional bodies and integration initiatives. Moreover, SICA's parliamentary branch, the Central American Parliament (*Parlamento Centroamericano*, Parlacen), has grown in

importance with its recently granted capacity to initiate legislation and the right to be informed about the appointment of high-ranking SICA officials. The empowerment of the Parlacen along with the conclusion of the EU-Central America Association Agreement have renewed the impetus for regional integration in Central America.

The study also points to main geopolitical or geo-economic shifts currently at play in Latin America, particularly the region's growing ties with Asia. **China's expanding presence in Latin America** is by far the most important factor in this regard, through trade — China alone accounts for around half of the trade between Latin America and Asia —, but also through the development of institutional channels for cooperation between China and Latin America, such as the China-CARICOM Forum, the China-Mercosur Dialogue and the China-CELAC Forum. While China's demand for raw materials and commodities has fuelled an export boom in some Latin American countries, it has also made them on trade with China trade and helped the 'reprimarisation' of exports. In addition to China, some Latin American countries have also seen increasingly strong ties with countries such as Japan, India and South Korea, which primarily seek economic partnerships with countries in the region.

Concerning Europe, the study highlights overlapping social, economic and political trends that potentially impact the EU's external actions and its relations with Latin America and the rest of the world. It identifies **co-existing centrifugal forces in Europe that diminish the EU's capacity and normative positions in global governance**. These trends include modest growth following the economic and financial crisis as well as the legacy of austerity policies, the rise of populist and nationalist movements that contest European integration, a certain sense of insecurity among populations following multiple terrorist attacks, a growing mistrust in European institutions, and the challenges to the rule of law as consequence of the 'illiberal drift' in some Member States. The study also looks at 'Brexit', the process of the United Kingdom leaving the EU, a factor which in the short term may diminish the EU's external action capacity.

As to the relationship between the EU and its Member States on the one hand, and Latin America and the Caribbean on the other, the study identifies a number of key developments that may constitute turning points for political and economic partnerships. There is currently a window of opportunity for finally reaching the Association Agreement between the EU and **Mercosur**, as the business-friendly governments in most Mercosur countries are determined to insert their economies into global value chains. The conclusion of the Political Dialogue and Cooperation Agreement (PDCA) opens an opportunity for the EU to advance its relations with **Cuba** and possibly play a role in future modernisation processes in the country. In the economic realm, closer relations with the EU could help Cuba to fill some of the large need for investments to overcome the country's economic difficulties as it seems to seek to normalise relations with the rest of the world. Similarly, the EU is currently engaged in negotiations to update the 'Global Agreement' with **Mexico** and the Association Agreement with **Chile**, adapting them to the changes in the global economic and political environment. Regarding **Colombia**, the EU's active support for the peace process between the government and the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*, FARC), through engagement with Colombia's civil society, the setting up of a trust fund to pool financial resources to help peacebuilding efforts in the country, and various cooperation activities, has taken the EU's relationship with Colombia to a new level.

In the last two decades, there has been a growing institutionalisation of the bi-regional relationship via the strategic partnership constructed around the **EU-CELAC summits** and its various cooperation initiatives, such as the Programme on Social Cohesion in Latin America (EUROSociAL), the Joint Initiative for Research and Innovation (JIRI) and several others. With the impetus provided by the summits and the direction provided by the action plans, EU-CELAC relations have focused on topics that now guide the policy implementation of the partnership through numerous instruments. Nevertheless, despite their historical, cultural and linguistic ties, EU-Latin American relations are marked by **relatively low interdependence and entrenched asymmetries** between the regions with regard to economic and political development.

The advancement of the partnership in fields such as higher education, science and technology, sustainable development, environmental protection, gender-related issues, and protection of vulnerable people and human rights defenders, among other, therefore requires **proactive political commitment and engagement** from Latin American and Europe.

When looking at the parliamentary dimension of the EU-LAC relationship, the **Euro-Latin America Parliamentary Assembly (EuroLat)**, the study argues that EuroLat successfully enables its Latin American and European components to reach common positions and adopt comprehensive resolutions on relevant topics of the bi-regional agenda, building on its flexible structure and benefiting from the symmetries between the two components in terms of number of countries and the joint funding schemes. Hence, EuroLat can constitute an important component of the **legitimacy of the interregional cooperation by adding a parliamentary layer**, if it continuously opens up to the participation of civil society, including by serving as a vehicle for representing civil society concerns at the level of the EU-CELAC summits. An effective parliamentary component presupposes visibility and diffusion of its discussions and conclusions to the actual decision-making and implementation processes of the bi-regional partnership. This can be achieved directly via interaction with the EU-CELAC summits and related institutionalised settings, or indirectly via the uploading of its agenda preferences in the EP or by members of national or regional parliaments in Latin America.

List of Acronyms

ACP	African, Caribbean, and Pacific Group of States
ALBA	<i>Alianza Bolivariana para los Pueblos de Nuestra América</i> Bolivarian Alliance for the Peoples of our America
AMEXCID	<i>Agencia Mexicana de Cooperación Internacional para el Desarrollo</i> Mexican Agency for International Development Cooperation
ASEAN	Association of Southeast Asian Nations
ASEAN+3	Association of Southeast Asian Nations plus China, Japan, and South Korea
BCIE	<i>Banco Centroamericano de Integración Económica</i> Central American Bank for Economic Integration
CCJ	<i>Corte de Justicia Centroamericana</i> Central American Court of Justice
CAFTA+DR	Central America Free Trade Agreement + Dominican Republic
CALC	<i>Cumbre de América Latina y el Caribe sobre Integración y Desarrollo</i> Latin American and Caribbean Summit on Integration and Development
CARICOM	Caribbean Community
CDS	<i>Consejo de Defensa Suramericano</i> South American Defence Council
CEED	<i>Centro de Estudios Estratégicos de Defensa</i> Center for Strategic Defence Studies
CELAC	<i>Comunidad de Estados Latinoamericanos y Caribeños</i> Community of Latin American and Caribbean States
CETA	EU-Canada Comprehensive Economic and Trade Agreement
CONACYT	National Council of Science and Technology of Mexico
COSIPLAN	<i>Consejo Suramericano de Infraestructura y Planeamiento</i> South American Council of Infrastructure and Planning
DCI	Development Cooperation Instrument
EC	European Commission
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean (ECLAC)
EDA	European Defence Agency
EDF	European Development Fund
EEA	European Economic Area
EEAS	European External Action Service

EESC	European Economic and Social Committee
EFTA	European Free Trade Area
EOM	Electoral Observation Mission
EP	European Parliament
EU	European Union
EU NAVFOR MED	European Union Naval Force Mediterranean
EuroLat	Euro-Latin American Parliamentary Assembly
EUROsociAL	Programme on Social Cohesion in Latin America
FARC	<i>Fuerzas Armadas Revolucionarias de Colombia</i> Revolutionary Armed Forces of Colombia
FCES	<i>Foro Consultivo Económico-Social del Mercosur</i> Mercosur Consultative Economic and Social Forum
FEALAC	Forum of East Asia-Latin American Cooperation
FDI	Foreign direct investment
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GSP	General System of Preferences
HR/VP	High Representative of the European Union for Foreign Affairs and Security Policy/ Vice President of the European Commission
IACHR	Inter-American Commission on Human Rights
IcSP	Instrument contributing to Stability and Peace
IIRSA	Initiative for the Integration of the Regional Infrastructure in South America
IMF	International Monetary Fund
IPR	Intellectual property rights
ISS	European Union Institute for Security Studies
JICA	Japan International Cooperation Agency
JIRI	Joint Initiative on Research and Innovation
MCCA	<i>Mercado Común Centroamericano</i> Central American Common Market
MEP	Member of the European Parliament
Mercosur	<i>Mercado Común del Sur</i> Southern Common Market

MNE	Multinational enterprise
MP	Member of Parliament
MUD	<i>Mesa de la Unidad Democrática</i> Democratic Unity Roundtable
NAFTA	North American Free Trade Agreement
OAS	Organization of American States
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PA	Pacific Alliance <i>Alianza del Pacífico</i>
Parlacen	<i>Parlamento Centroamericano</i> Central American Parliament
Parlandino	<i>Parlamento Andino</i> Andean Parliament
Parlasur	<i>Parlamento del Mercosur</i> Mercosur Parliament
Parlatino	<i>Parlamento Latinoamericano</i> Latin American Parliament
PDCA	Political Dialogue and Cooperation Agreement (Cuba)
PEMEX	<i>Petróleos Mexicanos</i>
Petrobras	<i>Petróleo Brasileiro</i>
PDVSA	<i>Petróleos de Venezuela S.A.</i>
PRAIAA	<i>Proyecto Regional de Apoyo a la Integración Económica Centroamericana y a la Implementación del Acuerdo de Asociación</i> Regional project to support Central American economic integration and the implementation of the Association Agreement
R&D	Research and development
SICA	<i>Sistema de Integración Centroamericana</i> Central American Integration System
SIECA	<i>Secretaría de Integración Económica Centroamericana</i> Secretariat for Central American Economic Integration
TEU	Treaty on European Union
TTIP	Transatlantic Trade and Investment Partnership
TPP	Trans-Pacific Partnership
UfM	Union for the Mediterranean

UK	United Kingdom
UN	United Nations
Unasur	<i>Unión de Naciones Suramericanas</i>
	Union of South American Nations
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
WTO	World Trade Organization

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Introduction

This study presents the state of play of EU-Latin American relations. It provides an overview of the current state of affairs in Latin America and in Europe, the inter-regional cooperation, and the European Union's engagement with individual Latin American countries as of 2017. The **study's overall objective is to point to general trends as well as opportunities and obstacles** to political, societal and economic development, regional integration and inter-regional cooperation in the context of EU-Latin America relations. Furthermore, the study uses case studies in order to illustrate general trends, including countries such as Brazil, Colombia, Cuba and Venezuela, and regional groups such as Mercosur, the Pacific Alliance, Unasur, ALBA and SICA. Using data from international institutions, non-governmental organisations, and academic research, the study allows for an overview of country-level and regional developments in Latin America and in Europe as well as inter-regional cooperation between the EU and Latin-America.

The study focuses more specifically on the following issues:

- **Political and social developments**, including the consolidation of democracy and rule of law in most Latin American countries, but also the evolution towards more authoritarian forms of government in others and the weakness of democratic and political institutions; the increasing lack of confidence in political parties/institutions with respect to corruption; persistent human rights problems, including women and gender issues; the prevalence of organised crime and deteriorating public security; and declining poverty rates combined with persistent income inequalities;
- **Economic developments**, including the impact of the end of the 'commodity super cycle' and low oil prices on growth patterns; the 'reprimarisation' (*reprimarización*) of the 2000s; economic policies, such as tax reforms and changing trade and investment patterns;
- **Regional integration and cooperation**, including the evolution of groups such as Mercosur, the Pacific Alliance Unasur, ALBA and SICA;
- **Geopolitical shifts and geo-economic re-orientation**, especially the shift towards Asia and the Pacific, and China in particular;
- **Inter-regional cooperation**, including the EU-CELAC strategic partnership and the trans-parliamentary cooperation in the Euro-Latin American Parliamentary Assembly (EuroLat).

The first part of the study, '**Latin America: state of play and current challenges**' outlines the most prominent developments regarding democracy and human rights, social and economic conditions and regional integration in Latin America, highlighting the general structural challenges which the region currently faces. It gives a brief overview of the contradictory state of affairs with respect to democracy, human rights and economics, focusing both on region-wide trends and specific countries. With regard to the regional cooperation and integration, the study addresses the cases of the Southern Common market (Mercosur), the Pacific Alliance, the Union of South American Nations (Unasur), the Bolivarian Alliance for the Peoples of our America (ALBA) and the Central American Integration System (SICA). It also addresses the general context of geopolitical and geo-economic shifts which have created stronger ties between Latin America and various Asian countries, particularly China.

The second main part of the study, on '**EU-Latin America relations**', analyses the EU's relations with Latin America. The first section introduces the main social, political and economic trends in the EU that potentially impact the EU's relations with the region and the rest of the world. The second section addresses in particular the EU's relations with Mercosur, Mexico, Colombia and Chile and the deepening relations with Cuba. This approach allows the study not only to focus on inter-regional links and cooperation between Mercosur and the EU, but also on the EU's bilateral engagement with specific countries, demonstrating various levels and types of dialogue and cooperation. The study highlights the positive achievements of the EU in Latin America, but also points to the challenges and necessary follow-

up in the short and long term of EU-Latin America relations. The last two sections look at the **EU-CELAC strategic partnership and its parliamentary component, EuroLat**.

The third main part of the study evaluates the **prospects for a stronger bi-regional strategic partnership** and provides specific recommendations to the EU and to the European Parliament while taking into account the country-level and regional developments in Latin America. The recommendations aim to inform the EU's positions, with a special focus on recommendations to the European Parliament, before the 3rd EU-CELAC Summit, which is scheduled for October 2017.

1 Latin America : state of play and current challenges

1.1 Developments in democracy and human rights

Latin America's consolidation of democracy and rule of law is marked by **contradictory trends**. On the one hand, the **long-term processes of consolidation of democracy**, which began in the late second half of the 20th century following the cold war-era military dictatorships, have put down sustainable roots in most countries. National elections regularly take place, transitions of power – albeit sometimes tumultuous – are generally peaceful, and military groups taking an active role in politics are an exception. Constitutional orders across the region now ensure, at least on paper, political and social rights that can rival those in the most developed countries in the world. Freedom House's 'Freedom in the World Index', for instance, rates all Latin American countries as 'free' or 'partially free'. Exceptions are Venezuela, which was given the status of 'not free' for the first time in 2016, and Cuba.¹ Electoral observations by international organisations such as the Organization of American States (OAS)² report **mostly free and fair elections**. On a similar trend, the Center for Systemic Peace³ ranks the overwhelming majority of Latin American countries in the range between open democracy and full democracy, with considerable gains in social legitimacy in the decades since re-democratisation. Finally, the Economist's 'Democracy Index' rates the majority of Latin American countries as 'flawed democracies', but democracies nonetheless.⁴

On the other hand, despite democratisation, Latin America continues to be plagued by **historical trends of endemic corruption**, clientelism and patrimonialism, populism across the political spectrum, and high rates of crime-related violence. Access to formally recognised rights and freedoms remains considerably restricted to wealthy and politically influential minority groups monopolising economic and political capital. Therefore, when struggling in the face of heavy social and economic inequalities, voters across the region elected a wide spectrum of left and centre-left governments during the so-called 'pink tide'⁵ following the collapse of the 'Washington Consensus' in the late 1990s. However, recently centre-right, liberal-leaning governments of the 'new right' have succeeded left-wing governments in key countries such as Argentina and Brazil, while the 'pink wave's' hold on power in countries such as Bolivia, Nicaragua and Venezuela appears increasingly depending on populist measures and constitutional reforms that allow for continual re-election (such as, for example, the law that would have allowed Bolivian President Evo Morales to serve a fourth term, but was rejected by a slim majority of voters in the 21 February 2016 referendum). However, the presidential elections in Ecuador in April-May 2017, won by Lenín Moreno, the candidate of the ruling the *Alianza PAIS* party, demonstrated that left-wing politics remain a viable alternative.

While Latin America's democratic institutions are generally holding ground, the **political crisis in Venezuela** is the most salient exception to this trend. If the country has often been seen as a case of a hybrid regime⁶ that mix democratic and authoritarian features, the latter seem to have prevailed. When President Hugo Chávez's successor, Nicolás Maduro, took office in April 2013 he inherited an extremely difficult economic situation with high inflation and a shortage of basic consumer goods, but with a resilient

¹ Freedom House, *Freedom in the World*. Freedom House, 2017.

² Perina, R. N., 'The Future of Electoral Observation', *Américas Quarterly*, Spring, 2012.

³ Marshall, M. G., Cole, B.R., 'Global Report 2014. Conflict, Governance, and State Fragility', *Center for Systemic Peace*, 2014.

⁴ The Economist Intelligence Unit, 'The Economist Intelligence Unit's Democracy Index', *The Economist*, 2017.

⁵ Beasley-Murray, J. Cameron, M.A., Hershberg, E., 'Latin America's Left Turns: An Introduction', *Third World Quarterly*, 30, no. 2, 2009; Bull, B. 'Social Movements and the 'Pink Tide' Governments in Latin America: Transformation, Inclusion and Rejection', in Stokke, K., Törnquist, O. (eds.), *Democratization in the Global South*, Basingstoke, Palgrave, 2013; Cameron, M. A., 'Latin America's Left Turns: Beyond Good and Bad', *Third World Quarterly*, 30, no. 2, 2009.

⁶ Corrales, J. 'Autocratic Legalism in Venezuela', *Journal of Democracy*, 26, no. 2, 2015.

mass party organisation of a semi-authoritarian system.⁷ As popular and organised opposition increased, Maduro's election for a six-year term in April 2013, less than one percentage point ahead of the candidate of the unified opposition, Henrique Capriles, showed deep popular discontent, which was confirmed when the opposition alliance, the Democratic Unity Roundtable (*Mesa de la Unidad Democrática*, MUD) gained a comfortable majority in the legislative elections in December 2015. By this time, however, the government's control of the Supreme Court and the judicial system meant that the opposition-led National Assembly was stripped of any meaningful power. Hence, as Maduro's government has faces mounting opposition both on the streets and from the economic elite, it has responded with increasingly authoritarian measures, including violent crackdowns on demonstrators, systematic attacks on the press. The decision of the Venezuelan Supreme Court in March 2017 — later reversed widespread international criticism — to strip the National Assembly of its legislative authority, further concentrating power in the executive branch⁸, and the government's announcement on 1 May 2017 of a National Constitutional Assembly to rewrite the 1999 constitution, seem to mark a definitive step in the process of eliminating the already limited powers of the opposition-led Congress and effectively hinder any formal opposition.

The rise of democratically elected **left-wing governments in particularly South America** nurtured hopes from traditionally disenfranchised sections of the population that welfare and wealth-redistribution policies would bridge the large gap between rich and poor. Economic and social inequalities have indeed fallen across the region since the early 2002.⁹ This unique 'equalizing moment'¹⁰ was due to economic growth aligned with real increases in minimum wages above inflation rates, redistributive fiscal policies and expansion of education. At the same time, this region-wide process of reduction of inequalities was fuelled by large-scale conditional cash transfer schemes, such as *Bolsa Família* and *Bolsa Escola* (Brazil), *Jefes y Jefas de Hogar Desocupados* (Argentina), and *Prospera/Oportunidades* (Mexico).¹¹ However, active social policies were largely made possible by the favourable economic situation caused by the boom in the price of commodities such as oil, iron ore, and soybeans. Having failed to diversify their economies (see chapter 2.1), many commodity-exporting countries in the region, with their positive trend towards social and economic justice, found themselves unprotected when faced with the global economic and financial crisis beginning in 2008.

Furthermore, the relative novelty of the 'pink tide' did not make left-wing governments immune to entrenched political realities of 'neopatrimonialism', characterised by the blurred separation between the public sphere and the private sphere of the ruling elite,¹² nor to the structural economic challenges of technologically underdeveloped, commodity-exporting, and financially indebted countries. Widespread public corruption continues to hinder development and efficiency of government activities and Latin

⁷ Handlin, S. 'Mass Organization and the Durability of Competitive Authoritarian Regimes: Evidence from Venezuela,' *Comparative Political Studies*, 49, no. 9, 2016; Corrales, J., Penfold, M., *Dragon in the Tropics: Hugo Chavez and the Political Economy of Revolution in Venezuela*, New York, Brookings Institutions Press, 2011; Ottaway, M., *Democracy Challenged: The Rise of Semi-Authoritarianism*, Washington, Carnegie Endowment for International Peace, 2013, pp. 83-87; Hawkins, K.A. 'Chavismo, Liberal Democracy, and Radical Democracy,' *Annual Review of Political Science*, 19, 2016:

⁸ Sanchez, F., Dreier, H. 'Venezuela's Supreme Court reverses controversial ruling on Congress powers', *The Independent*, 1 April 2017.

⁹ ECLAC, 'La matriz de la desigualdad social en América Latina', *Economic Commission for Latin America and the Caribbean*, Santiago, October 2016. For a long-term assessment, see: Gasparini, L., Cruces, G., 'Poverty and Inequality in Latin America: a story of two decades', *Journal of International Affairs*, 66, no. 2, 2013.

¹⁰ Rodríguez-Castelán, C., López-Calva, L. F., Lustig, N., & Valderrama, D., Understanding the dynamics of labor income inequality in Latin America. *World Bank Policy Research Working Paper*, no. 7795, 2016, p. 2.

¹¹ López-Calva, L.F., Lustig, N., "Explaining the Decline in Inequality in Latin America: Technological Change, Educational Upgrading, and Democracy" in López-Calva, L.F., Lustig, N. (eds.), *Declining Inequality in Latin America A Decade of Progress?*, Washington: Brookings Institution Press, 2010, pp. 1-24.

¹² Bechle, K. 'Neopatrimonialism in Latin America: Prospects and Promises of a Neglected Concept', *GIGA Working Paper*, 153, November 2010. See also: Faoro, R. *Os Donos do Poder: A formação do patronato político brasileiro*. Porto Alegre, Globo, 1958.

American citizens in general perceive their countries to be highly corrupt.¹³ As '[m]any countries are wracked by periodic corruption scandals, which are typically met by anaemic anti-corruption efforts'¹⁴, the political legitimacy of governments in the region are undermined. Furthermore, as recent developments have shown, **corruption has taken a regional dimension** beginning in the previous decade. The current investigations in various countries of political bribery schemes involving Brazilian politicians, the Brazil's state-owned oil company *Petrobras* (*Petróleo Brasileiro SA*) and construction companies, have demonstrated that corruption has regional ramifications that include other Latin American governments.¹⁵

At the same time, Latin America has historically had weak institutions to **fight corruption** practiced by public officials or political and economic groups with privileged access to state facilities. While many corruption cases have been addressed by the courts,¹⁶ efficient trials such as the acclaimed judicial process in Guatemala against former President Otto Pérez Molina (2012-2015) and other members of his government remain the exception. Politicians often enjoy an encompassing immunity from prosecution when in office, or their alleged wrongdoings fall under the jurisdiction of the often busy higher courts, which end up delaying judicial processes due to their unwillingness or inefficiency. The trial in what has become known as the *Mensalão* corruption scheme in Brazil, for example, began in 2012, more than five years after the country's Supreme Court accepted the indictments. Judicial systems and high-profile figures such as attorneys general and prosecutors are often influenced by executive and legislative branches of government, which in turn leads to a biased justice system favouring those in positions of power.

The high level of perceived corruption¹⁷ across the region fit the reality of neopatrimonialism, abuse of authority and misappropriation of state assets. As a consequence, governments and political parties across the political spectrum face an increasing **lack of political trust** by the population, including by newly enfranchised sectors of the middle class. Low political trust in government is a continuous theme in Latin America¹⁸, which often results in the military and non-state institutions, such as the Catholic Church, leading national surveys of trustworthiness, ahead of parliaments and political parties, as well as governments and the judiciary. Two decades of economic growth and poverty reduction, democratisation and the improvement of the state's capacity to control territory and deliver public goods, including social welfare programs, were believed to have reversed this trend of mistrust – and indeed a rise in trust was observed between 2000 and 2010.¹⁹ However, the current economic slowdown together with frequent corruption scandals and shortcomings in the rule of law have largely undone this trust, and the region has returned to its historical trend of lacking confidence in government and state institutions,²⁰ — a trend that is aligned with an overall, worldwide lack of public trust in traditional political systems and their representatives.

The impeachment of Brazilian President Dilma Rousseff in August 2016 highlighted **three underlying regional trends in Latin America's consolidation of democracy and rule of law**: the struggle between

¹³Transparency International, 'Global Corruption Barometer 2013,' Berlin, *Transparency International*, 2013.

¹⁴ Warf, B., Steward, S., 'Latin American Corruption in Geographic Perspective,' *Journal of Latin American Geography*, 15, no. 1, 2016, p. 134.

¹⁵ Bogler, D. 'Odebrecht's Web of Corruption Spreads across Latin America,' *Financial Times*, 20 February 2017; The Washington Post, 'Brazil Huge Corruption Scandal Begins to Affect the Rest of Latin America,' *The Washington Post*, 12 February 2017.

¹⁶ See, for example: Michener, G. and Pereira, C. 'A Great Leap Forward for Democracy and the Rule of Law? Brazil's Mensalão Trial,' *Journal of Latin American Studies*, 48, 2016.

¹⁷ See, for example: Transparency International, *Corruption Perception Index 2016*, http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table

¹⁸ Bargsted, M. Somma, N.M., Castillo, J.C. 'Political Trust in Latin America,' in Zmerli, S., Van Der Meer, T.W.G. (eds.), *Handbook on Political Trust*, Cheltenham, Edward Elgar, 2017.

¹⁹ *Ibid.*, 400-01.

²⁰ Muñoz Bata, S., 'Latin Americans Increasingly Distrust Their Government, and It's Leading to More and More Violence,' *The World Post*, 2017.

proactive executive branches of government and largely reactive congresses, the judicialisation of politics, and the public mistrust of the ruling class.²¹ First, in the Latin American presidential systems, **executive and legislative branches tend to clash with each other** and there is a mutual suspicion due to the historical preponderance of the former over the latter. The impeachment process in Brazil demonstrated the uneasy relationship between presidents that are elected with a national agenda and congresses that are elected by regional or local electoral constituencies. When advancing their agenda, presidents are rarely able to form a majority with their own party and likeminded political parties, but need to appeal to larger audiences in parliaments – an incompatibility at the root of vote buying and other illegal practices, but also of the potential loss of support during impeachment processes.²² While Brazil is indeed an extreme example of such practices, the difficulties in forming stable presidential coalitions is a more general regional trend. Second, the impeachment process, and in particular the investigations leading up to it has reaffirmed a **growing trend of judicialisation of politics** in Latin America,²³ with judges and the judiciary in general taking an active political role and intervening in contentious political questions arising from disputes between opposing parties and movements, thereby also threatening judicial independence. Finally, the country-wide protests in Brazil before and during the impeachment process, that brought millions of people to the streets, revealed **a deep discontent with the ruling elites**. At the same time, they seemed to signal a probable preference for what is perceived as non-ideological, non-party politics represented by political outsiders such as the mayor of São Paulo elected in October 2016, the businessman João Doria, and the pro-impeachment *Movimento Brasil Livre*.

In Latin America, since colonial times social demands and acknowledged rights face the inadequacies of weak governmental institutions, although often co-existing with heavily bureaucratic states, and structural economic problems. The population in many countries in the region continue to be subject to **violations of human rights**, even if there has been undeniable progress in areas such as access to health and education, legal protection, efforts to eradicate impunity and acknowledgement of LGBTQ rights.²⁴ While interstate warfare remains extremely rare in Latin America, what has been defined as the region's 'violent peace'²⁵ manifests itself in the **high rates of violent death** in both urban and rural areas. The United Nations Office on Drugs and Crime (UNODC) data reveal that Latin America's rates of 'unlawful death purposefully inflicted on a person by another person'²⁶ are among the highest in the world. The average homicide rate registered in 2012 reached 22 for South America and over 25 for Central America – the highest rates in the world after South Africa.²⁷ Of the 50 cities in the world with the highest murder rates, 42 are situated in Latin America. Cities such as Caracas (Venezuela), San Salvador (El Salvador), San Pedro Sula (Honduras) and Acapulco (Mexico) have staggering annual murder rates above 100 per 100,000 inhabitants. High rates of criminal violence fuel insecurity, which again affects economies negatively and deters foreign investors.

Crime and corruption are major concerns in most Latin American countries.²⁸ As the sole global producer of cocaine, the region remains heavily afflicted by crime and violence related to **drug trafficking**. Drug-related **organised crime** continues to co-opt entire communities – deep in the jungle and in urban areas –

²¹ Pérez-Liñán, A., *Presidential Impeachment and the New Political Instability in Latin America*, Cambridge, Cambridge University Press, 2007.

²² Pérez-Liñán, A. and Polga-Hecimovich, J. 'Explaining Military Coups and Impeachments in Latin America,' *Democratization*, 2016.

²³ Sieder, R., Schjolden, L., Angell, A. (eds.), *The Judicialization of Politics in Latin America*, New York, Palgrave, 2005.

²⁴ Inter-American Commission on Human Rights, *Annual Report*, Washington, Inter-American Commission on Human Rights, 2015.

²⁵ Mares, D.R., *Latin America and the Illusion of Peace*, Abingdon, Routledge, 2012.

²⁶ United Nations Office on Drugs and Crime, *Global Study on Homicide: Trends, Context and Data*, Vienna, UNODC, 2013. For updated chart, refer to: The Economist, 'The world's most dangerous cities', *The Economist*, 31 March 2017.

²⁷ Homicide rates and figures do not include war-afflicted zones or countries, such as Syria, Afghanistan and Iraq.

²⁸ Pew Research Centre, 'Crime and Corruption Top Problems in Emerging and Developing Countries,' 2014, <http://www.pewglobal.org/2014/11/06/crime-and-corruption-top-problems-in-emerging-and-developing-countries/>

which are forced to participate in the illegal networks, leading to alarming rates of children and adolescents living in dangerous environments and participating in criminal activities.²⁹ At the same time, ill-equipped and under-paid police forces lack the dissuasive capacity to combat established trafficking networks and are very often subject to bribes and extortion.³⁰ In addition, dysfunctional criminal justice systems mean that many criminals are not convicted, and when they are, conditions in the prisons, which are often beset by human rights violations and fighting among rival factions, make rehabilitation and re-socialisation unlikely.

Events in countries such as Brazil, Chile, Guatemala, Honduras and Peru, among others,³¹ highlight the violation of human rights and the ways of life of indigenous and other local communities caused by **large** extractive and **investment projects**, such as hydro-electric dams, mining and oil and gas exploitation. Social protests and clashes between environmental and community activists, on one side, and security forces, private corporations and land owners, on the other, over the construction of infrastructure and extractive projects have caused several deadly casualties in a number of countries. Governments in the region have historically privileged short term economic gains of allowing projects of large scale exploitation of natural resources over long term sustainable development and the rights of local communities. The current economic crisis, in which the need for energy sources and sources of revenue may have become more urgent, may make it more difficult for governments to strike a balance between the rights of the local populations and those of large corporations.

At the same time, environmental activists and human rights defenders face growing threats across the region and very often find themselves unprotected by the state.³² A 2015 report by the Inter-American Commission on Human Rights (IACHR) found a worrying **trend of criminalisation of human rights defenders**. The misuse of criminal law by the state or non-state actors increasingly hinders the advocacy work of human rights defenders.³³ The IACHR report points to particular groups of defenders who have been most frequently targeted by the criminalisation of their activities: those working for the defence of land rights and the environment, defenders of labour rights, of sexual and reproductive rights and those advocating for the rights of LGBTQ persons. In the process of criminalisation of their activities, human rights defenders are accused of offences such as 'incitement to rebellion or crime', 'terrorism', 'sabotage' or 'attack or resistance to public authority'. Furthermore, they are often denied the guarantees of due process and are subject to long legal proceedings.

²⁹ Inter-American Commission on Human Rights, *Violence, Children and Organized Crime*.

³⁰ Trinkunas, H. 'The Network Effect: Trafficking in Illicit Drugs, Money, and People in Latin America,' *Brookings Institute*, 3 December 2015.

³¹ See, for example: 'Peru Anti-Mining Protest Sees Deadly Clashes,' *BBC*, 25 September 2015; Barrionuevo, A. 'Plan for Hydroelectric Dam in Patagonia Outrages Chileans,' *The New York Times*, 16 June 2011; Watts, J. 'Belo Monte, Brazil: The Tribes Living in the Shadow of a Megadam,' *The Guardian*, 16 December 2014; Raimbeau, C. 'Qui a Tué Berta Cáceres ?,' *Le Monde Diplomatique*, October 2016.

³² The Economist, 'Why Latin America is the deadliest place for environmentalists,' *The Economist*, 11 February 2017.

³³ Inter-American Commission on Human Rights, *Criminalization of the Work of Human Rights Defenders*, Washington, Inter-American Commission on Human Rights, 2015, pp. 114-116.

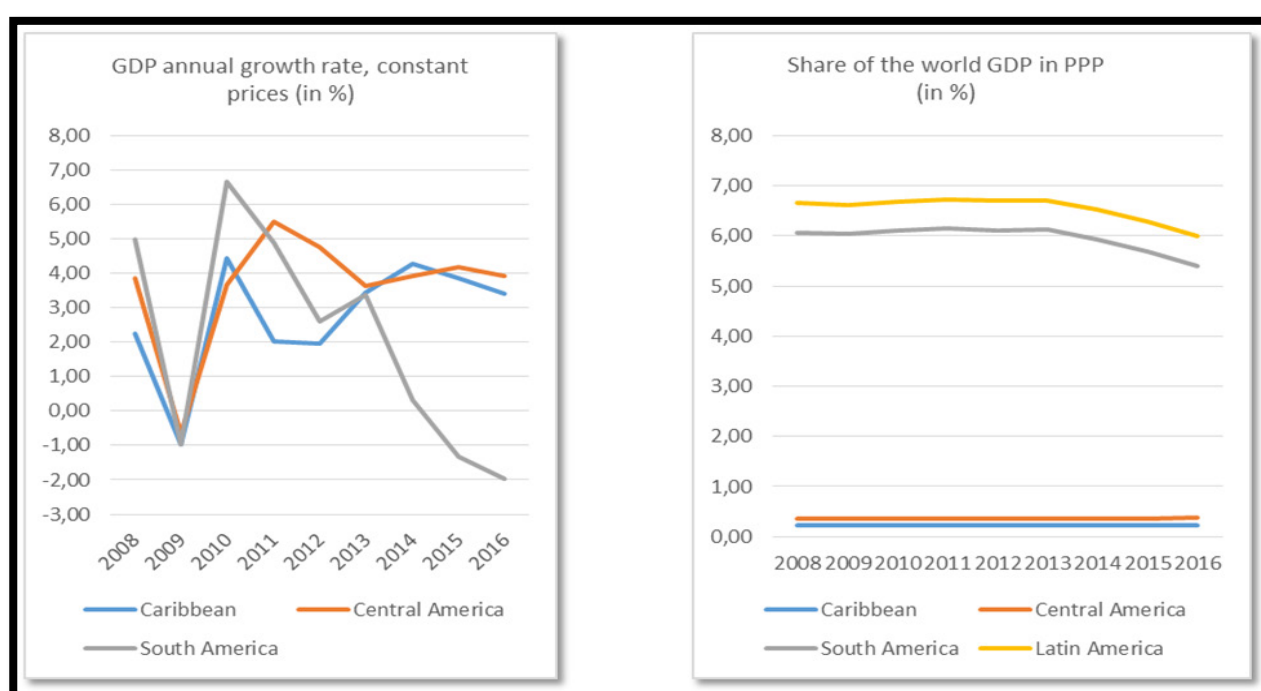
1.2 Social and economic trends

1.2.1 The end of the commodity super cycle and its aftermath

The years following the economic crisis in 2008-2009 have highlighted the fragility of the primarily export-driven growth that Latin American economies enjoyed in the 2000s due to the 'commodity super cycle'. After the shock of the 2009 recession, growth seemed to be resilient across the continent until 2012. In 2009 some analysts claimed that the time of emerging economies had come, as Western economies had to cope with a long and difficult deleveraging process generated by the burst of the real-estate and banking bubbles. But after 2012, the performance of many Latin American economies began to deteriorate fast, especially in South America (see graphs 1 and 2 below) when compared to Mexico, Central America and the Caribbean.

Figure 1:

Latin America and the Caribbean: GDP annual growth rate and share of world GDP



Source: World Bank Open Data (<http://databank.worldbank.org/data/home.aspx>.)

Latin American growth was largely driven down by the **slowdown of China's demand for commodities** (as the effects of the USD 586 billion Chinese stimulus package adopted in 2009 began to wane and real estate and financial bubbles and overcapacities affected the growth sustainability of the Chinese economy) and the continuing low growth of the US and, in particular, the European economies

At the same time, Brazil and other Latin American economies attracted **speculative liquidities from Western economies** as financial actors reassessed their hedging strategies as many Western economies and their currencies were becoming relatively unattractive for their investment. These flows, which consisted more of portfolio investment than foreign direct investment (FDI), helped to weaken the competitiveness of the region's economies through currency appreciation, wealth effects³⁴ and the

³⁴ Wealth effect in this case refers to the creation of an illusion that the inflated value of real estate is permanent, thereby inducing owners to take on a higher degree of consumption at a time when the economy is already experiencing inflationary pressures, thereby generating more inflation and reducing competitiveness.

creation of real estate bubbles. In addition, these capital inflows proved highly volatile as new trade-off opportunities emerged in other parts of the world.

By 2012 the economic situation began to deteriorate quickly in many countries in the region, a tendency that was further aggravated by the strong decline in the prices of many raw materials, including oil, from 2014. This demonstrated the continuing fragility of the Latin American economies, due to the dependency on commodity prices and the difficulties in escaping the impact of volatile capital flows. Overall, the aggregated growth of Latin America and the Caribbean reached only 1.2 % in 2014 and was negative in the two following years (-0.4 % in 2015 and -1.1 % in 2016), according to data from the UN Economic Commission for Latin America and the Caribbean (ECLAC). The economic slowdown has been particularly severe in South America, with the combined GDP contracting by 1.7 % in 2015 and 2.4 % in 2016, highlighting the fragility of the Latin American economies, their traditional dependency on the price of commodities and the difficulties in insulating themselves from volatile capital flows. In 2016, the situation continued to worsen and led to increasing political volatility and social cleavages in countries such as Brazil and Venezuela (see *supra*, 1.1).

1.2.2 The reprimarisation of the 2000s

The current economic crisis in many Latin American countries illustrates the negative effects of the 'reprimarisation' of some economies, a process that began decades ago. After the debt crisis of the 1980s, most Latin American countries adopted liberal, free-market policies, often branded as the '**Washington Consensus**', which included trade and investment liberalisation, giving up import substitution industrialisation and a drastic reduction of state interventionism in the economy.³⁵ Latin American governments and economic policymakers turned their backs on industrial policies and decided to focus on their comparative advantage as providers of primary products. Even the rise in the 2000s of various left-wing governments in opposition to the 'Washington Consensus' did not change this pattern of reliance on exports of primary products.³⁶

The 2000s saw **an increase in commodity prices** largely driven by the industrialisation, urbanisation and increased standards of living across East Asia (most importantly in China after it joined the World Trade Organization (WTO) in 2001) but also by the liquidity glut generated by the real-estate and banking bubbles in the US and European economies from 2003 to 2008.³⁷ Rising commodity prices strengthened the weight of commodity lobbies vis-à-vis industrialists across the region and encouraged many Latin American governments to seek to promote economic growth by exploiting their traditional comparative advantage as exporters of commodities and raw materials.³⁸ This also negatively affected the competitiveness of the industries and tradable services of many economies (e.g. Argentina, Bolivia, Brazil, Colombia, Ecuador and Venezuela) as they became affected by the 'Dutch disease'.³⁹

³⁵ Stiglitz, J., Serra, N., *The Washington Consensus Reconsidered*, Oxford, Oxford University Press, 2008; Oman, C., *Globalisation and regionalisation*, Paris, OCDE, 1994.

³⁶ Defraigne, J.C., 'La reconfiguration industrielle globale et la crise mondiale', *Outre-Terre*, revue européenne de géopolitique, 46, 2016, pp. 143-192; Villalobos, D., 'Les limites de la nouvelle gauche latino-américaine en matière d'industrialisation autonome' *Outre-Terre*, revue européenne de géopolitique, 47, 2016.

³⁷ Adda, J., 'La Mondialisation de l'Economie', La Découverte, Paris, 2012.

³⁸ Defraigne, J.C., 'Is a strengthening south-south regional integration possible? The case of Mercosur and Latin America', *Fédéralisme Régionalisme*, 16, 2016.

³⁹ Dutch disease: the term comes from the experience of the Netherlands when it found new sources of natural gas in the 1960s. The wealth effect and export revenues generated by this new energy industry accelerated as energy prices went up and led to an appreciation of the currency which again weakened the competitiveness of other export industries; a traditional problem for energy-exporting countries.

In parallel, the **industrialisation of the emerging economies of Asia accelerated**, especially due to China's accession to the WTO. The governments of many East Asian emerging economies preferred to pursue active industrial policies to promote exports rather than to comply with the prescriptions of the 'Washington Consensus', inspired by the success of Japanese and Korean industrial policies in previous decades.⁴⁰ They pursued a variety of mercantilist policies, including the pegging of the currency, policies to upgrade research and development (R&D) capacities and providing cheap interest rates to export firms through banks supported by the state.⁴¹ As a result, East Asia has become the single largest exporter of manufacturing products in the world, providing much cheaper manufactured goods in global markets than in the previous decades. This evolution created a strong complementarity between Latin America and East Asia as one region provided the commodities while the other focused on manufacturing⁴² and explains the increase of the share of the Asian economies — and most particular China — in Latin America's external trade has been so significant.⁴³

This has led to debates across the region about **the future of its manufacturing** industries.⁴⁴ Indeed, the competition from Asian emerging economies challenges the infant and traditional light industries of Latin America more directly than the relatively more high tech or luxury manufactured goods coming from the US and the EU (figure 2). However, one should not oversimplify the phenomenon of reprimarisation or relative deindustrialisation and the rise of the Asian manufacturing industries. East Asia is not a homogenous manufacturing workshop for the world; some members of the Association of Southeast Asian Nations (ASEAN) are also facing a reprimarisation challenge as products from North-east Asia (primarily, but not exclusively from China) flood their markets.

Similarly, although most Latin American economies have considerably increased their dependency on commodity exports and manufactured imports from East Asia, the process of 'reprimarisation' has not affected all economies or in equal measure. It has had far less impact on notably Mexico and other Central American economies (e.g. Costa Rica) due to their geographical proximity to the US and their insertion into the regional value chain organised by US multinational enterprises (MNEs), stimulated by the North America Free Trade Agreement (NAFTA) or the Dominican Republic-Central America Free Trade Agreement (CAFTA+DR)s.⁴⁵ This has generated a strong flow of intraregional industrial trade between particularly Mexico and the US, helping the country to stabilise the share of manufacturing in its gross domestic product (GDP) during the last two decades. Additionally, the region's biggest economy, Brazil, still possesses resilient manufacturing companies with global exports, including Embraer (aeronautics), Gerdau and CSN (steel), Braskem (chemistry) and Itaúsa (electronics and chemicals).⁴⁶

⁴⁰ Defraigne, J.C., 'La reconfiguration industrielle globale et la crise mondiale', *Outre-Terre, revue européenne de géopolitique*, 46, 2016, pp. 143-192; Chaponnière, J.-R., Lautier, M., *Les économies émergentes d'Asie*, Paris, Armand Colin, 2015.

⁴¹ Defraigne, J.C., 'The limits of the sustainability of China's growth', in Florence, E. (ed.), *Towards a New Development Paradigm in Twenty-First Century China Economy, Society and Politics*, London, Routledge, 2012, pp. 28-49; Chaponnière, J.-R., Lautier, M., *Les économies émergentes d'Asie*.

⁴² Salama, P., *Les Economies Emergentes Latino-Américaines*, Paris, Armand Colin, 2012.

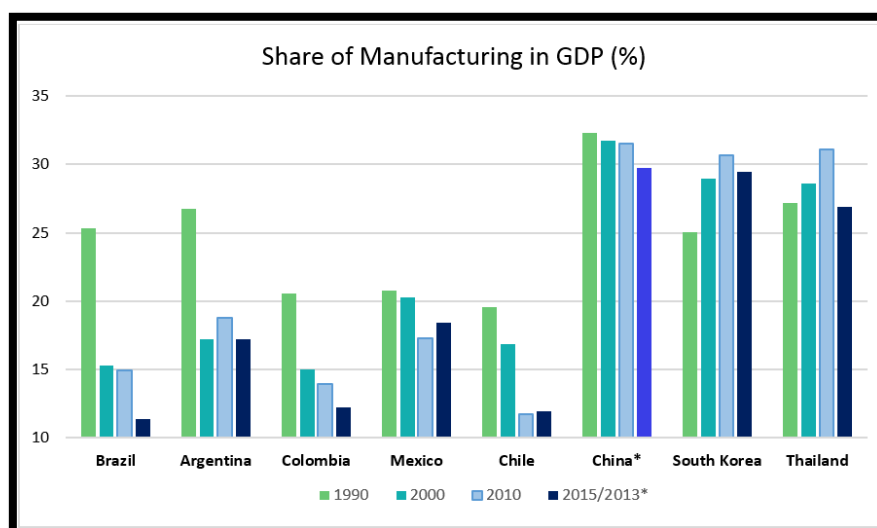
⁴³ Verhulst, G., *Unbalanced triangle*, in Wouters, J., Defraigne, J.-C., Burnay, M., (eds.), *China, the EU and the Developing World*, Cheltenham, Edward Elgar, 2015. See also tables 2 and 3 in the appendix.

⁴⁴ Salama, P., *Les Economies Emergentes Latino-Américaines*; Gaulard, M., 'Les responsabilités de la désindustrialisation précoce dans la crise brésilienne actuelle', *Outre-Terre, revue européenne de géopolitique*, 47, 2016.

⁴⁵ Spalding, R., *Contesting Trade in Central America*, Austin, University of Texas Press, 2014; Haber, S., Klein, H., Maurer N., Middleboock, K., 'Mexico since 1980'.

⁴⁶ Brainard, L., Martinez-Diaz, L., *Brazil as an economic superpower?*, Brookings, Washington DC, 2009; Haber, S., Klein, H., Maurer N., Middleboock, K., 'Mexico since 1980', Cambridge University Press, 2011.

Figure 2:
Key countries: share of the manufacturing sector of GDP



Source: World Bank Open Data (<http://databank.worldbank.org/data/home.aspx>.)

1.2.3 The consequences of reprimarisation

Maintaining the role of commodity providers in the international division of labour has consequences for the future economic and social development of Latin America. First, it implies **slower technological development and weaker innovation capacities** relative to countries involved in high-tech industries and services, despite the fact that some primary industries are characterised by a high level of capital and technology intensities. Indeed, from off-shore oil drilling to coffee bean production or food processing, maintaining the position as a global competitor requires billions of annual investment in machinery and R&D. Similarly, companies such as *Petrobras*, *JBS Friboi* or *Vale* are global MNEs, operating even in the technologically most advanced industrialised countries. However, the largest share of Latin American capital-intensive activities in the primary industries is managed by MNEs.

With the exception of Brazilian companies, only Mexico's state-owned *Petróleos Mexicanos* (Pemex) oil company is among the world's 500 largest firms,⁴⁷ — and even *Pemex* is characterised by increasing debt and technological limitations, reflected in its increasing engagement in joint ventures with foreign companies, such as the British-Australian BHP-Billiton and the state-owned China National Offshore Oil Corporation (CNOOC). The situation is similar for Venezuela's state-owned *Petróleos de Venezuela S.A.* (PVDSA), which relies on foreign technology and firms for prospection and drilling activities. The Venezuelan government has not managed to upgrade the technological capacities of the PVDSA and remains highly dependent on Western firms for oil distribution and technology. Overall, some Latin American firms in the mining and energy sector are among the 2 000 largest global firms, but most of them operate in joint ventures with other high-tech firms. Apart from a handful of Brazilian industrial champions, the rest of Latin American producers are dependent on foreign technology for their activities and cannot be characterised as global innovators in their field. This means that **most of the R&D capacities of Latin American primary industries are being developed abroad** (i.e. Europe, the US, Northeast Asia) and that local technological spill-over towards national firms, research centres and universities remains limited. In comparison to services, network industries and other manufacturing activities, the primary sector offers

⁴⁷ Fortune Global 500, 2016, <http://beta.fortune.com/global500/>.

fewer linkages with the rest of the economy in terms of productivity gains. Official surveys and reports have shown the limited willingness of Brazilian coffee producers, for instance, to move up the value chain and develop vertically integrated activities in global processing, marketing and distribution of their final product.⁴⁸

This is consistent with the very low and only slowly increasing levels of R&D spending in the region (mostly below 0.5 % of GDP, with the exception of Brazil that holds an intermediary position with 1.2 %). The Latin American economies currently stand at the same level as China two decades ago, compared to the present levels, with China spending 2 % of its GDP on R&D in 2016 and South Korea more than 4 %.⁴⁹ In terms of research output measured in intellectual property royalties, patents and scientific articles, Latin America remains far below East Asia, Europe and North America, even the region's economic heavyweights Brazil and Mexico.⁵⁰

Similarly, Latin American universities rank low compared to Asian and universities in the rest of the western world. The University of São Paulo is the only Latin American university among the top 300 universities and only three others are in the top 500 (two Chilean universities and one other Brazilian) while there are 12 Asian universities in the top 100.⁵¹

'Reprimarisation' also generates **lower productivity gains for the Latin American economies**. The low share of the manufacturing sector in the economy and the relatively low levels of education and scientific knowledge mean that most employment opportunities are provided in the primary sectors or in low-tech activities in the tertiary sector (and often a substantial part in the informal or grey/black economy). These employment patterns and the weak industrial and technological base contribute to economic and social inequalities — a problem Latin America shares with other emerging and developing economies.⁵²

Historically, the Latin American economies present low levels of government spending and limited welfare coverage, especially regarding health services.⁵³ This reflects persisting challenges as regards mobilising fiscal resources, due to a traditionally low taxation base and deficient tax collection, which have constrained public expenditure and investment and hampered the delivery of public goods (education, health services, infrastructure, security etc.) and the creation of a welfare system. Overall, although tax revenues have grown in many Latin American countries in the last 25 years, the share of tax revenues of total GDP (the tax-to-GDP ratio) remains low compared to the ratio of the developed countries. Furthermore, the levels of government final consumption expenditure⁵⁴ of many Latin American countries are similar to those of other emerging economies with a lower GDP per capita, such as Bulgaria, China and Tunisia.⁵⁵

Fiscal sustainability has become a growing problem in recent years, for some countries as a consequence of diminishing revenues from primary exports and the economic slowdown — another expression of the

⁴⁸ SDP / MDIC, *Sistematização de Políticas Públicas de Estratégias de Negócio para o Reposicionamento Estratégico das Indústrias Processadoras de Café no Brasil*. Passo Fundo, Méritos, 2015.

⁴⁹ World Bank; OECD/ECLAC/CAF, 'Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship', *Organisation for Economic Co-operation and Development*, Paris, 2016; Battelle, *Global R&D funding forecast*.

⁵⁰ See figures 4 and 5 in the annex.

⁵¹ Times Higher Education, *World University Ranking 2017* <https://www.timeshighereducation.com/world-university-rankings>

⁵² Studwell, J. *How Asia Works*, Porile Books, London 2014; Newman, C., et al., 'Made in Africa: learning to compete in industry', *Brookings*, Washington DC, 2016; Sharma, R., *The Rise and Fall of Nations*, New York, Allen Lane, 2016; Defraigne, J.C., 'La reconfiguration industrielle globale et la crise mondiale'.

⁵³ UNDP, *Human Development Report 2016. Human Development for Everyone*, New York, 2016. See figures 6 and 7 in the annex.

⁵⁴ General government final consumption expenditure (GFCE) includes all government expenditures for purchases of goods and services for the direct satisfaction of individual and community needs.

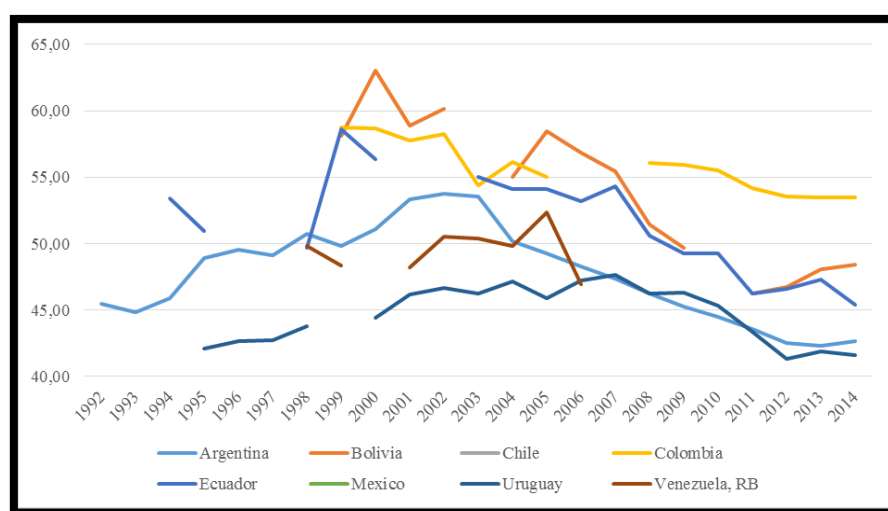
⁵⁵ Among EU Member States, Bulgaria appears at the bottom in terms of social safety net. China and Tunisia, with a lower GDP per capita, provide more general government spending and more spending on public health than some of the most developed Latin American economies.

vulnerability caused by 'reprimarisation'. The evolution of public finances in different parts of the region in 2016 illustrates this issue: while the average fiscal deficit in Mexico, Central America and the Dominican Republic dropped from 2.4 % to 2.2 % of GDP between 2015 and 2016, it increased from 3.6 % to 4.0 of GDP in South America, much more affected by the declining commodity prices. At the same time, most South American countries saw tax revenues fall in 2016.⁵⁶

Several Latin American countries have adopted tax reforms in recent years to increase revenues, seeking to strengthen the tax base and improve tax collection, including through combating evasion. Recent examples are the Mexican tax reform, approved by Congress in October 2013, which sought to broaden the tax base and reduce the fiscal dependency on oil revenues, and the reform approved by the Chilean Congress in September 2014, which is expected to increase the tax revenues' share of the GDP from 19 to 22 % by increasing corporate taxation.⁵⁷ Following a similar pattern, the tax base in Colombia saw an increase in tax revenue's share of the GDP from 18 % to 26.2 % between 2000 and 2015, and the Colombian Congress passed a comprehensive reform in December 2016 to simplify the tax regime, reducing tax evasion and raising revenues, mostly through indirect taxation, partly to compensate for the revenues lost due to declining oil prices.⁵⁸ In contrast, Argentina's government under President Mauricio Macri has reduced agricultural export taxes to boost exports and reduce Argentina's trade deficit. However, this will likely increase the public deficit, which stood at 4.9 % of GDP in 2016, thereby reducing the capacity to fund welfare policies in the future.

Low levels of taxation also contribute to high levels of income inequality. Fuelled by the 'commodity super cycle' from 2000 to 2008, high growth rates and higher fiscal revenues allowed for more generous welfare transfers, helping to reduce economic and social inequalities. However, this trend largely ended in 2012. The Gini coefficient, which measures wealth distribution and inequality, is now stagnant in many countries, or has even increased in some cases (see figure 3).

Figure 3:
Gini coefficient



Source: World Bank Data 2016

⁵⁶ ECLAC, Fiscal Panorama of Latin America and the Caribbean 2017, United Nations, Santiago de Chile 2017 (http://repositorio.cepal.org/bitstream/handle/11362/41047/S1700070_en.pdf?sequence=1&isAllowed=y)

⁵⁷ Couffignal, G., *Réformer en profondeur le Chili légué par Pinochet : une entreprise impossible?*, Paris, Amérique Latine 2016-2017, Documentation Française, 2016.

⁵⁸ *Colombia's Congress approves tax reform in bid to raise billions*, Reuters, 23 December 2016 (<https://colombiareports.com/colombias-congress-approves-tax-reform-bid-raise-billions/>)

There is also a gender perspective to the lack of a solid industrial and technological base in many countries. Development studies have also shown that manufacturing activities enable women to benefit from higher and more stable sources of income, but also to contribute to improve their social and economic emancipation.⁵⁹ In fact, despite **an increase in the number of women enrolled in higher education**, which has doubled over the last 25 years,⁶⁰ the levels of gender inequality in Latin America are still among the highest in the world.⁶¹

1.3 Regional cooperation and integration

1.3.1 Mercosur

Compared to the high expectations at the time of its creation, Mercosur is largely perceived to have been a **disappointing experience in regional integration**. The level of intraregional trade is lower than in other regional groups, not only the EU and NAFTA, but also ASEAN. The value of intraregional trade in Mercosur reached a peak in the late 1990s, after which it declined until the 2008 crisis, and since then it has remained stagnant.⁶² The level of economic integration is not only far lower than that of the EU and the European Economic Area (EEA), but also lower than NAFTA. While technical barriers to trade continue to be high, the **intraregional factor mobility remains limited**. South American infrastructure projects in transport and energy are being developed *ad hoc*, not based on any specific guidelines, reflecting the lack of an explicit Mercosur regional policy to overcome geographical obstacles to the transport of goods and energy.⁶³

Looking at the European experience of deepening the level of economic integration by evolving from the common market to the internal market, it could be argued that the absence of supranational institutions has made it more challenging for Mercosur to reduce barriers to intra-regional trade and the circulation of production factors. However, ASEAN and North America have also generated more economic regional integration than Mercosur, but without any strong regional institutions. The structural weaknesses of Mercosur as a regional integration process has partly been attributed to its intergovernmental character and the 'presidentialism' that has played an important role in the evolution of the bloc. However, it is also reflects the position of its Member States in the international division of labour.

First, the economies' **reliance on commodity exports** combined with the fragility and the narrowness of their financial markets generate greater macroeconomic volatility. The Mercosur countries have been affected by more macroeconomic shocks since the launch of the regional integration schemes than their European or NAFTA counterparts. These shocks have generated more serious recessions and spurred stronger protectionist measures within Mercosur than within the NAFTA, EU or ASEAN regional integration processes. The very limited complementarity of the export structures of Argentina and Brazil, the dominating countries in the bloc, has generated serious strains. Given the **absence of monetary integration**, the two countries' macroeconomic policies collided in the late 1990s, when Brazil devaluated the real by 40 %.⁶⁴ This led to a steep fall in the competitiveness of Argentina, which had pegged its currency to an appreciating US dollar, while Brazilian firms became far more competitive on similar products, not only on third export markets but also in Mercosur. This imbalance contributed to the dramatic economic and political crisis in Argentina between 2000 and 2003. The crisis weakened

⁵⁹ Newman, C., et al., 'Made in Africa: learning to compete in industry'.

⁶⁰ UNDP, *Human Development Report 2015*, UNDP, New York, 2015.

⁶¹ See table 3 in the annex.

⁶² See tables 4 and 5 in the annex.

⁶³ Defraigne, J.C., 'Is a strengthening of south-south regional integration possible? The case of Mercosur and Latin America'.

⁶⁴ Krugman, P., *The return of Depression Economics*, New-York, Norton, 2000; Rodrik, D., *The Globalization Paradox*, Oxford, Oxford University Press, 2011.

Mercosur's cohesion and reinforced the shift of Brazil's trade away from Mercosur in the following years when the 'commodity super cycle' generated a faster growth in extra-regional trade than trade among the Mercosur countries.

Secondly, contrary to NAFTA, ASEAN+3 (the ten ASEAN members plus China, Japan and South Korea)⁶⁵ and the EU, Mercosur suffers a **lack of bottom-up microeconomic dynamics**. In North America, East Asia and Europe (including neighbouring economies such as Turkey or Morocco), MNEs have regionalised their production processes and created regional value chains based on specific comparative or local advantages (e.g. cheap labour, R&D clusters, energy sources) of each national economy.⁶⁶ This generates a bottom-up driving force for more regional integration and increases the political weight of constituencies in favour of removing intra-regional trade barriers. In the case of Mercosur, some MNEs, such as Volkswagen or Danone, have regionalised a part of their production process across Mercosur since the late 1990s, but there is no massive phenomenon of intra-firm trade across the region or a network of subcontractors.

In the case of Brazil, external trade is dominated by the export of commodities to non-Mercosur trade partners, and Brazilian firms engaged in commodity exports are much better represented in the government than manufacturing firms that are willing to develop a business strategy more focused on Mercosur than the rest of the world.⁶⁷ While Brazil has ministries for mines and energy and for agriculture and livestock, as well as for social and agrarian development, which largely represent commodity constituencies, there is only one ministry for development, industry and foreign trade, which represents both the manufacturing sector and the commodities sector, as it is also a trade ministry. These elements explain the relatively low levels of intraregional trade in Mercosur, although they are not negligible and remain resilient. This *status quo* could continue in the absence of strong constituencies willing to deepen the level of integration. However, for some Brazilian and Argentine manufacturing companies, as well as for Mercosur subsidiaries of MNEs from Europe, the US and to a lesser extent East Asia, the bloc remains an important market.

Mercosur has also faced political challenges during the last five years. The decision of the leaders of Argentina, Brazil and Uruguay in June 2012 to suspend the right of Paraguay to participate in the organs of Mercosur in response to the impeachment of Paraguayan President Fernando Lugo opened a year-long interlude until the suspension was lifted in August 2013, when Paraguay's new president, Horacio Cartes, took office.

Paraguay's re-integration largely hinged on overcoming the legal and political obstacles to the country's acceptance of Venezuela's membership of Mercosur. Venezuela's accession to Mercosur as full member — the country had been 'active observer' to Mercosur since 2006 — was decided in July 2012 and was only made possible by Paraguay's suspension. While Venezuela's economic integration into Mercosur and adoption of the bloc's norms and rules has been gradual and flexible — and the real degree to which this has taken place is highly disputed — political relations within Mercosur in the first years after Venezuela's accession were facilitated by a certain ideological affinity between the governments of four of the five member states. However, the changes in the Argentina and Brazilian governments in 2015-2016 led to rapidly increasing political tensions between the new centre-right governments in these two countries and what they perceive as an openly authoritarian regime in Venezuela. The moves to isolate Venezuela within Mercosur led to the country's *de facto* suspension from the regional bloc in December 2016 for failing to meet the membership requirements, both as regards the implementation of Mercosur rules and norms and those

⁶⁵ ASEAN+3 is more relevant than ASEAN itself to analyse this bottom-up integration as many companies from Japan, South Korea and China have regionalised their production process across the ASEAN, contributing to strengthen *de facto* integration.

⁶⁶ Dicken, P.: *Global Shift: reshaping the global economic map in the 21st century*, London, Sage, 2007; Oman, C., *Globalisation and regionalisation*, Paris, OCDE, 1994.

⁶⁷ Gaulard, M., 'Les responsabilités de la désindustrialisation précoce dans la crise brésilienne actuelle', *Outre-Terre, revue européenne de géopolitique*, 47, 2016.

relating to human rights and democracy. Venezuela has submitted the suspension to Mercosur's mechanism for the settlement of disputes created by the 2002 'Olivos Protocol' (*Protocolo de Olivos*). Mercosur's Parliament (Parlasur) has decided that the 23 Venezuelan members shall maintain their rights and continue as full members of the parliament.⁶⁸

1.3.2 The Pacific Alliance

The Pacific Alliance (PA), officially created in 2012 by Chile, Colombia, Mexico and Peru, is **the latest regional initiative** to have emerged from Latin America's highly fertile institutional breeding ground.⁶⁹ The PA builds on already-existing free trade agreements (FTAs) between the four countries. Even if the four countries still have a long way to go in terms of economic integration, the PA has succeeded in reducing tariffs on a wide range of products, integrating the four national stock markets, removing inter-alliance visa restrictions, and initiating joint international trade missions. On 1 May 2016 the members of the PA welcomed the entry into force of the *Additional Protocol to the Framework Agreement* signed in February 2014, which provides for tariff liberalisation of 92 % of trade in the PA and liberalisation on the remaining 8 % in the short and medium term.

The objectives assigned by the PA member states consist in building an area of deep integration that further boosts the growth, development and competitiveness of the economies of its Member States by progressively moving towards the free movement of goods, services, resources and people, and in becoming a platform of political articulation, economic and commercial integration and projection to the world, particularly the Asia-Pacific region.⁷⁰ The bloc's institutional framework is reduced; it consists of the summits of the head of state, the council of ministers foreign affairs and trade, the high-level group of vice-ministers of trade and foreign affairs, technical groups and a *pro-tempore* presidency. The institutional framework is clearly intergovernmental and the PA has no permanent secretariat or administrative body.

In some respects, the PA represents an attempt to return to the **principles of 'open regionalism'**, since the vision of its Member States is based on the idea that economic and social development, growth and prosperity can best be achieved via the private initiative, the liberalisation of flows of goods, services and investments and the integration of national economies into the global economy, and more particularly in the Asia-Pacific region. As such, the PA could also be seen as **a reaction to the nationalist and protectionist economic policies** that had proliferated in previous years and affected regionalism in Latin America. From the outset, the PA's Member States have focused on constructing an image of the group not as a stumbling block, but as a building block 'open to the world', 'dynamic' and in line with 'concrete reality'. This approach has been supported by an effective communication policy that has enabled the PA to make itself known quickly both in the region and outside as a regional group that brings together around a third of Latin America's inhabitants, receives around a quarter of all FDI inflows to Latin America and represents around half the region's total exports and around a third of its GDP.⁷¹ This communication strategy aims to present the PA as the 'new engine of the regional economy' and as a new reference point for Latin American regionalism and an alternative to other regional groups.⁷²

The PA has generated the interest of numerous countries across the world, and 49 states are currently observers to the group. Among them are several Latin American countries that belong to other blocs. Costa

⁶⁸ Parlamento del Mercosur, 'A Respeito dos Parlamentares Venezuelanos', *Secretaría Parlamentaria*, PM/SO/DCL 01/2017, 27 March 2017.

⁶⁹ Santander, S. (ed.), *Concurrences régionales dans un monde multipolaire émergent*, Brussels, P.I.E. Peter Lang, 2016.

⁷⁰ The Pacific Alliance, *¿Qué es la Alianza?*, <https://alianzapacifico.net/que-es-la-alianza/>.

⁷¹ See table 7 and figures 8 and 9 in the annex.

⁷² Santander, S., 'Competing Latin American Regionalisms in a Changing World' in Telò, M. (ed.), *European Union and New Regionalism*, London, Ashgate, 2014, pp. 187-200.

Rica and Panama are 'candidate observer' countries to the PA — a status which is expected to lead to full membership in the future — and three other Central American countries belonging to the SICA (El Salvador, Guatemala and Honduras) are observers. Also Ecuador has moved closer to the PA by becoming an observer. Similarly, three Caribbean countries (the Dominican Republic, Haiti and Trinidad and Tobago) are observers.⁷³

While Mercosur and the PA have been seen as representing two distinct, even competing, projects of regional integration in Latin America — with Mercosur representing an 'inward looking' integration process, often seen as stagnant, prone to political rhetoric and as having failed to fulfil its trade and economic objectives, and the PA representing an open, dynamic group with a real commitment to market integration — three Mercosur countries have shown increasing interest in the PA regional integration project and are now observers to the group. Uruguay became one of the first observers to the PA in 2012, followed by Paraguay in 2013 and Argentina in June 2016.

In this context, several initiatives have been taken in recent years to **bring Mercosur closer to the PA** and foster convergence between the two blocs. Following an informative ministerial meeting in Cartagena (Colombia) in November 2014, at which authorities from the two blocs began to exchange ideas for developing their relationship, the Brazilian government — which then held the rotating presidency of Mercosur — presented an action plan in 2015 to deepen the bilateral trade agreements that Mercosur had signed with Chile, Colombia, and Peru. In May 2016 the two blocs met again at the ministerial level to prepare a technical meeting to address issues relating to trade facilitation and promotion.⁷⁴ The efforts to promote the convergence between the two groups have intensified following the changes of government in Argentina and Brazil.

Particularly Argentina's President Mauricio Macri, who took office in December 2015, has become a leading advocate for the convergence between Mercosur and the PA, whose liberal free-trade approach is in consonance with his own economic policy agenda. As a result of this, Argentina was admitted as observer to the PA in June 2016 and Macri was especially invited to participate in the Alliance's presidential summit in Chile in July 2016, where he committed to 'invigorate' Mercosur and converge with the PA. Argentina and Chile, which have held the rotating presidencies of Mercosur and the PA during the first half of 2017, gave another push to the confluence between the two groups, leading to a meeting of the ministers of foreign relations and trade from the two blocs in April 2017 in Buenos Aires. On that occasion, they agreed to continue working together in different areas, including trade facilitation, customs cooperation, support for SMEs, and to identify possible regional value chains. The two blocs also stated their determination to respond to the current international challenges through intensifying their efforts in support of free trade and regional integration.⁷⁵ In this regard, the Trump administration's possible protectionist policies could accelerate the process of rapprochement between the two regional blocs and efforts to boost their economic and trade relations.

⁷³ The 37 observers to the PA outside Latin America and the Caribbean are: North America: Canada and the US; Asia: China, India, Indonesia, Japan, Singapore, South Korea and Thailand; Oceania: Australia and New Zealand; Europe: Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine and the United Kingdom; other countries: Egypt, Georgia, Israel and Morocco.

⁷⁴ D'Elia, C. and Ramos, A., 'The MERCOSUR and the Pacific Alliance. A Turning Point?', IDB/INTAL, n°238, 2016.

⁷⁵ Meeting of Foreign Ministers Mercosur-Pacific Alliance: Joint Communiqué, 7 April 2017

(<http://www.mrecic.gov.ar/en/meeting-foreign-ministers-mercotur-pacific-alliance-joint-communique>)

1.3.3 Unasur

Since its creation in 2008, the Union of South American Nations (Unasur) has been the main regional political forum of South America, including all 12 countries in the region. Its institutionalisation was actively promoted by Brazil, which at the time sought a pragmatic compromise between the Venezuela-sponsored ALBA and a rule-based free trade area championed by the US dating back to the failed initiative to create the Free Trade Area of the Americas (FTAA) in 2004. Unasur has promoted a more coherent geographical space, encompassing the 12 countries in South America, and enhanced dialogue and cooperation between members of both sub-regional blocs: the Mercosur and the Andean Community. Unasur has a permanent secretariat with its headquarters in Quito, and is structured in 12 sectoral councils, of which the most important are the South American Defence Council (*Consejo de Defensa Suramericano*, CDS) and the South American Council of Infrastructure and Planning (*Consejo Suramericano de Infraestructura y Planeamiento*, COSIPLAN). In its almost ten years of existence, Unasur has moved forward in four main areas: (a) the adoption of common regional positions; (b) political dialogue and defence of democracy; (c) the promotion of regional infrastructure projects; and (d) cooperation in security and defence and confidence-building measures. Unasur has remained a flexible organisation and places few demands on its members in terms of policies for economic and social development or trade liberalisation.⁷⁶

First, Unasur has served as an instrument for countries in the region, which had previously interacted with the rest of the world in a rather fragmented fashion, to achieve **common positions on global issues** and a stronger regional voice. In this respect, Unasur has worked as a framework for the traditional presidential diplomacy and regionalism in South America.⁷⁷

Second, Unasur has also served as a **platform for the defence of democracy** in the countries in the region. Among the examples are the 2010 Unasur-sponsored common position on the political crisis in Ecuador which was instrumental in deterring a coup attempt against then President Rafael Correa, and which in turn led to the adoption of a 'democratic clause' in the form of an additional protocol to Unasur's constitutive treaty at the 2010 Georgetown summit.⁷⁸ The protocol was applied to Paraguay following the impeachment of President Fernando Lugo in 2012.⁷⁹ Similarly, in recent years Unasur has been active in seeking to reduce political tensions in Venezuela and mediate between the Maduro government and the opposition.

Third, Unasur and the CDS offer an institutional framework for **confidence building and cooperation in security and defence affairs**. The Council has decided, for example, that countries in the region should share information on their military budgets and procurement, including by using a harmonised accounting methodology for the military budgets, and organise joint activities to enhance transparency and mutual confidence. The very creation of the CDS is partly a response to the perceived limitations of the hemispheric security institutions such as the Inter-American Defence System in the framework of the OAS and the Inter-American Treaty of Reciprocal Assistance.⁸⁰ Since 2010, the CDS also has a Centre for Strategic Defence Studies (*Centro de Estudios Estratégicos de Defensa*, CEED), based in Buenos Aires, whose main objective is

⁷⁶ Sanahuja, J.A. 'Regionalismo Post-Liberal y Multilateralismo en Sudamérica: el Caso de Unasur,' in Serbin, A., Martínez, L., Ramanzini Júnior, H. (eds.), *El Regionalismo 'Post-Liberal' en América Latina y el Caribe: Nuevos Actores, Nuevos Temas, Nuevos Desafíos*, Managua, Coordinadora Regional de Investigaciones Económicas y Sociales, 2012.

⁷⁷ Tussie, D. 'Presidential Diplomacy in Unasur: Coming Together for Crisis Management or Marking Turfs?,' in Mace, G. et al. (eds.), *Summits and Regional Governance the Americas in Comparative Perspective*, Abingdon, Routledge, 2016.

⁷⁸ Vivares, E. *Exploring the New South American Regionalism (Nsar)*, Basingstoke, Routledge, 2016, p. 45.

⁷⁹ Council of Hemispheric Affairs, 'Unasur Applies 'Democracy Clause' On Paraguay', *Coha*, 17 September 2012. (<http://www.coha.org/unasur-applies-democracy-clause-on-paraguay/>)

⁸⁰ Battaglini, J. 'Defence in a Post-Hegemonic Regional Agenda: The Case of the South American Defence Council,' in Riggiozzi, P., Tussie, D. (eds.), *The Rise of Post-Hegemonic Regionalism: The Case of Latin America*, Dordrecht, Springer, 2012.

to provide CDS with strategic studies on security and defence issues in South America. As such, the CEED helps to build a shared regional vision on security and defence matters and a common understanding of challenges and threats, opportunities, and short and long term global and regional scenarios.

Finally, Unasur supports of region-wide projects of **physical integration**, acknowledging that social and economic integration is heavily dependent on infrastructure initiatives to connect the vast region.⁸¹ Unasur has absorbed the already-existing Initiative for the Integration of the Regional Infrastructure in South America (IIRSA) into its structure and now provides the framework for COSIPLAN, which attempts to promote physical integration of the sub-continent, in particular in the field of logistics, electricity, and transport – a challenging prospect given that South America's geography is deeply marked by the Andean mountain range and the Amazon rainforest, which function as natural barriers to integration. The COSIPLAN's strategic action plan for the years from 2012 to 2022⁸² includes 31 priority projects and a common fund of over USD 13 billion.⁸³

1.3.4 The Bolivarian Alliance for the Peoples of our America (ALBA)

ALBA has its origin in the diplomatic strategy of the government of Venezuela to unify countries around 'anti-imperialist' positions and an alternative to the perceived US hegemony in the region and the US-sponsored proposal of the FTAA, reflecting the politicisation of Latin American regionalism in the first years of the century.⁸⁴ ALBA was established in 2004 with the signature of an agreement between Cuba and Venezuela, which included provisions on exchanges in the fields of education, health and energy. In 2006, the alliance expanded to include Bolivia with the signing of the People's Trade Agreement (*Tratado de Comercio de los Pueblos*). Nicaragua and Ecuador joined ALBA in 2007 and 2009 respectively. Various Caribbean states (Antigua and Barbuda, Dominica, Granada, Saint Kitts and Nevis, Santa Lucia and Saint Vincent and the Grenadines) are also members of ALBA.

The main formal objectives of ALBA relate to poverty eradication and social inclusion. However, the 11-member alliance remains, above all, **a platform for political concertation of like-minded governments** which is more underpinned by ideological affinities than by economic complementarity.⁸⁵ Overall, ALBA's 'grannacional' projects and mechanisms are designed to redistribute resources and regulate trade *among* its Member States rather than between the regional bloc and the outside world.⁸⁶ ALBA sponsors a virtual currency, known as the SUCRE (the unified system for regional payment compensation, *Sistema Unitario de Compensación Regional de Pagos*), which allows its Member States to conduct trade without using the US dollar. However, the overall volume of trade using SUCRE declined from a peak of 2.646 transactions in 2012 to 752 in 2015.⁸⁷ The regional currency is linked to the ALBA Bank (*Banco del ALBA*), created in 2008 and based in Caracas. The Bank aims at financing projects for economic and social development and infrastructure projects that are in line with the priorities set by various ALBA meetings. Six of twelve ALBA Member States are also members of the bank (Bolivia, Cuba, Dominica, Nicaragua, Saint Vincent and the Grenadines and Venezuela).

⁸¹ See also: Carciofi, R. 'Cooperation for the Provision of Regional Public Goods: The IIRSA Case,' in Riggirozzi, P., Tussie, D. (eds.), *The Rise of Post-Hegemonic Regionalism: The Case of Latin America*, Dordrecht, Springer, 2012.

⁸² South American Council of Infrastructure and Planning, *Strategic Action Plan 2012-2022*, Quito, South American Council of Infrastructure and Planning, 2012.

⁸³ Cruz Barbosa, S. 'Política y Políticas de la Unasur: Institucionalidad y Desafíos Políticos,' p. 104.

⁸⁴ Bartesaghi, I., Pereira, M.E., 'La Cohesión Regional en los Procesos de Integración en América Latina y el Caribe', *Journal of Technology Management & Innovation*, 11 (1), 2016.

⁸⁵ Bagley, B.M., Defort, M., *Decline of the U.S. Hegemony?: A Challenge of ALBA and a New Latin American Integration of the Twenty-First Century*, Lexington Books, 2015, p. 168.

⁸⁶ Garzón, J., 'Latin American Regionalism in a Multipolar World', *EUIS Working Papers*, 23, 2015, p. 9.

⁸⁷ The decline in number of transaction correlates with the decline in the total value of trade. See: Unified System for Regional Compensation, 'Informe de Gestión', *SUCRE*, Caracas, 2015, p. 17.

ALBA's most recent presidential meeting, the 14th extraordinary summit held in March 2017 in Caracas, called for continuous efforts of regional integration through the various existing regional initiatives, such as Mercosur, CELAC, Unasur and CARICOM. Additionally, the summit reaffirmed ALBA's anti-imperialist agenda by denouncing the 'selfish and extreme protectionism' of the US and the sanctions imposed by the US against Venezuela's Vice President Tareck El Aissami.

1.3.5 The Central American Integration System (SICA)

SICA is a highly institutionalised regional organisation with eight Member States (Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama), which serves as an umbrella to various components of Central American regionalism, among others the Central American Court of Justice (*Corte Centroamericana de Justicia*, CCJ), the Central American Common Market (*Mercado Común Centroamericano*, MCCA), the Central American Bank for Economic Integration (*Banco Centroamericano de Integración Económica*, BCIE) and the Central American Parliament, *Parlamento Centroamericano*, Parlacen). Like the EU, SICA has a **complex institutional structure**.⁸⁸ It has a general secretariat with a broad mandate to represent SICA internationally and in its negotiations and relations with third parties, to monitor the implementation of regional agreements and to manage SICA's budget. Since 1995, SICA has also had a Consultative Committee (*Comité Consultivo del SICA*), which was set up to advise the general secretariat and give a voice to Central American civil society on issues concerning regional integration.⁸⁹ However, the committee has faced resistance from other bodies, and has suffered from limited financial resources and infighting among different social and economic groups.

At their most recent presidential summit, held in December 2016 in Managua, the Central American heads of State renewed their commitment to advance regional integration. The Managua Declaration called for cooperation in five main areas: social integration, economic integration, risk management relating to climate change, security, and institutional strengthening. In particular, the summit addressed the need to boost intra-regional trade through the completion of the Central American customs union.

SICA has been particularly active in negotiating free trade and association agreements with third countries and regional blocs. Through this active trade policy, SICA Member States have jointly concluded FTAs with Chile (1999) and the US (2004). In June 2012, the **Central American countries signed an Association Agreement with the EU**,⁹⁰ building on the partnership channels established between the EU and Central America over the years on the basis of the 1985 Cooperation Agreement, the 1993 Framework Cooperation Agreement, the 2013 Political Dialogue and Cooperation Agreement and the broader framework of the San Jose Dialogue initiated in 1984. The EU-Central America Association Agreement includes three complementary pillars: political dialogue, cooperation, and trade. Through its relation with the EU, Central America has benefited from European support through the regional programme to support Central American economic integration and the implementation of the Association Agreement (*Proyecto Regional de Apoyo a la Integración Económica Centroamericana y a la Implementación del Acuerdo de Asociación*, PRAIAA), which fosters initiatives of regional economic cooperation via technical assistance, training and support mechanisms to facilitate trade among the countries in the region, in collaboration with the Secretariat for Central American Economic Integration (*Secretaría de Integración Económica Centroamericana*, SIECA). PRAIAA also aims to assist the implementation of the Association Agreement and promotes links between regional bodies and the private and civil society sectors.

⁸⁸ Bartesaghi, I., Pereira, M.E., 'La Cohesión Regional en los Procesos de Integración en América Latina y el Caribe'.

⁸⁹ Santos Carrillo, F., 'De la Legitimación a la Participación: el Comité Consultivo del Sistema de Integración Regional Centroamericano (CC-SICA)', *Revista Configuraciones Latinoamericanas*, 2(3), 2009.

⁹⁰ The agreement was signed by the EU and six Central American countries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

The parliamentary component of the Central American integration process in fact precedes the 1991 protocol that created SICA. In 1987, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua signed the constitutive treaty of the Parlacen and the regional parliament started functioning in 1991. Panama and the Dominican Republic ratified the treaty in 1999 and 2004, respectively, while Costa Rica has not ratified the treaty and therefore has no representatives in Parlacen.

As one of few regional parliaments, the members of Parlacen are directly elected; 20 members for each member state plus the former president and vice president of each of them. Parlacen's constitutive treaty defined mostly consultative tasks, but also included the ambitious task to 'elect, appoint and remove' the highest officials of the existing and future Central American institutions. Nevertheless, the 1991 Tegucigalpa Protocol did not grant this power to Parlacen which remained a deliberative body with merely consultative functions.⁹¹ However, recent years have seen a trend towards giving Parlacen more competencies and capacity to influence regional cooperation and integration. A protocol signed in 2008 to reform the Parlacen's constitutive treaty and other integration bodies gave the parliament the right to be informed of all appointments of directors of the different integration institutions and to swear in high-ranking SICA officials, and, most importantly, the competence to propose legislation on matters of integration to SICA's Council of Ministers, which must consider and respond to the proposals within six months.

1.4 Geostrategic shifts: stronger ties with Asia

Latin America's external relations (diplomatic, trade, economic, financial and development cooperation) have traditionally been shaped by the regions' relations with the US and Europe. However, in recent years and especially since the early 2000s, **Asia has emerged on the Latin American external agenda**. Until the late 1990s, Asian-Latin American relations were sporadic, erratic and flimsy, with the notable exception of Japan — the only Asian power capable of maintaining relations with Latin America at high level — which established strong diplomatic, trade, economic and development ties with several countries in the region, in particular with Brazil, Mexico and Peru. However, things have substantially changed in the last 20 years, when Latin America has emerged on the political and economic radar of several Asian countries, particularly China, but also Japan — keen to re-launch its ties with the region —, India, South Korea and some ASEAN countries, such as Vietnam,⁹² which have developed closer relations with Latin America. Since 2004, trade between Asia and Latin America has quadrupled, and in a very short period of time, Asia has overtaken the EU as the region's second trading partner after the US. Similarly, Latin America occupies a still modest, but ascending position as a destination for Asian FDI.

1.4.1 China's presence in Latin America

Among Asian countries, China is by far the most important player in Latin America. While economic, trade and diplomatic relations between China and the region were relatively insignificant up until the 1990s, Latin America has become of strategic importance for Beijing in a very short period of time, and China has changed from being a marginal to a major economic and political actor in shaping the region's evolution.

⁹¹ Albarracín, J., 'Integration Parliaments in Latin America: the cases of Parlandino and Parlacen' in Costa, O., Dri, C., Stavridis, S. (eds.), *Parliamentary Dimensions of Regionalization and Globalization: The Role of Inter-Parliamentary Institutions*, Palgrave, Basingstoke, 2013, p. 117.

⁹² Tuan, T. M., 'Vietnam's Policy Towards Latin America after the Cold War' in Dosch, J., Jacob O. (eds.), *Asia and Latin America: Political, Economic and Multilateral Relations*, London, Routledge, 2010, pp. 86-96.⁹³ ECLAC, *Latin American Economic Outlook 2016 towards a New Partnership with China*, 2016, p. 93.

The expansion of trade between China and Latin America has been impressive, increasing from USD 10 billion to more than USD 257 billion between 2000 and 2014. **China alone accounts for around half of all trade between Asia and Latin America and has become the region's second-largest supplier of imports and its third-largest export destination.** According to the UN Economic Commission for Latin America and the Caribbean (ECLAC), China's share of the region's imports grew from just over 2 % to 16 % between 2000 and 2014, while its share of exports rose from 1 % to 9 % (down from 10 % in 2013). Thus, in 2014, China and the EU accounted for virtually the same share of Latin America's trade in goods with the world (12.4 % and 12.5 %, respectively).⁹³ However, in 2015 and 2016, the slowdown in Chinese demand and falling commodity prices (mineral, metal, soy and oil) have reduced China's share of Latin America's overall trade.⁹⁴ Although the EU remains the second-largest market for the region's exports after the US, China has been its second largest supplier of imports since 2010, also behind the US.⁹⁵ Like other Asian countries, China exports mostly manufactured goods with high added value and imports commodities (particularly copper, soy, iron and crude oil) with a low added value, in particular from Argentina, Brazil, Chile, Colombia, Peru and Venezuela.⁹⁶ In 2015, China was the largest export market for Brazil, Chile and Peru, and the second largest for Argentina, Venezuela, Cuba and Uruguay. Additionally, China has concluded FTAs with Chile, Costa Rica and Peru, and has expressed interest in negotiating FTAs with Colombia, Ecuador and Uruguay.

As regards investment, China has become a significant direct investor in Latin America, although it is not one of the largest.⁹⁷ Chinese companies mostly invest in mining, oil and transport infrastructure. Nearly 80 % of Chinese FDI in Latin America — around USD 50 billion — in 2013 were concentrated in Brazil, Peru and Argentina. Similarly, China has granted significant amounts of loan to countries in Latin America — an estimated USD125 billion between 2005 and 2015 — with some 90 % of them going to Venezuela, Brazil, Argentina, Ecuador and Bolivia.⁹⁸

Growing economic and trade relations with China during the last 15 years have boosted several Latin American economies. However, some countries have become dependent on exports to China and vulnerable to Chinese market turbulence.⁹⁹ Countries like Brazil or Chile exported respectively around 19 % and 294 % of their goods to China in 2016. The bilateral relationship is asymmetric and has reinforced the process of reprimarisation and deindustrialisation of some Latin American economies.¹⁰⁰

Relations between China and LA are not confined to bilateral economic and trade links. In order to consolidate its presence in the region, **China has developed ties with several regional organisations.** It was granted observer status in the OAS in 2004 and the PA in 2013, and joined the Inter-American Development Bank as a donor in 2008. China also cooperates with the region through various regional and multilateral platforms, including the China-Mercosur Dialogue, the China-CARICOM Forum (Caribbean Community) and the China-CELAC Forum. Beijing also plays an active role in the Forum of East Asia Latin

⁹³ ECLAC, *Latin American Economic Outlook 2016 towards a New Partnership with China*, 2016, p. 93.

⁹⁴ United Nations, 'World Economic Situation Prospects', New York, 2016, p. 55, https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/2016wesp_ch2_en.pdf

⁹⁵ ECLAC, 'Latin America and the Caribbean and China. Towards a new era in economic cooperation', p. 37.

⁹⁶ OCDE/CEPAL/CAF, 'Perspectivas económicas de América Latina 2016. Hacia una nueva asociación con China', *Organisation for Economic Cooperation and Development*, Paris, 2015, p. 23.

⁹⁷ ECLAC, 'Chinese foreign direct investment in Latin America and the Caribbean', *Economic Commission for Latin America and the Caribbean*, Santiago, LC/L.3729, November 2013, p. 11.

⁹⁸ OECD/ECLAC/CAF, 'Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship', *Organisation for Economic Cooperation and Development*, Paris, 2016, p. 44.

⁹⁹ COFACE, 'Le rôle de la Chine en Amérique latine s'étend bien au-delà des échanges commerciaux', *COFACE*, 18 February 2016, <http://www.coface.com/fr/Actualites-Publications/Actualites/Le-role-de-la-Chine-en-Amerique-latine-s-etend-bien-au-dela-des-echanges-commerciaux>

¹⁰⁰ Chaponnière, J-R., Salama, P., *L'Amérique latine et la Chobamaine: 'je t'aime... moi non plus'*, *Revue d'économie financière*, 124, n°4, 2016, pp. 225-242.

American Cooperation (FEALAC), which agreed in 2014 to set up a business body to promote cooperation in trade and investment. During the past decade, Chinese high-level official visits to the region have increased substantially. Between 2000 and 2015, Chinese presidents and prime ministers visited Latin America 31 times, with Argentina, Brazil, Chile and Cuba being the top destinations. Most recently, President Xi Jinping paid state visits Peru, Chile and Ecuador in November 2016. In only three years, from 2014 to 2016), he visited ten Latin American countries, as many as US President Barack Obama visited during his eight-year term.

The strategic importance of LA for China has grown steadily. One evidence of this is the series of strategic documents adopted in the last eight years by the Chinese authorities in order to strengthen relations with Latin America: China's policy paper on Latin America and the Caribbean¹⁰¹ from 2008; the China-CELAC Cooperation Plan 2015-2019; the Chinese government's proposal for the '1+3+6'¹⁰² framework and the '3x3 cooperation model'¹⁰³ for the period 2015-2019; and most recently China's policy paper on Latin America and the Caribbean¹⁰⁴ from November 2016. Furthermore, President Xi Jinping pledged in November 2016 to increase trade with Latin America to USD500 billion and to invest USD 250 billion in the region by 2025.

Beijing is focused on a long term relationship with the region. The second Chinese policy paper on Latin America was released in November 2016 in the aftermath of the election of Donald Trump as US president with the aim of further deepening China's engagement with the region. This initiative may be welcome in a situation where the countries in the region have concerns that the current US administration may push a negative agenda for Latin America (i.e. the construction of the wall between Mexico and the US, measures to restrict immigration, the uncertainty about the future of NAFTA, the US decision to withdraw from the TPP, the prospect of possible protectionist trade policies). Overall, a possible US retreat from Latin America would create a window of opportunity for China to further reinforce its influence in the region.

In addition, despite of the Chinese economy's current relative slowdown and the objective of developing China's internal market, Latin America **is likely to keep its strategic importance to Beijing** for many reasons. First of all, Latin America represents an important reserve of natural resources and food for China. Furthermore, an increasing number of countries in the region (Argentina, Brazil, Chile, Costa Rica, Peru and Venezuela) have granted China market economy status, a recognition that the US and the EU still have not awarded. The issue of Taiwan is also a strategic factor, mentioned in the strategy papers from 2008 and 2016, which may explain China's continuing active engagement with Latin America. Even if the Chinese ascendancy has induced some governments to break with Taiwan, there are still 11 countries, mainly in Central America and the Caribbean,¹⁰⁵ that maintain diplomatic ties with Taipei. China could rely on its trade relations and ever-closer relationship with the region to assert and gather support for the 'one China principle'. Last but not least, China's active engagement with Latin America corresponds to a strategy of

¹⁰¹ Ministry of Foreign Affairs of the People's Republic of China, *China's policy paper on Latin America and the Caribbean*, 05 November 2008, www.gov.cn/english/official/2008-11/05/content_1140347.htm

¹⁰² The '1' means one plan, referring to the China-CELAC Cooperation Plan (2015-19); the '3' refers to the economic 'engines' (trade, investment and financial cooperation) that will drive China's relationship with LA; the '6' refers to the industries in which Beijing will concentrate in the coming years: energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technologies: MFAPRC, 'China's Policy on Latin America and the Caribbean', *Ministry of Foreign Affairs of the People's Republic of China*, 24 November 2016, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1418254.shtml

¹⁰³ This initiative proposes cooperation between Chinese and LA enterprises, societies, and governments (3) in logistics, power generation, and information technology (3): MFAPRC, 'China's Policy on Latin America and the Caribbean'.

¹⁰⁴ Ministry of Foreign Affairs of the People's Republic of China, *China's policy paper on Latin America and the Caribbean*, 24 November 2016, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1418254.shtml

¹⁰⁵ Belize, Dominican Republic, El Salvador, Haiti, Honduras, Guatemala, Nicaragua, Paraguay, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines.

power projection and reflects the country's objective of promoting a multipolar economic and political international order.

1.4.2 The increasing presence of Japan, South Korea and India in Latin America

With the growing presence of China and other Asian countries in the region, **Japan** has attempted to re-launch its relations with Latin America and the Caribbean. Japan's relations with the region declined in the 1980s and the 1990s, during the Latin American debt crisis and later during Japan's so-called lost decade, even though the country continued to account for some 80 % of Asia's total trade with Latin America. However, since 2014 Japan has adopted a long term global strategy towards Latin America, consisting in establishing much deeper economic and political cooperation with the continent.¹⁰⁶ It also consists in reinforcing already existing bilateral agreements and concluding new bilateral economic partnership agreements. In order to support the 'opening of a new chapter' in the relations between Japan and Latin America and the Caribbean, the Japanese Prime Minister Shinzo Abe made a 10-day long trip to the region in 2014, visiting five countries (Mexico, Trinidad and Tobago, Colombia, Chile and Argentina).

The strengthening of Japan's relations with Latin America and the Caribbean during the last decade has resulted in a series of agreements in the fields of trade, investment, culture and education, technological and scientific cooperation and development cooperation.¹⁰⁷ As a result, Japanese investment in the region has grown considerably since 2003, reaching a FDI stock of more than USD 10 billion by 2010.¹⁰⁸ Overall, Japan is a major source of foreign investment flows to Latin America and the Caribbean, after the EU, the US and China.¹⁰⁹ Furthermore, the number of Japanese firms investing in the region increased from 1.262 in 2006 to 2.087 in 2014.¹¹⁰

Similarly, trade flows have also grown significantly from 2004, reaching more than USD 54 billion in 2015.¹¹¹ Japanese exports to Latin America (in particular to Brazil and Mexico) are mainly manufactures and chemicals, while imports from the region (in particular from Brazil, Chile, Mexico, Peru and Argentina) are mainly commodities and agricultural goods.

As regards development cooperation, Japan is the top foreign donor for some countries in the Caribbean (Antigua and Barbuda, Grenada, Dominica, Saint Lucia and Saint Vincent) and in Central America (Costa Rica, Panama). The Japan International Cooperation Agency (JICA) is also active in Brazil, Mexico and Peru. Although Japanese bilateral development aid has decreased since the 1990s, as many Latin American countries have achieved middle-income status, the region still received 3.5 % of the total Japanese aid in 2014, amounting to USD 434 million.¹¹²

South Korea has also developed a growing economic and trade presence in Latin America, and has shown renewed interest in the continent during the last few years. FDI flows from Korea grew from nearly USD 4 billion to USD 27 billion between 2003 and 2012¹¹³ and South Korea is the third-largest Asian investor in

¹⁰⁶ Garzón, J., 'Latin American Regionalism in a Multipolar World', *EUIS Working Papers*, 23, 2015, p. 9.

¹⁰⁷ Boulanger, E., 'Les relations du Japon avec l'Amérique latine: le courtier des règles d'une économie transpacifique' in Arès, M., Boulanger, E., (eds.) *Christophe Colomb découvre enfin l'Asie*, Canada, Athéna, 2016, pp. 139-165.

¹⁰⁸ Myers, M., Kuwayama, M., 'A new phase in Japan-Latin America and the Caribbean relations', p. 6-7.

¹⁰⁹ ECLAC, 'Foreign Direct Investment in Latin America and the Caribbean 2016', *Economic Commission for Latin America and the Caribbean*, Santiago, LC/G.2680-P, 2016, p. 81-4; Kuwayama, M., 'Japan-Latin America Relations: then and now', JALAC, October 2015, p. 14 ; ECLAC, 'People's Republic of China and Latin America and the Caribbean. Ushering in a new era in the economic and trade relationship', *Economic Commission for Latin America and the Caribbean*, Santiago, LC/L.3340, June 2011.

¹¹⁰ Myers, M., Kuwayama, M., 'A new phase in Japan-Latin America and the Caribbean relations'.

¹¹¹ The Observatory of Economic Complexity (<http://atlas.media.mit.edu/en/profile/country/jpn/>)

¹¹² Figures published by the Ministry of Foreign Affairs of Japan (<http://www.mofa.go.jp/files/000175916.pdf>)

¹¹³ ECLAC, 'Economic relations between Latin America and the Caribbean and the Republic of Korea: Advances and opportunities', *Economic Commission for Latin America and the Caribbean*, Santiago, LC/L.3994, April 2015, pp. 26 and 73.

the region after China and Japan.¹¹⁴ Korean FDI in Latin America focuses on the manufacturing sector, primarily the automobile and electronics industries, which in 2014 received more than 80 % of the Korean FDI in the region. Between 2010 and 2014, 28 % of Korea's investment in the region went to Brazil and Mexico.¹¹⁵

Trade between South Korea and Latin America increased by an annual average of 17 % between 1990 and 2014 and in value terms from USD 4.7 billion to nearly USD 48 billion between 2000 and 2013.¹¹⁶ In 2014, the total value of Korea's trade with the region reached USD 54 billion, compared to USD 64 and 43 billion for Japan's and India's trade exchanges with Latin America.¹¹⁷

Korea has FTAs with Chile (in force since 2004), Peru (since 2011) and Colombia (since 2016). In 2015, South Korea started free trade negotiations with the Central American Integration System (SICA) and its Member States, and with Ecuador. Mexico and South Korea began negotiations on a FTA already in 2007, but they stalled the following year and were later overtaken by the negotiations on the Trans-Pacific Partnership (TPP) agreement. However, following the US decision to withdraw from the TPP and in view of more protectionist US trade policies, Mexico and South Korea have decided to resume the negotiations of a bilateral trade agreement.

India is another major Asian country that has increased its presence in and ties to LA in the last 15 years. Since the early 2000s, there has been an unprecedented number of Indian presidential and ministerial missions to Latin America, and the number of Indian embassies the region LA doubled (from 7 to 14) between 2003 and 2008. India has also established relations with regional groups such as Mercosur and CELAC, and, like many other Asian countries (including China, Japan and South Korea), has been granted observer status to the PA.

At the same time, India has developed relations with the biggest countries in the region through international forums such as IBSA, BRICS and G20. In addition to the reinforcement of bilateral and multilateral diplomatic ties, Latin America is becoming an increasingly important economic partner for India. India has established a network of around 70 cooperation agreements (including in areas such as agriculture, mining exploration, energy, science and technology, and customs and defence) with 21 Latin American and Caribbean countries. Bilateral trade grew from nearly USD 2.6 billion in 2000 to USD 33 billion in 2015.¹¹⁸ India mostly imports commodities from Latin America, such as crude oil (from Venezuela, Mexico, Colombia and Brazil), copper (from Chile), soy and sunflower oil (from Argentina). The country mainly exports industrial goods to the region, such as mineral fuels, motor vehicles, organic chemicals, machinery and pharmaceuticals.¹¹⁹ Regarding investments, Indian companies have increased their presence particularly in Brazil, Mexico and Chile. Between 2000 and 2013, over 100 Indian companies invested more than USD 12 billion in areas such as information technology, pharmaceuticals, agrochemicals, mining and energy.¹²⁰

¹¹⁴ WPR, 'South Korea Proves a Reliable Economic Partner for Latin America', *World Politics Review*, 16 April 2015.

¹¹⁵ Mesquita Moreira, M. and Estevadeordal, A., 'Korea and Latin America and the Caribbean: Striving for a Diverse and Dynamic Relationship', *Inter-American Development Bank*, Washington DC, 2015, p. 17.

¹¹⁶ Mesquita Moreira, M. and Estevadeordal, A., 'Korea and Latin America and the Caribbean: Striving for a Diverse and Dynamic Relationship', p. 3.

¹¹⁷ Viswanathan, R., 'Mexico is Now India's Best Customer in Latin America but Trade With Region Has Dipped', *The Wire*, 17 June 2016; Myers, M., Kuwayama, M., 'A new phase in Japan-Latin America and the Caribbean relations'.

¹¹⁸ Viswanathan, R., 'India and Latin America: a new perception and a new partnership', *Real Instituto Elcano*, 37, 2014; The Observatory of Economic Complexity (<http://atlas.media.mit.edu/en/profile/country/jpn/>)

¹¹⁹ SELA, 'Las relaciones de América Latina y el Caribe con India: una ventana de oportunidad', *Latin American and Caribbean Economic System*, SP/RRRECALCPIA/DT n°2-14, October 2014.

¹²⁰ Arnson C. J., Heine, J., 'Reaching across the Pacific: Latin America and Asia in the New Century', p. 11.

2 EU-Latin America Relations

2.1 European trends and developments impacting external relations

The current process of European integration and the Union's external relations are impacted by simultaneous social, economic, security, and political developments. **Multiple and overlapping crises combine with encouraging trends and opportunities to deepen integration and cooperation.** The following key developments, which possibly impact EU external relations, can be highlighted: (a) a modest, yet positive trend of economic recovery following the global financial crisis and the Eurozone sovereign debt crisis, (b) the refugee crisis in Europe and the strengthening of European-wide border management and other initiatives, (c) increased radicalisation and terrorism and a resulting security crisis, (d) the rule of law crisis and the growing cleavages between Member States and EU institutions, (e) the rise of populism and euro-sceptic movements, and (f) the activation of Article 50 of the Treaty on European Union (TEU) by the United Kingdom (UK), which sets in motion the process of 'Brexit' – for the first time in the history of European integration, a Member State is in the process of leaving the EU.

The EU's internal market is the second largest economy in the world, accounting for over a fifth of global economic output in nominal terms.¹²¹ The common currency, the euro, has proven resistant to the economic stress caused by the Eurozone sovereign debt crisis. The strong political will of the Eurozone Member States and the monetary policies enacted by the European Central Bank (ECB) have proven crucial to maintaining public trust in the euro as well as in national government bonds. The Eurozone has now registered 16 consecutive quarters of positive GDP growth (an average of 0.5 % in the first quarter of 2017) with an acceleration of job creation. The International Monetary Fund (IMF) projects the EU economy to grow by 2 % in 2017 — although only 1.7 % in the Eurozone.¹²² While the worst moments of the financial and sovereign debt crises now seem distant in time,¹²³ the **impact of the austerity measures still persists** both within the EU and in its relations with third parties. Greece, for instance, still struggles with the austerity measures agreed to with the so-called troika (i.e. European Commission, ECB, IMF). Under the multiple agreements ensuring the country's multi-billion euro bail-out, the negotiation and implementation of structural reforms in key sectors such as tax and pensions have caused social distress and instability. While unemployment in Greece remains well above 20 %, the OECD has projected only a modest GDP growth of 1.3 % in 2017.¹²⁴ A different example is the case of Portugal, which has also agreed to a bail-out requiring budget cuts and reduction of fiscal debt. While generally implementing the agreed-upon structural measures and effectively cutting their budget deficit, the Portuguese government has nonetheless been able to raise pensions and wages recently.¹²⁵ Furthermore, even if the Portuguese economy presents low growth and investment, unemployment is falling.¹²⁶ The slow recoveries of the Greek and Portuguese economies, however, highlight that there are still **fundamental macroeconomic and structural economic disparities** (e.g. labour productivity, industrial competitiveness, budgetary deficit, trade balance, investment, etc.) across the EU and more harmonisation is to be expected to promote region-wide growth.

In parallel with the economic crisis, the EU and its Member States are facing a **highly complex and unprecedented refugee crisis**. Due to the multiple security and economic crises afflicting Europe's

¹²¹ International Monetary Fund, 'World Economic Outlook October 2016 Subdued Demand Symptoms and Remedies', IMF, Washington, 2016.

¹²² International Monetary Fund, 'World Economic Outlook April 2017, Gaining Momentum?'.
(<http://www.imf.org/en/Publications/WEO/Issues/2017/04/04/world-economic-outlook-april-2017>)

¹²³ Giles, C., 'Eurozone economy quietly outshines the US', *Financial Times*, 6 February 2017.

¹²⁴ OECD, 'OECD Economic Outlook', Organization for Economic Cooperation and Development, no. 2, 2016, p. 162.

¹²⁵ The Economist, 'Portugal cuts its fiscal deficit while raising pensions and wages', *The Economist*, 1 April 2017.

¹²⁶ OECD, 'OECD Economic Outlook', p. 221.

neighbouring countries, people have attempted to move into Europe to escape conflict or in search of better socio-economic conditions. In 2015, more than one million people (refugees, displaced persons, and other migrants) entered the EU's territory. Particularly staggering has been the loss of thousands of lives resulting from attempts to reach Europe by crossing the Mediterranean in precarious and overcrowded vessels that are unfit for sea voyages and susceptible to sinking. At the same time, national governments, especially Member States on the EU's southern borders, like Greece and Italy, have struggled to put in place a coordinated and efficient response to the high influx of people via central and eastern Mediterranean routes.

In an effort to better coordinate the response to the refugee crisis, the EU opted for a comprehensive approach through the **2015 European Agenda for Migration**.¹²⁷ In the short term, the agenda aimed at preventing loss of migrant lives by providing additional funding to the European Border Agency's research and rescue missions and by strengthening the mandate of Europol in order to dismantle the migrant smuggling networks. The ongoing naval operation EU NAVFOR MED Sophia, initiated in 2015, adds to this joint effort with a mandate to 'identify, capture and dispose of vessels and enabling assets used or suspected of being used by migrant smugglers or traffickers'.¹²⁸ In the long term, the Agenda for Migration calls for policies that will reduce incentives to illegal migration by addressing its root causes, strengthening the common asylum policy, and securing external borders. In 2016, the number of irregular arrivals in the EU diminished to 363 660, compared to 1 039 332 in 2015, or a decrease of 72 %.¹²⁹ The most important factor behind this sharp reduction in the influx of people has been the EU-Turkey Statement of March 2016, in which both sides agreed to end irregular migration from Turkey to the EU. The deal commits Turkey to accepting the return of all asylum seekers who travelled to the EU through Turkey (over 850 000 in 2015). In exchange, the EU promised EUR 3 billion in aid, and the renewal of the negotiations for Turkish accession and visa liberalisation.¹³⁰ The statement has effectively worked as a deterrent mechanism against the high influx of people, yet its base remains unstable as Turkey has repeatedly threatened to cancel it and it has been criticised on humanitarian and legal grounds.¹³¹

In recent years, there has also been an overall increase in **insecurity across the European continent**, which relates to political and religious radicalisation and to the rise of transnational terrorist networks, on the one hand, and military and defence concerns, on the other hand. The 2016 EU Global Strategy outlines that '[t]o the east, the European security order has been violated, while terrorism and violence plague North Africa and the Middle East, as well as Europe itself'.¹³² Terrorist networks active in Europe are increasingly decentralised, locally based, and have proven to be capable of rapidly recruiting and co-opting vulnerable people into their ranks.¹³³ By prioritising soft targets, several recent attacks by small groups of radicalised individuals have caused the death of hundreds of people.

¹²⁷ European Commission, 'A European Agenda on Migration', COM(2015) 240, 13 May 2015. See also the ten points to address the crisis proposed by the EU foreign ministers, the EU HR/VP and the European Commission: European Commission, 'Joint Foreign and Home Affairs Council: Ten point action plan on migration', *European Commission Press Release*, 10 April 2015. http://europa.eu/rapid/press-release_IP-15-4813_en.htm

¹²⁸ EU NAVFOR MED, 'Factsheet', *European Union Naval Force Mediterranean Operation Sophia Media and Public information office*, 5 April 2017. https://eeas.europa.eu/sites/eeas/files/eunavfor_med_-_mission_05_april_2017_en.pdf

¹²⁹ <http://www.consilium.europa.eu/en/infographics/irregular-arrivals-eu-01-2017/>

¹³⁰ European Commission, 'Fifth Report on the Progress made in the implementation of the EU-Turkey Statement', COM(2017) 204, 2 March 2017.

¹³¹ See, for example: Human Rights Watch, 'Q&A: Why the EU-Turkey Migration Deal is No Blueprint', *Human Rights Watch*, 14 November 2016. <https://www.hrw.org/news/2016/11/14/qa-why-eu-turkey-migration-deal-no-blueprint>

¹³² European Union, 'Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy' (http://eeas.europa.eu/archives/docs/top_stories/pdf/eu_gs_review_web.pdf)

¹³³ Europol, 'EU Terrorism Situation & Trend Report', European Police Office, The Hague, 2016.

Combined with a popular perception of uncontrolled migration due to the refugee crisis and the free movement of people within the Schengen Area, **there is a widespread sense of insecurity among European citizens.**¹³⁴ In this context, the Union attempts to find a balance in preserving fundamental freedoms of citizens and residents while fighting terrorism and radicalisation. The securitisation of migration in recent years has led to further militarisation of external borders and to the strengthening of the European Border and Coast Guard Agency as a security actor. At the same time, the EU acknowledges that its security is closely linked to developments outside its borders, particularly in the neighbouring States. As such, the Union cooperates with third countries (in particular the Western Balkans, the Sahel, North Africa, the Middle East, the Horn of Africa, and the US) as well as with international and regional organisations (UN, Arab League, Organization for Security and Cooperation in Europe, Council of Europe) in its fight against terrorism.

Article 2 of the TEU marks democracy and rule of law as fundamental values of the Union and its Member States. Additionally, the 1993 Copenhagen criteria for the accession of new Member States to the EU clearly establishes rule of law – the exercise of power through established and well-defined laws – as a *sine qua non* condition for joining the EU. Nevertheless, there is currently a **rule of law crisis, which touches upon core European values**, as governments in Member States such as Poland and Hungary distance themselves from the model of liberal democracies with a clear and efficient balance of power among governing branches. In Poland, the governing Law and Justice (*Prawo i Sprawiedliwość*) party has used its majority in the national parliament to tame and incapacitate the Constitutional Court. This and other actions by the Polish government (e.g. change of the law on public broadcasting in order to favour the current government, attacks on the freedom of the press, and restrictions on the right to protest) have triggered an unprecedented constitutional crisis in the country. In response, the European Commission issued, in July 2016, a recommendation regarding the rule of law in Poland¹³⁵ based on its 2014 Communication ‘A new EU Framework to Strengthen the Rule of Law’.¹³⁶ In its recommendation, the Commission expressed particular concern over the appointment of judges to the Constitutional Court, the effective functioning of the Court, and the effectiveness of constitutional review of new legislation. It asked the Polish government for clarification of its measures and invited it to a constructive dialogue. At the same time, the Commission mentioned that it might resort to Article 7 of the TEU, which ultimately foresees a suspension of membership rights (including voting rights in the Council) for Member States considered to be in violation of the principles laid down in Article 2.

Following a similar path, Hungary is another EU Member State facing widespread criticism over actions by its current government that run against the rule of law and democracy, most recently for passing an higher education law targeting the Central European University. The country has also been the object of several EP resolutions since 2011 on the state of fundamental rights in Hungary, including on the country’s media laws, constitutional reform, policies towards refugees and asylum seekers and legislation on non-governmental organisations.¹³⁷ In April 2017, the Commission debated the Hungarian government’s ‘illiberal drift’, concluding that the higher education law was not compatible with the right of academic freedom, the right to education and the freedom to conduct a business and that, in general, it would continue to use ‘all available means under the Treaties’ to promote shared EU values and to engage in

¹³⁴ Recent Eurobarometer reports demonstrate that terrorism and migration were top concerns of European citizens both in 2015 and in 2016.

¹³⁵ European Commission, ‘Commission Recommendation of 27.7.2016 Regarding the Rule of Law in Poland’, *European Commission*, Brussels, 27 July 2016.

¹³⁶ European Commission, ‘A New EU Framework to Strengthen the Rule of Law’, *European Commission*, COM(2014) 158 final/2, Brussels, 19 March 2014.

¹³⁷ European Parliament, ‘Resolution of 10 June 2015 on the situation in Hungary’, *European Parliament*, 2015/2700(RSP), Strasbourg, June 2015.

dialogue with the Hungarian government.¹³⁸ If systematic and persistent, the **rule of law crisis may diminish the relative position of the EU as a promoter of values** (human rights, democracy, rule of law) in global politics and in its strategic relations.

The fifth important trend identified in Europe is **the rise of populist extremist parties**¹³⁹ and movements, which in turn is fuelled by an overall increase in popular mistrust of European and national institutions. In 2016 and 2017, populist and euro-sceptic parties have obtained, or are projected to obtain, considerable shares of the vote in national elections in Austria, the Netherlands, France and Germany. They have also made their way into the EP and in 2015 formed the political group Europe of Nations and Freedom (ENF), which counts around 40 MEPs in its ranks. Intrinsically connected to the rise of populism is popular discontent with, and mistrust of, European institutions. According to Eurobarometer data,¹⁴⁰ only 33 % of EU citizens tended to trust the Union in 2016, down from 57 % in 2007, the year prior to the financial and economic crisis.

Perhaps the most important consequence so far of the above-mentioned overlapping crises was the result of the June 2016 referendum on the EU membership of the UK, when a narrow majority of 51.9 % of the **voters decided to leave the EU**. Although there is considerable uncertainty regarding the arrangements of the future relationship between the UK and the EU-27, the UK's departure is certain to have an impact on the Union's external relations. The UK is a global political, economic and military player. Its economy ranks in the global top ten and the City of London is one of the most important financial centres in the world. The country has a permanent seat on the UN Security Council, is an important part of the transatlantic alliance between Europe and the US and has a nuclear arsenal that is crucial to the defence of the European continent. Through the EU and the UN, but also on its own, the UK is one of the main donors of humanitarian aid and a key partner in development cooperation worldwide. Additionally, its large diplomatic network has solid contacts in the Commonwealth and in crucial parts of the world, such as the Middle East. Consequently, at least in the short term, **'Brexit' will likely have a negative impact on the EU's external actions and the Union's capacity to play a significant role in global governance**. Nevertheless, deeper European integration among the remaining 27 Member States has the potential to compensate for the loss of British membership in the long run. It is also likely that the future agreement with the UK will not fit any existing political or economic agreement currently in place between the EU and third countries.¹⁴¹ The content of such an unprecedented relationship, and the extent of the cooperation between the U K and the EU in global affairs, will also impact the EU's position in global governance.

The impact of the UK's withdrawal from the EU and the above-mentioned **developments will also impact the Union's** inter-regional relations with Latin America and the Caribbean. The legacy of austerity policies and the continuous need to reduce budgetary deficits in various EU Member States, for instance, will influence the discussions over the future budget of the Union and will very likely impact the amount of funds available for EU cooperation, including with Latin America and the Caribbean. The **rise of populist and Eurosceptic parties** across the continent, some of which are already part of national governments, means that the EU may have to accommodate protectionist and nationalist forces when negotiating and modernising agreements with countries and regional blocs. Furthermore, the refugee crisis, the rule of law crisis, and the growing public mistrust towards national and European institutions have a continuous impact on the EU's stand as a worldwide promoter of human rights and democracy. In light of these trends and their probable impact, the next sessions analyse the state of play and prospects for the EU's relations with Latin America and the Caribbean.

¹³⁸ European Commission press release (http://europa.eu/rapid/press-release_MEX-17-1116_en.htm)

¹³⁹ Goodwin, M., 'Right Response Understanding and Countering. Populist Extremism in Europe', *Chatham House Report*, 2011.

¹⁴⁰ European Commission, 'Standard Eurobarometer 86 Autumn 2016. Standard Eurobarometer 86', *TNS opinion & social*, autumn 2016.

¹⁴¹ European Parliament, 'UK withdrawal from the European Union. Legal and procedural issues', *In-Depth Analysis*, March 2017.

2.2 Key developments in EU-Latin American relations

2.2.1 Taking stock of EU-Mercosur relations

Relations between the EU and Mercosur date back to the early 1990s. The third-generation cooperation agreements signed between 1990 and 1992 with each of the four founding members of Mercosur replaced the more limited cooperation agreements of the 1970s and 1980s. Those agreements paved the way for the Interinstitutional Cooperation Agreement signed in 1992 and the EU-Mercosur Interregional Framework Cooperation Agreement signed in 1995. The main goal of the first agreement was to help strengthen Mercosur by allowing it to benefit from the European experience in regional integration through providing technical, financial, institutional and political support. The 1995 agreement, which entered into force in 1999, aimed at laying the first stone for negotiating an interregional association agreement based on political dialogue, cooperation and an ambitious free trade agreement.

These agreements have progressively established an **interregional framework** that has allowed the EU and its institutions (in particular the Commission, the EP, the European Economic and Social Committee and the EEAS) to engage with Mercosur, its institutions and Member States (in particular the Parlasur, the Mercosur Consultative Economic and Social Forum (*Foro Consultivo Económico-Social del Mercosur*, FCES) and the Common Market Council (*Consejo del Mercado Común*). The Commission has actively encouraged this inter-institutional dialogue. In this inter-regional framework, inter-ministerial, inter-diplomatic, inter-administrative and inter-parliamentarian relations, as well as relations between the various bodies representing civil society – mainly business and trade unions have developed, covering a wide range of issues, including institutional cooperation, democracy, human rights, security, trade, migration and the environment.

The rapprochement has also boosted investment and trade¹⁴² even if the EU in recent years has lost market share in the region to Asian countries, in particular to China. However, the **EU remains Mercosur's largest trading partner** before China and the US: the EU accounted for 20.3 % of the bloc's total external trade in 2016 while China accounted for 19.4 %. On the other hand, Mercosur accounted for only 2.5 % of the EU's external trade and as a group ranked as the EU's ninth trading partner. Trade between Mercosur and the EU increased from EUR 68.9 billion in 2006 to EUR 111.6 billion in 2012, but have declined substantially in recent years. In 2016, the value of EU-Mercosur trade in goods reached EUR 84.9 billion, down from EUR 93.5 billion in 2015 and the lowest figure since 2009.¹⁴³ The EU mainly imports agricultural goods and raw materials (around 70 %) from the Mercosur economies, while Mercosur primarily imports manufactured goods, chemicals and pharmaceuticals (around 85 %) from the EU. Many European companies have invested in the Mercosur countries, making the EU the biggest foreign investor in the region: more than 5 % of the stock of the EU's total FDI is located in Mercosur; in 2014 their value stood at EUR 387 billion, compared to EUR 130 billion in 2000. Companies from the Mercosur countries, particularly Brazil, which represents around 70 % of Mercosur's combined GDP, have also invested substantially in Europe, with stocks of EUR115 billion in 2014.

In spite of the close economic relations, the EU and Mercosur have not yet been able to conclude the negotiations on an Association Agreement that started in 1999. Although substantial progress has been

¹⁴² European Commission, 'Comprehensive Free Trade Agreement with Mercosur. Potential gains for the EU', *DG Trade*, Brussels, May 2016; Carciofi, R. and Campos, R., 'Unión Europea-MERCOSUR: una negociación con final abierto', *Alquimias económicas*, November 22, 2016; European Commission, 'Countries and regions: Mercosur', *DG Trade*, <http://ec.europa.eu/trade/policy/countries-and-regions/regions/Mercosur/>

¹⁴³ European Commission, 'European Union, Trade in goods with Mercosur 5', *Directorate General for Trade, Units A4/G2*, 3 May 2017, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113488.pdf

made in the fields of political dialogue and cooperation, the negotiations were suspended in 2004 because of disagreement on trade issues. Partly because of that stalemate, the EU and Brazil established a Strategic Partnership in 2007.¹⁴⁴ The trade negotiations between the EU and Mercosur resumed in 2010, although they stalled again between 2012 and the end of 2015.

The change of government in Argentina and Brazil and the taking office of presidents who are more clearly in favour of an Association Agreement with the EU than their predecessors has given new impetus to the EU-Mercosur trade talks. Particularly Argentina's President Mauricio Macri has contributed to the renewed momentum in the relationship between the EU and Mercosur, and the High Representative/Vice President of the Commission Federica Mogherini has welcomed his leadership in moving forward EU-Mercosur relations.¹⁴⁵

Similarly, since President Macri took office, Argentina have strengthened its economic and political relations with individual EU Member States, including through a number of meetings at the highest political level and the visits to Argentina of several heads of state and government of EU member states (including Bulgaria, Finland, France, Italy) in 2016 and 2017, and through President Macri's visit to Europe, in July 2016 and again in February 2017, where he met with the French president, the German chancellor and with the Spanish Prime Minister. Also these contacts have helped to underline Argentina's commitment to reaching an agreement with the EU, injecting renewed momentum into the EU-Mercosur relationship. The Brazilian government has also showed renewed enthusiasm for the EU-Mercosur trade talks. Reflecting concerns about an US protectionist turn under the Trump administration, Brazil's foreign minister Aloysio Nunes has stated that the US withdrawal from the TPP trade agreement and possibly the Transatlantic Trade and Investment Partnership (TTIP) opens new opportunities for EU-Mercosur relations. Demonstrating the shared commitment to reach an association agreement with the EU, the foreign ministers of the four original Mercosur member states agreed a common negotiation strategy for the talks with the EU on 9 March 2017.

The first result of the new dynamic in EU-Mercosur relations was the exchange of market access offers in May 2016 — the first since 2004 — which marked the resumption of the stalled trade talks. Progress achieved at the two negotiations rounds that have been held since then (in October 2016 and most recently in March 2017) has spurred optimism that the parties can make good on their ambitious commitment to conclude an agreement before the end of 2017. According to the joint EU-Mercosur communiqué from the last negotiation round in March 2017, significant progress was made in all the different chapters of the negotiation.¹⁴⁶ However, there are still many obstacles to be overcome. Agriculture is the most sensitive sector for the EU, while the main sensitive areas for Mercosur are manufacturing industries (e.g. the automotive industry), rules on foreign direct investment and services, government procurement, geographical indicators and intellectual property rights.¹⁴⁷

¹⁴⁴ Santander, S., 'Brazil-EU Relations: Strategic Partner or Competitors?' in Smith M., Keukeleire, S., Vanhoonacker, S., (eds.), *The Diplomatic System of the European Union: Evolution, Change and Challenges*, London, Routledge, 2016, pp. 181-196.

¹⁴⁵ EEAS, 'Mogherini welcomes intensification of EU-Argentina relations', EEAS, 4 July 2016, https://eeas.europa.eu/headquarters/headquarters-homepage_en/4422/Mogherini%20welcomes%20intensification%20of%20EU-Argentina%20relations

¹⁴⁶ European Commission, 'Joint EU-Mercosur communiqué', *Directorate-General for Trade*, 27 March 2017.

¹⁴⁷ Santander, S., 'Can regional blocs (still) talk with each other? The Euro-Mercosur relationship', *World Affairs*, 2/33, No. 459, 2016, pp. 83-92.

2.2.2 EU-Cuban relations at an historical turning point

With the signing, on 12 December 2016, of the Political Dialogue and Cooperation Agreement (PDCA),¹⁴⁸ the EU and Cuba opened a new chapter in their relationship. The agreement, which aims to strengthen relations between the EU and Cuba in the areas of political dialogue, cooperation and trade, is a turning point in the bilateral relationship. Until now, Cuba has been the only country in LA without a cooperation or political dialogue agreement with the EU.¹⁴⁹ For more than 20 years, the **EU-Cuban relationship has had to cope with many political obstacles and tensions**, due to the poor human rights record in Cuba and the EU Common Position adopted by the Council in 1996, which conditioned relations with Cuba on progress towards democracy and human rights.¹⁵⁰

Tensions came to a peak in 2003 when the Council decided to impose a number of diplomatic sanctions on Cuba, mainly consisting in limiting high-level government visits and Member States' participation in cultural events in Cuba, and to suspend cooperation and development aid after the arrest of 75 dissidents. From 2004, bilateral tensions diminished gradually, following the release of some of the dissidents, but the EU did not lift the political measures imposed on Cuba and resumed development cooperation with the country before 2008. The EU decided to start a process of 'comprehensive political dialogue' with Cuba in 2008, which led to a series of irregular high-level political dialogue meetings. Most recently, the high-level political dialogue was re-launched in June 2015 after a four-year interruption.

However, political tensions between the EU and Cuba did not prevent a large number of EU Member States and companies from developing relations with, and activities in the country: around 20 EU Member States have signed bilateral agreements with Cuba, many European companies have invested in tourism, the building sector, light industry and agro-business in Cuba, making the EU the biggest foreign investor in the country.

Nevertheless, according to European Commission figures, trade flows have been largely stagnating. In 2016, the value of EU-Cuba trade reached EUR 2.46 billion, almost exactly the same as in 2006. Compared to the low point registered in 2009, where the value of trade flows only stood at EUR 1.43 billion, the growth in trade exchanges in recent years has been relatively robust, but trade flows have been volatile. The EU has a huge surplus on its trade balance with Cuba (reaching EUR 1.63 billion in 2016), as the value of exports to Cuba is around five times higher than the value of imports from the country. Overall, the **EU is Cuba's first trading partner**, accounting for 31 % of total Cuban trade in 2016, before China and Russia, and Cuba's most important external market (with 29.1 % of all exports), before Russia and Venezuela, according to European Commission figures.¹⁵¹ Five EU Member States (France, Germany, Italy, the Netherlands and Spain) were among Cuba's ten most important trading partners in 2015.¹⁵² The EU Member States predominantly export manufactured goods, machinery, transport equipment and chemical products to Cuba while imports are mainly primary products (mineral fuel and mineral oil, foodstuffs, beverages, sugar, tobacco), representing some (85 % of the EU's imports from Cuba).¹⁵³ Cuban exports to the EU benefited from the EU's General System of Preferences (GSP) until 2013, when the reform of the GSP excluded upper-middle income countries such as Cuba from the scheme.

¹⁴⁸ Council of the European Union, 'Political Dialogue and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Cuba, of the other part', *Council of the European Union*, 2016/0287, 25 November 2016.

¹⁴⁹ Cuba joined in 2000 the ACP Group of States, but is not part of the Cotonou Agreement.

¹⁵⁰ Official Journal of the European Union, 'Common position', *Official Journal of the European Union*, 96/697/CFSP, 2 December 1996.

¹⁵¹ European Commission, 'European Union, Trade in goods with Cuba', *Directorate General for Trade*, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122460.pdf

¹⁵² The Observatory of Economic Complexity (<http://atlas.media.mit.edu/en/profile/country/cub/>)

¹⁵³ European Parliament, 'Cuba's international trade', *European Parliamentary Research Service*, PE 548.984, p. 2.

The EU has also provided **development and humanitarian aid** to Cuba in particular in order to support the Cuban population affected by natural disasters. The EU provided around EUR 90 million between 2008 and 2014 in aid to Cuba in areas including food security, hurricane response and disaster preparedness, the environment and climate change, energy, culture and support to economic and social modernisation and management capacities. The Multiannual Indicative Programme (MIP) for bilateral cooperation with Cuba in the 2014-2020 period allocated a further EUR 50 million for cooperation with Cuba, giving priority to three key sectors: sustainable agriculture and food security, the environment and sustainable development, and economic and social modernisation. Cuba also participates in the EU's regional cooperation programmes for Latin America (such as AL-Invest, Copolad, Euroclima and Erasmus+).¹⁵⁴

2.2.3 The EU's relations with Mexico, Colombia and Chile

Mexico

The EU's relations with Mexico are marked by two guiding events. The first one is the signature, in 1997, of the Economic Partnership, Political Coordination and Cooperation Agreement (the Global Agreement), which came into force in 2000. The Global Agreement, which established a regular EU-Mexico political dialogue, institutionalised cooperation in a wide range of areas and liberalised bilateral trade, could be seen as a response to the launch of NAFTA in 1994 and the desire of both the EU and Mexico to deepen their trade, investment and political relations. For Mexico, the EU was perceived as a way to reduce the country's increasing dependency on the US market and on US MNEs. For the EU, the goal was to avoid a marginalisation of its commercial, and to a lesser extent political, presence in Mexico. Mexico was also seen as a gateway to NAFTA for EU MNEs. The Global Agreement paved the way for the 2008 **EU-Mexico Strategic Partnership**, built on cooperation and dialogue in four thematic areas: politics, security, the environment and social and economic issues. The strategic partnership aimed at enhancing EU-Mexico cooperation and coordination at the multilateral level on global issues and to give additional political impetus to bilateral relations and initiatives.¹⁵⁵ Mexico remains the only country with which the EU has both an association agreement and a strategic partnership.

Almost 20 years after the signature of the Global Agreement, the EU and Mexico embarked on the process to modernise and update the Global Agreement, adapting it to a new international context and new global challenges and with the overall objective of further strengthening the strategic partnership, including cooperation on global issues, reinforcing political dialogue, enhancing cooperation and further deepening trade and investment flows. The announcement by the EU and Mexico at the EU-CELAC summit in Santiago de Chile in January 2013 of their intention 'to explore the options for a comprehensive update of the Economic Partnership, Political Coordination and Cooperation Agreement'¹⁵⁶, was followed by comprehensive preparations of the modernisation process, with the negotiations being launched in May 2016 after the Council's adoption of the negotiation directives.

As regards trade, both sides wish to modernise the Global Agreement to bring it into line with the latest generation of trade agreements, such as the EU-Korea FTA, the EU-Canada Comprehensive Economic and Trade Agreement (CETA) and the EU-Singapore FTA. Similarly, Mexico has clearly opted for opening further its economy by concluding so-called WTO+ agreements not only with the EU, but also with the European Free Trade Area (EFTA), Japan and other countries in Asia (TPP), Israel and Latin American partners, and it aims at strengthening its role as a gateway to NAFTA. As the EU was negotiating the TTIP and the CETA, it

¹⁵⁴ European External Action Service, 'EU-Cuba relations', *European External Action Service*, 6 December 2016, https://eeas.europa.eu/headquarters/headquarters-homepage/16558/node/16558_en.

¹⁵⁵ European Commission, 'Towards an EU-Mexico Strategic Partnership', European Commission, COM(2008) 447 final, 15 July 2008.

¹⁵⁶ European Commission (DG Trade), Roadmap, Modernisation of the trade pillar of the EU-Mexico Global Agreement.

naturally wanted to extend some provisions to Mexico, the third NAFTA partner, in order to streamline the rules applicable to EU businesses operating across NAFTA.

In addition to the prospect of getting increased access to a market of 122 million consumers, traditionally dominated by US FDI, another incentive for the EU to seek to modernise the Global Agreement have been the economic reforms carried out by the Mexican government from 2013, particularly the liberalisation of the energy and telecoms sectors, in which EU MNEs are among the global leaders. This has created new investment opportunities for European companies. For instance, the opening up of Mexico's energy sector has allowed European companies such as *Total* and BP to win contracts for the exploitation of Mexican oil, while the UK firm BHP Billiton is engaged in its first joint venture with *Pemex*.

Both sides hold ambitious expectations for the modernisation of the trade chapter of the Global Agreement. New areas to be negotiated and incorporated in the agreement include the strengthening of intellectual property rights (IPR), the access to and the transparency of public procurement markets, the update of the rules of origin, the harmonisation of technical standards, the regionalisation of production processes across NAFTA, the liberalisation of more agricultural products, and trade and sustainable development, among others.¹⁵⁷

The talks on the modernisation of the three main pillars of the Global Agreement (political dialogue, cooperation and trade) follow a two-track approach, with negotiations on the political and cooperation aspects of the agreement taking place in parallel to the trade negotiations. After the second negotiation round on the political and cooperation chapters, the parties reported to have reached a substantial level of agreement on a wide range of issues, both regarding multilateral and bilateral political dialogue and cooperation on international development issues.¹⁵⁸ Similarly, the third round of the trade negotiations, held in April 2017, concluded with 'good overall progress'.¹⁵⁹

Also on this negotiation, the parties have set the **ambitious goal of reaching an agreement** before the end of 2017. Both the EU and Mexico have expressed strong political commitment to this objective. Following the vote of the EP in favour of CETA in February 2017 and the suspension of the TTIP negotiations, European Trade Commissioner Cecilia Malmström stated that Mexico, and Latin America in general, were re a priority on the EU's trade agenda.¹⁶⁰ Similarly, Malmström and the Mexican Economy Minister Ildefonso Guajardo issued a joint statement on 1 February 2017 to announce that they had decided to speed up the negotiations on the trade chapter of an updated agreement, referring to the 'worrying rise of protectionism around the world'. This commitment was reiterated and further reinforced during Malmström's visit to Mexico in May 2017, when it was agreed that negotiators would meet on a monthly basis during the second half of 2017.

Chile

As is the case of the EU-Mexico Global Agreement, negotiations to update the EU-Chile Association Agreement, signed in 2003 — the second such agreement with a Latin American country after Mexico — are expected to begin soon. Since its entry into force in 2005 (in 2003 for the trade provisions), the association agreement has served as a framework for the development of close and much diversified

¹⁵⁷ Torrent, R., Polanco, R., 'Analysis of the upcoming modernisation of the trade pillar of the European Union-Mexico Global Agreement', *Study*, European Parliament, 2016, pp. 54-6

(http://www.europarl.europa.eu/RegData/etudes/STUD/2016/534012/EXPO_STU%282016%29534012_EN.pdf)

¹⁵⁸ Joint Press Release " The second round of negotiations to modernize the political and cooperation chapters of the Mexico-EU Global Agreement took place in Mexico City, 16 May 2017 (https://eeas.europa.eu/headquarters/headquarters-homepage/26149/joint-press-release-second-round-negotiations-modernize-political-and-cooperation-chapters_en)

¹⁵⁹ Good progress in the third round of EU-Mexico trade negotiations, European Commission, DG Trade, 10 April 2017 (<http://trade.ec.europa.eu/doclib/press/index.cfm?id=1648>)

¹⁶⁰ Malvesi, L., 'Malmström: CETA done, Mexico and Mercosur next up', Euractiv, Brussels, 16 February 2017, (<https://www.euractiv.com/section/trade-society/news/malmstrom-ceta-done-mexico-and-Mercosur-next-up/>)

relations between the two parties. In addition to the regular political dialogue, The EU and Chile have established policy dialogues and cooperation in a variety of different sectors, including human rights, security and defence, the environment and sustainable development, energy, industrial cooperation, research and innovation, tourism, gender issues and ocean governance, among others. The EU and Chile have implemented a bilateral agreement on science and technology cooperation

The EU and Chile have also close bilateral cooperation on science and technology, based on a cooperation agreement signed in 2002, and Chile participates in the EU Horizon 2020 Programme. The two parties concluded an aviation agreement in 2005, aiming at the reciprocal opening of air transport markets. Similarly, the EU and Chile signed a 'Framework Participation Agreement' in 2014 for Chile's participation in EU-led civilian and military crisis management operations.

In the economic area, the liberalisation of trade on the basis of the EU-Chile Association Agreement¹⁶¹ has allowed for a strong increase in trade exchanges in absolute terms. However, unsurprisingly, EU-Chile trade shows the typical patterns of the classical north-south trade, with the EU exporting mostly manufactured products and Chile exporting mostly commodities. Also, for the EU the trade preference is somewhat reduced by the multiple FTAs Chile has concluded with all its main trade partners in Latin America, the US and Canada, Asia, including China, Japan and South Korea, and Europe (EFTA, Turkey). Overall, the EU's share of Chile's total trade has declined relative to the share of Asia and the US, but the situation would likely have been worse without the agreement.¹⁶² For Chile, the EU as a group was the country's second most important trade partner in 2016 after China, representing 14.9 % of the total value of the country's foreign trade. Until 2009, the EU was Chile's main trading partner. Additionally, the EU is the principal source of FDI in Chile, representing 24 % of FDI stocks in 2016. Spain, the Netherlands and the UK are the EU countries hosting the largest investors in Chile.

The agreement between the EU and Chile to seek to update and upgrade the 2003 Association Agreement dates back to 2012 and was confirmed at the 2013 EU-CELAC summit, which welcomed the decision 'explore the options for a modernisation of the Agreement'. Three main reasons underpin this decision to negotiate the modernisation of the Association Agreement: the changes in the global economy and Latin America's shift towards the Asia-Pacific region, the diminishing expectations that the WTO Doha Round would yield results, and political perceptions of Chile as a key international player.¹⁶³

In the past years, during preparations for the negotiation, the parties have scrutinised the three pillars of the Agreement and its performance, confirming their commitment to advance in the modernisation process. It is expected that negotiations to update and modernise the EU-Chile Association Agreement could begin later in 2017, once the Council has adopted the EU negotiation directives. As regards trade, the negotiations are expected to address issues such as public procurement, technical barriers to trade, the conclusion of an EU-Chile investment deal to replace Chile's the existing 19 bilateral agreements between the country and various EU Member States, IPR and geographical indications, and trade in services. Colombia

The EU's political and economic relations with Colombia have grown stronger and more diverse in recent years. In addition to the signing and the entry into force of the Trade Agreement between the EU and Colombia (also covering Peru and Ecuador) in 2013, various other measures have boosted EU-Colombia ties. These include several high-level visits and political contacts, the launch in 2009 of an institutionalised dialogue on human rights, the conclusion in 2014 of a framework agreement on Colombia's participation

¹⁶¹ ELAN, *Biz Fact Sheet: EU-Chile Association Agreement*, 2015, <http://www.elanbiz.org/documents/20182/64327/EU-Chile+Association+Agreement/bf45437e-7d86-41b1-abfb-2b17ac8b9283>

¹⁶² ITAQA, 'Evaluation of the Economic Impact of the Trade Pillar of the EU-Chile Association Agreement', *European Commission, Directorate General for Trade*, Brussels, 2012.

¹⁶³ Polanco, R., 'Analysis of the prospects for updating the trade pillar of the European Union-Chile Association Agreement', *Study*, 2016, p. 61. http://www.europarl.europa.eu/RegData/etudes/STUD/2016/535013/EXPO_STU%282016%29535013_EN.pdf

in EU-led civilian and military crisis management operations, and the inclusion, in 2015, of Colombia among the countries whose citizens can travel to the Schengen area without a visa.

However, the fundamental issue on the bilateral agenda in recent years has been the **EU's backing of the peace process** between the Colombian government and the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*, FARC) and its commitment to continue its support to the implementation of the peace agreement and Colombia's post-conflict development. In addition to frequent political declarations expressing its support for the peace negotiations and willingness to assist in the implementation of the agreement and the appointment of an EU Special Envoy for the peace process — the first such envoy to a Latin American country —, the creation of the EU trust fund to finance post-conflict actions and the funding of several cooperation programmes throughout the years to assist the peace process to help create conditions for sustainable peace in Colombia, the EU's support represents a sustained, long-term endeavour to help create the conditions for sustainable peace in Colombia which makes full use of all the Union's instruments for external action.

The trust fund, which was set up in December 2016, supports Colombia's post-conflict, peace-building efforts and has a special focus on rural development. The fund pools resources from the EU and its Member States; by April 2017, a total amount of EUR 95 million had been pledged to the trust fund, with EUR 72 million coming from the EU budget.¹⁶⁴ Overall, the EU has announced it will provide a total of EUR 575 million to support the implementation of the peace agreement and the consolidation of peace in Colombia.¹⁶⁵ The EU's support to the Colombian peace process has a clear inter-regional perspective: the stabilisation of Colombia and the creation of conditions for long-term social and economic development are likely to have a broader beneficial impact on the region as a whole, while at the same time the support to the implementation of the peace agreement opens up for new opportunities for triangular cooperation with Latin American countries and regional organisations.

As regards trade and economic relations, the entry into force of the Trade Agreement the EU and Colombia in 2013 has not substantially altered the profile of the bilateral trade. Overall, the total value of trade exchanges diminished from EUR 13.5 billion to 10.9 billion between 2013 and 2016, with most of the decline registered between 2015 and 2016. The EU's imports dropped most, by nearly 30 %, in this period, while EU exports to Colombia grew steadily up to 2015; however, they fell by 16.5 % in 2016, causing an overall decline in exports of 7 % from 2013 to 2016.¹⁶⁶ The negative trend in EU-Colombia trade can largely be attributed to declining prices and the slowdown of economic growth in Colombia. For Colombia, the strengthening of trade and investment relations with the EU is important with regard to the implementation of the peace process, for instance by offering possibilities for economic and social development in the areas affected by armed conflict.

2.3 The EU-CELAC Strategic Partnership

The Community of Latin American and Caribbean States (CELAC) is the only regional group which speaks for the whole region of Latin America and the Caribbean. It was created in 2011 through the Declaration of Caracas and replaced the Rio Group, which dated back to 1986, and the short-lived Latin American and Caribbean Summit on Integration and Development (*Cumbre de América Latina y el Caribe sobre Integración y Desarrollo*, CALC). **CELAC assembles 33 sovereign nations in an intergovernmental community with**

¹⁶⁴ *Monthly Report on the Multiannual Implementation of the EU Trust Funds (EUTFs)*, European Commission (<http://ec.europa.eu/budget/library/biblio/documents/2017/budg-report-201703-EU-Trust-Funds.pdf>)

¹⁶⁵ EU announces new funding to support post-conflict process in Colombia, European Commission press release (http://europa.eu/rapid/press-release_IP-16-1902_en.htm)

¹⁶⁶ Figures from European Commission, DG Trade (http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113367.pdf)

a low level of institutionalisation and without permanent structures, such a permanent secretariat, and lacks mechanisms and institutions to enforce common decisions. Its decisions are consensual and taken during the annual summits.

Despite the lack of a strong institutional structure and of objectives relating to economic or social integration, CELAC has been defined as ‘a vehicle for the articulation of a shared Latin American identity; it arises out of a continuing and mutually constituting process of region construction and recognition’.¹⁶⁷ Through its declarations, CELAC offers a platform for countries in Latin America and the Caribbean to jointly manifest their opposition to foreign interference in their domestic and regional affairs and to raise the issue of discrimination and regional representation in multilateral institutions. CELAC is the only forum where all countries from Latin America and the Caribbean meet without the presence of the US. As a region-wide forum, CELAC is a unique platform for the region’s relationship with the EU.

Since 2013, CELAC summits have taken place every year in January; in Chile (2013), Cuba (2014), Costa Rica (2015), Ecuador (2016) and the Dominican Republic (2017). In addition to the summits, CELAC also organises low-level and issue-specific meetings. The political declaration from the most recent CELAC summit, in the Dominican Republic in January 2017, reaffirmed the region’s commitment to advance integration and cooperation, reiterated its opposition to foreign intervention in the region (e.g. the US base in Guantanamo), and presented the region’s positions on various issues on the international agenda, including climate change, nuclear disarmament, decolonisation, migration, and trade and development.¹⁶⁸ The CELAC summit also adopted a new CELAC Action Plan,¹⁶⁹ which included a large set of regional priorities, such as food security and the eradication of hunger and poverty, family farming, empowerment of women and gender equality, the fight against corruption, migration, the world drug problem, education, science, technology and innovation, sustainable development, the environment and climate change, energy, regional cooperation and participation in multilateral fora, among many others.

Any understanding of interregional relations between Latin America and the Caribbean and the EU must take into account the deep **institutional and economic asymmetries** between the two regions. While the EU is a treaty-based organisation with important supranational features and competencies deriving from a conferral of powers from its Member States, CELAC is an ‘informal forum, deprived of legal structure, headquarters, competencies and budget’.¹⁷⁰ Therefore, the EU-CELAC partnership can be defined as a *hybrid* interregional relationship between a highly institutionalised organisation and a regional bloc with little institutionalisation or permanent structures. At the same time, there are similarities between the EU and CELAC as regards the number of countries in each regional group (28 for the EU and 33 for CELAC) and the size of their total population — roughly 510 million inhabitants in the EU and some 600 million in the CELAC countries.

The launch of the **strategic partnership between the EU and Latin America** and the Caribbean dates back to the first summit between the EU and Latin America and the Caribbean in Rio de Janeiro in June 1999. Since then, summits have taken place at intervals of two or three years: in Madrid (2002), Guadalajara (2004), Vienna (2006), Lima (2008), Madrid (2010), Santiago de Chile (2013) and Brussels (2015). The last

¹⁶⁷ Kennedy, D., Beaton, B., ‘Two Steps Forward? Assessing Latin American Regionalism through CELAC’, *Latin American Policy*, 7 (1), 2016, p. 54.

¹⁶⁸ CELAC, ‘Declaración Política de Punta Cana V Cumbre de la CELAC’, *Community of Latin American and Caribbean States*, Punta Cana, 25 January 2017. <http://www.mirex.gov.do/medios/noticias/declaracion-politica-de-punta-cana-v-cumbre-de-la-celac>.

¹⁶⁹ CELAC, ‘Plan de Acción de la CELAC’, *Community of Latin American and Caribbean States*, Punta Cana, 25 January 2017. http://www.itamaraty.gov.br/images/ed_integracao/docs_CELAC/PLANAC.2017ESP.pdf

¹⁷⁰ Malamud, A., Seabra, P., ‘Challenging the Political and Security Dimensions of the EU-LAC Relationship,’ in Telo, M. Fawcett, L. Ponjaert, F. (eds.), *Interregionalism and the European Union: A Post-Revisionist Approach to Europe’s Place in a Changing World*, Farnham, Ashgate, 2015.

two meetings were called EU-CELAC summits, following the creation of CELAC in 2010. The next EU-CELAC summit is scheduled to take place on 26-27 October 2017 in El Salvador.

The bi-annual EU-CELAC summits and the meetings of foreign ministers constitute one of the three main 'institutional channels'¹⁷¹ of the EU-Latin America relationship, the other two being the comprehensive association agreements including political dialogue and cooperation (Chile, Mexico and Central America) and the trade agreement with Colombia, Peru and Ecuador. Since 1999, the regular summits have been **the main political engine of the bi-regional partnership**, giving impetus to the various channels of cooperation. The summits constitute flexible platforms for identifying converging interests, setting common positions relating to global governance and issues on the international agenda, taking stock and evaluating progress on the relationship between the EU and other regional groups and countries in Latin America and the Caribbean, and agreeing on strategies and priorities for bi-regional cooperation. The EU's Global Strategy has consolidated the EU-CELAC partnership as the preferred region-to-region forum while at the same time acknowledging the importance of contacts with smaller regional groups 'according to their competitive advantage'.¹⁷²

The 2010 summit provided the necessary political impetus to agree the **Madrid Action Plan 2010-2012**, which identified the priorities for the bi-regional cooperation. It focused on six key areas or 'chapters': research, technology and innovation; sustainable development, environment, climate change biodiversity and energy; regional integration promoting social inclusion; migration; education and employment promoting social inclusion and cohesion; and the world drug problem. The document presented plans for dialogue and cooperation as well as the expected results in each of the six key areas.¹⁷³ This action plan was revised and expanded at the two following summits in 2013 and 2015. The Action Plan adopted in 2013 added chapters on gender, investments and entrepreneurship for sustainable development, and the 2015 Action Plan included new chapters on higher education and citizen security — overall defining a total of 10 key areas that now guide the bi-regional agenda and provide a coherent framework for joint action. In this regard, three cross-cutting topics have been defined as central to the bi-regional dialogue and cooperation: the eradication of poverty, the environment and sustainability, and gender. The first two issues began to receive special attention following the 2008 summit in Lima, while the gender dimension came into focus after the 2013 summit.¹⁷⁴

¹⁷¹ Dominguez, R. *EU Foreign Policy Towards Latin America*, Basingstoke, Palgrave Macmillan, 2015.

¹⁷² European Union, 'Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy,' Brussels, European Union, 2016, p. 37.

¹⁷³ Council of the European Union, 'Madrid Action Plan 2010-2012,' *Council of the European Union*, Brussels, 2010.

¹⁷⁴ For a brief overview of the first 7 summits, see: Dominguez, *EU Foreign Policy Towards Latin America*, pp. 52-67.

Table 1:
The 10 chapters of the EU-CELAC Action Plan and related initiatives

EU-CELAC Action Plan chapters		Main initiatives (including planned initiatives)
1	Science, research, innovation and technology	• Joint Initiative for Research and Innovation (JIRI) • CELAC-EU Common Research Area • Network of the European Union, Latin America and the Caribbean Countries on Joint Innovation and Research Activities (ERANet-LAC) • Horizon 2020
2	Sustainable development, environment, climate change, biodiversity, energy	• Joint Environmental Programme (EUROCLIMA) • Global Climate Change Alliance+ (GCCA) • Watershed and Coastal Management in the context of Climate Change in Latin America and the Caribbean (WATERCLIMA LAC) • EU-LAC Forum on Technological Cooperation, Renewable Energies and Energy Efficiency
3	Regional integration and interconnectivity to promote social inclusion and cohesion	• Programme on Social Cohesion in Latin America (EUROSociAL) • Building European Link to Latin America (consortium BELLA)
4	Migration	• EU-CELAC Structured and Comprehensive Dialogue on Migration • EU-CELAC Roadmap on Migration
5	Education and employment to promote social inclusion and cohesion	• EU-CELAC Ministerial Forum on Education, Innovation and Social Inclusion
6	The world drug problem	• EU-CELAC Coordination and Cooperation Mechanism on Drugs II (COPOLAD II)
7	Gender (since 2013)	• EU-CELAC Seminar on Gender Equality and Women's Economic Empowerment
8	Investments and entrepreneurship for sustainable development (since 2013)	• AL-INVEST 5.0 • European and Latin American Business Services and Innovation (ELAN PROGRAMME) • Latin America Investment Facility (LAIF) • Caribbean Investment Facility (CIF) • COSME • CELAC-EU Business Summit
9	Higher education (since 2015)	• Alfa Programme • EDULINK • CELAC-EU Academic Summits • EU-LAC Permanent Academic Forum • Erasmus+ • Marie Skłodowska-Curie Actions
10	Citizen security (since 2015)	• Intergovernmental seminars and workshops with a bi-regional view (planned) • EL PACTO

Sources: EU-LAC and EU-CELAC Action Plans (2010, 2013, 2015);

Overall, the action plans aim at concrete results through **joint ownership and mutual capacity building**. The implementation of the bi-regional cooperation objectives – as presented in the ten 10 chapters of the Action Plan and in the summit declarations – is challenging due to the deep asymmetries in the bi-regional relationship and different interests on both sides of the Atlantic.¹⁷⁵ In addition to these structural challenges, planning and implementation of joint initiatives is complicated by the unstable political and

¹⁷⁵ For further information on the challenges of the bilateral relation between the EU and LAC countries, see: Fernández Sola, N., 'Las Relaciones UE-América Latina y Caribe: Del Regionalismo al Bilateralismo?', in Stravridis, S., Diamint, R. and Gordin, J., (eds.) *América Latina-Unión Europea / Unión Europea-América Latina: Integración Regional y Birregionalismo*, Zaragoza, Prensas de la Universidad de Zaragoza, 2012.

economic contexts both in the EU and in various CELAC countries, due to institutional instability and the economic slowdown caused by the drop in commodity prices, as indicated above. Nevertheless, the EU-CELAC partnership has yielded concrete results and is a driving force behind the implementation of various cooperation mechanisms.

Latin America and the Caribbean is disproportionately affected by poverty. Therefore, the **eradication of poverty is central to the bi-regional agenda**. While implicitly present in most chapters of the action plans as a cross-chapter issue, poverty reduction is directly included in the third chapter 'Regional integration and interconnectivity to promote social inclusion cohesion'. More than addressing poverty via dedicated development funds, such as the Development Cooperation Instrument (DCI) or the European Development Fund (EDF) for the Caribbean, the goals established in the EU-CELAC dialogue determine that poverty eradication should be taken up in present and future association agreements and trade agreements with individual countries and regional groups.

Although poverty remains widespread in Latin America, the overall number of people living in poverty or extreme poverty in the region has fallen in the past decade. From an estimated 225 million people in 2002, the number of people living in poverty fell to around 164 million in 2012, according to ECLAC data.¹⁷⁶ There is little doubt that economic growth, job creation, and the 'application of widespread progressive social policies' by national governments¹⁷⁷ have contributed to reduce poverty. Nevertheless, as argued above, this process is fragile because it has been highly dependent on the commodity boom and the revenues generated by exports. In fact, since 2012 the number of people living in poverty in the region has been stagnating or slightly increasing. Therefore, the most important potential and actual impact of the EU-CELAC dialogue and cooperation should relate to ensuring the sustainability of key social advances such as poverty eradication, as well to promoting long-term economic growth via sustainable socio-economic development policies that are less vulnerable to the fluctuation of commodity prices and ensure social inclusion and the reduction of income inequalities.

Responding to the overall aim of long term **sustainable socio-economic development**, the EU has put in place several cooperation instruments that target specific geographic areas and thematic issues, and has frequently committed to increase Official Development Assistance (ODA). If the contribution of individual Member States is factored in, the EU is the principal provider of development assistance to Latin America.¹⁷⁸ However, most Latin American countries (and Bahamas in the Caribbean) ceased to receive development cooperation through the EU's bilateral geographic programmes from 2014 because they were categorised as upper middle income countries by the OECD and therefore no longer qualified as ODA recipients according to new EU rules.¹⁷⁹ It is important to note, however, that social and economic inequalities within countries that have graduated to the upper middle income group mean that sub-national regions may need alternatives to the phasing out of ODA. While the **principle of differentiation** — focusing on the poorest countries that need cooperation the most and where EU cooperation can have a stronger impact and be more effective — appears justifiable in view of the need for prioritisation in development policies, socio-economic inequalities in Latin America are so widespread that large segments of the populations even in upper middle income countries remain among the poorest in the region, which would certainly

¹⁷⁶ ECLAC, Social Panorama of Latin America 2015, *Commission for Latin America and the Caribbean*, Santiago de Chile 2016 (<http://www.cepal.org/en/publications/39964-social-panorama-latin-america-2015>)

¹⁷⁷ Sanahuja, J.A., *The EU and CELAC: Reinvigorating a Strategic Partnership*, Hamburg, EU-LAC Foundation, 2015.

¹⁷⁸ Morazan, P. et al., *A New European Development Cooperation Policy with Latin America*, Brussels, European Parliament, 2012, p. 8.

¹⁷⁹ European External Action Service, European Commission, 'Development Cooperation Instrument (DCI) 2014-2020: Multiannual Indicative Regional Programme for Latin America', *EEAS, European Commission*, 2015.

https://ec.europa.eu/europeaid/sites/devco/files/dci-multindicativeprogramme-latinamerica-07082014_en.pdf

qualify them for development cooperation on their own.¹⁸⁰ Therefore, EU-Latin American development cooperation requires more flexibility than the traditional ODA system can provide because the regional diversity and political and socio-economic changes do not always fit the existing directives.¹⁸¹ This underlines the importance of continuously strengthening the thematic and region-wide development programmes with a special focus on easing the impact of graduation. Equally, while the summit declarations and the Action Plan provide general guidance, coherence, and visibility to the bi-regional initiatives, there should be a closer interaction between the various EU instruments and the priorities of the Action Plan.

The main instrument of the EU's development cooperation with Latin America is the DCI,¹⁸² which is organised in both thematic and geographic programmes. For the period from 2014 to 2020, the DCI allocates a total of EUR 11.8 billion to geographic programmes that support actions in key areas as human rights, democracy and good governance, inclusive and sustainable growth, resilience and disaster reduction and development and security. These geographic programmes cover the EU's cooperation with the 10 Latin American and Caribbean countries that remain eligible for bilateral development cooperation: Bolivia, Cuba, Paraguay and four Central American countries (El Salvador, Guatemala, Honduras and Nicaragua), as well as Colombia, Ecuador and Peru (in principle only to the end of 2017). The European Commission has allocated a total of nearly EUR 1.5 billion for bilateral cooperation with these countries in the 2014-2020 period, compared to the almost EUR 1.9 billion granted in the period 2007-2013 (when 17 countries were eligible for bilateral cooperation).

Similarly, a total of EUR 7 billion has been allocated to fund thematic programmes, with two main priorities: addressing global challenges such as climate change, migration, food security, environment, energy and human development, and supporting civil society and local authorities. These thematic programmes include the region-wide cooperation and horizontal programmes with the whole of Latin America that are based on and contribute to the objectives of the EU-CELAC Action Plan, and which benefit all the countries in the region. For the 2014-2020 period, regional programmes in Latin America have been allocated a total of EUR 805 million, up from EUR 556 million in the previous financing period from 2007 to 2013, while a special subregional programme for Central America has been allocated EUR 120 million.

The concepts of south-south cooperation and triangular cooperation have become increasingly central to the EU's partnership with CELAC countries. South-south cooperation refers to fostering development-related partnerships between countries in the 'Global South' while triangular cooperation refers to the EU acting as one 'angle' in a triangular cooperation that includes partners in the Global South. The two concepts are intrinsically linked and complementary as they aim at shared responsibilities, increasing reciprocity and the ownership of local governments. Hence, both address issues related to north-south cooperation and its inherent asymmetries by helping to ensure transparency and mutual accountability among partners.¹⁸³ So far, however, there have been rather few practical examples of triangular cooperation, with the exception of EU-Brazil cooperation in Africa. In the broad political framework of EU-CELAC relations, the promotion of south-south and triangular cooperation could potentially contribute to the consolidation of regional integration and regional identity in Latin America.

¹⁸⁰ Sanahuja, J.A., *The EU and CELAC: Reinvigorating a Strategic Partnership*, p. 76. See also: European External Action Service, European Commission, 'Development Cooperation Instrument (DCI) 2014-2020: Multiannual Indicative Regional Programme for Latin America'.

¹⁸¹ Morazan, P. et al., *A New European Development Cooperation Policy with Latin America*, Ibid., 9.

¹⁸² European External Action Service, European Commission, 'Development Cooperation Instrument (DCI) 2014-2020: Multiannual Indicative Regional Programme for Latin America', *EEAS, European Commission*, 2015.

https://ec.europa.eu/europeaid/sites/devco/files/dci-multindicativeprogramme-latinamerica-07082014_en.pdf

¹⁸³ Ibid., 20.

The institutionalisation of EU-CELAC has also allowed for the gradual construction of a consensus around **environmental protection and sustainability**¹⁸⁴ and for according priority to **gender-related issues**.¹⁸⁵ As to the former, the EU-CELAC partnership has provided a forum for both regions to reach common positions and consensus prior to the negotiations of the 21st session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP21) and the subsequent implementation of the Paris Agreement. The EU-CELAC summit in Brussels in 2015 agreed to work towards achieving 'a legally binding, global climate agreement'.¹⁸⁶ Bi-regional dialogue and cooperation has also been achieved through the EU-LAC Forum on Technological Cooperation, Renewable Energies and Energy Efficiency, and the partnership's environmental programme EUROCLIMA. This has been in line with the pledge of the 2008 EU-Latin America summit in Lima to pursue EU dialogue on environmental policy to provide the follow up to the actions included in the Lima Agenda on Sustainable Development, Environment, Climate Change and Energy.

Gender-related issues were adopted by the first EU-CELAC summit as an all-encompassing topic in the partnership with three main axes: the political participation of women, efforts against gender violence and economic empowerment. The EU-CELAC seminar on Gender Equality and Women's Economic Empowerment, which took place in Brussels in March 2016, has been central to the dialogue and cooperation on these issues. It brought together representatives of civil society organisations, international organisations and gender experts from the two regions with the overall goal of fostering dialogue and reflection on the economic empowerment of women and women's participation in the economy.

A considerable part of the priority that the EU gives to poverty eradication in its relationship with the CELAC countries falls under the multidimensional concept of '**social cohesion**'. This constitutes a 'guideline principle for public action',¹⁸⁷ referring broadly to the safeguard of the social components of integration, the promotion of equity-based welfare to ensure the exercise of fundamental rights, universal access to basic services (health, education, pensions, housing), certain standards of social equality, the fight against poverty, the opposition to discrimination of any kind, and active citizenship and participation in decision-making. Above all, social cohesion involves an understanding that development 'is difficult without growth, but [that] reality demonstrates that not all growth leads to development'.¹⁸⁸ The EU acknowledges that while social cohesion is largely a result of geography and history, it is also the outcome of political decisions and public policies. Social cohesion links socio-economic welfare with the existence of effective and legitimate political institutions, functioning rule of law and democratic systems. Finally, the multidimensional concept of social cohesion also touches upon the development of sustainable infrastructure networks, which foster regional integration in Latin America, as reducing gaps between geographical areas is crucial for addressing inequalities. An example of this is the soon-to-be-deployed transatlantic fibre optic cable connection from Portugal to Brazil with extensions to most South American countries.

The main instruments of the EU-CELAC cooperation on social cohesion, directly related to chapter three of the action plan, are **EUROSociAL+** and the **EU-LAC Forum on Social Cohesion**. Currently in its third version, EUROSociAL¹⁸⁹ aims at improving public policies to promote social cohesion. It has successfully diffused the concept of social cohesion in Latin America — reinforcing the links between effective

¹⁸⁴ Economic Commission for Latin America and the Caribbean, *The European Union and Latin America and the Caribbean Vis-À-Vis the 2030 Agenda for Sustainable Development: The Environmental Push*, Santiago, Economic Commission for Latin America and the Caribbean, 2016.

¹⁸⁵ Carballo de la Riva, M., Echart Muñoz, E., *The Issue of Gender in Relations between the EU and LAC: State of the Art and Opportunities for Bi-Regional Cooperation*, Hamburg, EU-LAC Foundation, 2015.

¹⁸⁶ EU-CELAC, 'Political Declaration', EU-CELAC Summit 2015, Brussels, 2015.

¹⁸⁷ Morazan, P., et al., *A New European Development Cooperation Policy with Latin America*, p. 55.

¹⁸⁸ Ibid., 53.

¹⁸⁹ Sanahuja, J.A., et al., *Beyond 2015: Perspectives and Proposals for Development Cooperation between the European Union and Latin America and the Caribbean*, Hamburg, EU-LAC Foundation, 2015, pp. 70-71.

governance and the reduction of inequalities — and has contributed to the exchange of experiences between institutions from both regions.

Furthermore, while the **promotion of democracy and good governance** is not expressly among the ten priorities of the three Action Plans, the EU plays a role in fostering good governance and promoting the rule of law in Latin America as part of its concept of social cohesion. Rule of law and good governance are seen as prerequisites to many of the Action Plan's priorities, notably poverty eradication and sustainable development. Additionally, the EU-CELAC partnership benefits from the European Commission's **Instrument contributing to Stability and Peace** (IcSP) (formerly the Instrument for Stability), which has the overall goal of contributing to the funding of initiatives of conflict prevention and peacebuilding and to enhance the capacity of government and civil society in partner countries to tackle crisis situations. In Latin America and the Caribbean, the IcSP has funded projects in nine countries (Brazil, Colombia, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Peru). In the case of Colombia, a country afflicted by the legacy of a decades-long conflict, IcSP-funded projects amount to more than EUR 20 million.¹⁹⁰

As regards democracy promotion, the EU has traditionally been active in **electoral observation**. Since 1996 the EU has deployed more than 26 electoral observation missions (EOMs) or Election Expert Missions to countries in Latin America and the Caribbean (Bolivia, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Mexico, Nicaragua, Paraguay, Peru and Venezuela). The EOMs contribute to the solidification of the democratisation processes on the continent by implementing long term observation of the electoral process, from two months before the election up until the results are announced.¹⁹¹ Similarly, the EUSR for Human Rights, Stavros Lambrinidis, has regularly visited the region and participated in high-level human rights dialogues with several Latin American countries, including Brazil, Cuba and Mexico. These high-level dialogues are often preceded by civil society seminars that bring together representatives of civil society organisations from both regions.

The first meeting of the EU and CELAC foreign ministers, held in Santo Domingo, the Dominican Republic, in October 2016, carried out a review of the implementation of the various chapters of the EU-CELAC Action Plan.¹⁹² Overall, ministers concluded that EU-CELAC cooperation had fostered bi-regional relations, the exchange of experiences and networking, and that the Action Plan had achieved many of its objectives, contributing to a stronger coherence of previously fragmented cooperation activities and to launching new initiatives. However, the review also concluded that more efforts were needed to achieve more concrete results of joint actions and promote biregional cooperation programmes which address all the CELAC countries. It also noted the **lack of a permanent joint mechanism to evaluate and monitor** the implementation of cooperation actions and initiatives.

At the foreign affairs ministers meeting, which focused on the challenges facing the implementation of the 2030 Agenda for Sustainable Development, the EU pledged additional funding of EUR 74 million to promote sustainable development in Latin America and the Caribbean. Some EUR 44 million were announced for the Technical Assistance Programme for Sustainable Energy in the Caribbean (TAPSEC), while EUR 30 million were pledged for two programmes in Latin America: a programme to support south-south and triangular cooperation initiatives in fields such as agriculture and private sector development and the new region-wide programme to promote public security, named EL PACTO, which will fund actions covering all parts of the 'penal chain' (the police, the judiciary and the penitentiary system. Ministers also signed the constitutive agreement establishing the EU-LAC Foundation as an international organisation.

¹⁹⁰ Insight on Conflict Map (<https://www.insightonconflict.org/icsp/>)

¹⁹¹ Dominguez R., *EU Foreign Policy Towards Latin America*, pp. 40-42.

¹⁹² EU-CELAC, 'Assessment of Programmes and Actions', *EU-CELAC Ministerial Meeting*, Santo Domingo, 2016 (<http://www.consilium.europa.eu/en/press/press-releases/2016/10/26-celac-assessment/>)

The Foundation, which was created in 2010, now has autonomy and a broader capacity to support the EU-CELAC partnership.

2.4 The Euro-Latin American Parliamentary Assembly (EuroLat)

The EU's strategic partnership with Latin America and the Caribbean has always had a **parliamentary dimension** — regular meetings between members of national and regional parliaments from both regions. Between 1974 and 2005, 17 EU-LA Interparliamentary Conferences took place, one every two years, with members of the EP and the Latin American Parliament (*Parlamento Latinoamericano, Parlatino*). The parliamentary dimension of the partnership was further institutionalised with the creation in November 2006 of the Euro-Latin America Parliamentary Assembly (EuroLat), endorsed by leaders from both regions at the fourth summit in Vienna in June the same year. EuroLat constitutes one of the four international parliamentary assemblies¹⁹³ of which the EP is a part; the other three are Euronest (Eastern Partnership), PA-UfM (Union for the Mediterranean) and the ACP-EU Joint Parliamentary Assembly (Africa, Caribbean and Pacific).

The overarching goal of EuroLat is to bring the EU-Latin American strategic partnership closer to the interests and expectations of the citizens in both regions. The creation of EuroLat, along with the establishment of the EU-CELAC Foundation in 2010, has 'helped to provide broader perspective of such interaction and to open it up to contributions from each country's parliaments and civil society'.¹⁹⁴

EuroLat has four main bodies: the plenary, which has met once every year since 2006; the executive bureau; the four standing committees and the working groups, and the executive secretariat. The Plenary Assembly is the EuroLat supreme body and is composed of 150 members: 75 members from the EP and 75 members from the regional parliaments in Latin America: *Parlatino*, the Andean Parliament (*Parlamento Andino, Parlandino*), Parlacen and Parlasur, as well as from the EU-Chile and EU-Mexico Joint Parliamentary Committees.¹⁹⁵ The EuroLat Assembly is co-presided over by a representative from the EP and a representative from Latin America, who together with the 14 vice-presidents (7 from each region) compose the Executive Bureau. The Executive Bureau, which meets at least twice every year, ensures the work prior to the assemblies and its follow-up, and makes the liaison with the EU-CELAC summit, the EU-LAC Foundation and other components of the bi-regional relationship. Concrete results of the Bureau's work meetings are the establishment of the Working Group on migration issues, which was requested by the Latin American component at the Bureau's meeting in 2009 in Guatemala, and of the Working Group on security, the fight against organised crime and terrorism in 2016. Given the frequency of its meetings, the Executive Bureau has sometimes also been in a position to deliver timely messages and positions regarding pressing issues in global affairs affecting both regions.¹⁹⁶

EuroLat debates and reviews all aspects of the EU-CELAC partnership and has adopted resolutions and recommendations to the EU-CELAC summits and other relevant institutions of the bi-regional cooperation. EuroLat's work is steered by the activities of its **four standing committees**: the Committee on Political

¹⁹³ Stavridis, S., Pace, R., Ajenjo, N., 'The Origins, Structures and Functions of the Euro-Mediterranean and Euro-Latin American Inter-Parliamentary Assemblies,' in Costa, O., Dri, C., Stavridis, S. (eds.), *Parliamentary Dimensions of Regionalization and Globalization: The Role of Inter-Parliamentary Institutions*, Palgrave, Basingstoke, 2013, p. 211.

¹⁹⁴ Malamud, A., Seabra, P. 'Challenging the Political and Security Dimensions of the EU-LAC Relationship,' p. 327; See also: Vittini, I. 'Europa-América Latina: Dos Caminos, Un Destino Comum. La Asamblea Euro-Latinoamericana EuroLat: Antecedentes y su Importancia para La Promoción de la Comunidad de Valores,' in Programa de Estudios Europeos (ed.), *Europa - América Latina. Dos Caminos, ¿Un Destino Común?*, Santiago de Chile, RIL Editores, 2012.

¹⁹⁵ Stavridis, S., Pace, R., Ajenjo, N. 'The Origins, Structures and Functions of the Euro-Mediterranean and Euro-Latin American Inter-Parliamentary Assemblies.'

¹⁹⁶ One example of such messages are the 2010 Joint Communiqué by the Executive Bureau on the earthquake in Chile, the 2009 Declaration by the Executive Bureau on the political situation in Honduras, and the 2009 Declaration by the Executive Bureau on the political situation in Bolivia.

Affairs, Security and Human Rights; the Committee on Economic, Financial and Commercial Affairs; the Committee on Social Affairs, Youth and Children, Human Exchanges, Education and Culture; and, the Committee on Sustainable Development, the Environment, Energy Policy, Research, Innovation and Technology. Since 2006, EuroLat has held nine plenary sessions, and has debated and adopted, based on the reports of its committees and workings groups, resolutions on a wide variety of topics on the agenda of the bilateral relationship and of global governance.

Recent resolutions by EuroLat address many issues and trends that have been highlighted above, such as the resolution on transparency and corruption in the European Union and Latin America (2014), the resolution on trade in raw materials between the EU and Latin America (2014), the resolution on the financing of political parties (2016) and the resolution on the trade aspects of the various EU-LAC negotiations currently being conducted (2016). Prior to the COP 21 summit in Paris, EuroLat passed a resolution on the Europe-Latin America position on issues related to climate and climate change in the context of the summit of 2015 in Paris (COP 21) (2015), encouraging leaders in both regions to act jointly in order to address and mitigate climate change. Overall, these topics reflect issues that are important both on the national agenda of various countries and for the bi-regional agenda. The resolutions have occasionally also presented and discussed successful European experiences in dealing with social issues at the regional level — implying that ‘Latin America should learn from that experience and results’.¹⁹⁷ EuroLat’s positions on potentially contentious topics between the two regions have traditionally been less assertive, adopting cautious declarations and statements.¹⁹⁸

Socialisation and dialogue among its members on issues of common interest remain among EuroLat’s main goals.¹⁹⁹ Hence, the potential impact of the Assembly does not refer directly to shaping the outcome of the bi-regional cooperation, but rather to the **processes of convergence on issues on the agenda and of diffusion²⁰⁰ of best practices of regional governance**. The conclusions and documents the Assembly produces cannot be assessed in isolation, as their content is only binding if endorsed by the intergovernmental summits of EU-CELAC.²⁰¹ Any assessment should therefore look at the process of diffusion from the EuroLat meetings to the different bodies of dialogue, cooperation and decision-making in the larger EU-CELAC framework, including ministerial meetings and summits, and through various seminars and fora monitoring the implementation of the EU-CELAC action plans. Hence, one mechanism for influencing the debates at the EU-CELAC summit and ministerial level meetings is the adoption, by the EuroLat components, of messages to the summits. These messages are calls for action urging the summit to address issues that the Assembly considers to be relevant – a process that started before the fifth summit in 2008.²⁰²

The impact of EuroLat discussions and conclusions on the agenda of the partnership is difficult to demonstrate. Many EuroLat resolutions are timely and can be identified at the summits’ agenda and ministerial meetings, which in turn acknowledge EuroLat’s contribution — in itself a political impact. The declarations from the EU-CELAC summits in 2013 and 2015 take note of EuroLat’s pioneering role in

¹⁹⁷ Stavridis, S., Pace, R., Ajenjo, N., ‘The Origins, Structures and Functions of the Euro-Mediterranean and Euro-Latin American Inter-Parliamentary Assemblies,’ p. 224.

¹⁹⁸ Stavridis, S., Ajenjo, N. ‘EU-Latin American Parliamentary Relations: Some Preliminary Comments on the EuroLat,’ *Jean Monnet/Robert Schuman Paper Series*, 10, no. 3, 2010.

¹⁹⁹ See, for instance: Fernández Fernández, J.J., ‘La Asamblea Parlamentaria Euro-Latinoamericana (EuroLat) y la Dimensión Parlamentaria De La Asociación Estratégica Birregional UE-ALC: Evolución y Perspectivas,’ in *VI Congreso CEISAL*, Toulouse, 2010.

²⁰⁰ For diffusion between regional integration projects, see: Risse, T. ‘The Diffusion of Regionalism,’ in ed. Börzel, T.A., Risse, T. (eds.), *The Oxford Handbook of Comparative Regionalism*, Oxford, Oxford University Press, 2016.

²⁰¹ Ajenjo, N., Stavridis, S., ‘La Asamblea Parlamentaria EuroLat: ¿Un Modelo de Relación entre Bloques de Integración Regional?,’ *Centro Argentino de Estudios Internacionales Working Paper*, 34, No. 7.

²⁰² See also: Jáuregui, R. ‘Countdown to the EU-CELAC Summit,’ *EU-LAC Foundation*, 2015.

supporting the strategic partnership and welcome its contribution to the summits. At the same time, the conclusions of the dialogues in EuroLat may meet difficulties similar to those of the intergovernmental exchanges at the summits: differences in interests and opinions and different understandings of international issues. This was the case, for example, with EuroLat's call in 2009 for a Euro-Latin American Charter for Peace and Security, a proposal which was not implemented due largely to different conceptions of security in the two regions.²⁰³

Nevertheless, it is clear that there is a **thematic convergence** between the discussions and decisions at the level of summits (and various smaller and more informal settings) and in EuroLat. An example of this is the growing importance of gender-related issues on the agenda of both the EU-CELAC summits and of EuroLat. As the EU-CELAC partnership enhanced the status of gender-related issues by making it a priority in the 2013-2015 Action Plan and by organising the EU-CELAC seminar on gender equality and women's economic empowerment in the following years, so did EuroLat by adopting a resolution on femicide in 2014 and by establishing the EuroLat Women's Forum in 2013 to address issues such as women's involvement in the economy.

At the same time, the media impact of EuroLat's actions, events and common positions remains relatively low, especially when compared to the high-profile EU-CELAC summits. A brief overview of two of the main news outlets specialised in EU affairs illustrates this assessment. Over the course of its more than ten years of existence, EuroLat and its activities and positions have rarely, if ever, been covered by euobserver.com or euroactive.com. Similarly, a survey of large news media in Latin America (*Folha de São Paulo* (Brazil), *Clarín* (Argentina) and *El Universal* (Mexico)) and in Europe (*Le Monde* (France), *El País* (Spain) and BBC (UK)), also points to a low and sporadic media coverage of EuroLat.²⁰⁴ An important exception is the **proactive media exposure** by the Assembly's two co-presidents, who co-authored an article in *El País* on the position of Latin America and Europe in the international climate negotiations in the run-up to the 2015 Paris Agreement.²⁰⁵ Limited media impact, however, is not inherently negative if EuroLat remains open to civil society via other channels, and keeps stakeholders informed of its activities and includes them in the dialogue.

As in the case of EU-CELAC relations, the activities and the impact of EuroLat are influenced by the **symmetries and asymmetries between both sides** of the partnership. The Assembly's rules of procedure,²⁰⁶ reviewed in 2014, establish that the funding of EuroLat activities is borne jointly by the member parliaments in both regions. Travel and subsistence costs are met by the institution – national or regional – of which the parliamentarians are members. The organisational costs of the various EuroLat events (assemblies, meetings of the executive bureau and the standing committees) are met by the host organisation. In this respect, EuroLat benefits from the similarity in the number of countries on each side — 28 countries represented in the EP and 23 countries in the parliaments constituting the Latin American component of the Assembly —, especially when compared to other parliamentary assemblies. Overall, this means that countries can be proportionally represented in the Assembly, although in the case of the European parliamentarians the representation depends on the countries' foreign policy priorities and historical relations with Latin America. For the European component this results in an overrepresentation of members from Spain and Portugal, and (currently) the absence of members from nine EU Member States, including medium-size countries such as Greece, Hungary, Sweden, Denmark and Finland (see table below).

²⁰³ Malamud, A., Seabra, P. 'Challenging the Political and Security Dimensions of the EU-LAC Relationship,' pp. 325-26.

²⁰⁴ The survey used the Internet platform *LexisNexis* to look for the key words 'EuroLat' and 'Euro-Latin American Parliamentary Assembly'. with few results.

²⁰⁵ Jáuregui, R., Requião, R., 'Europa y Latinoamérica, Unidas Frente al Cambio Climático,' *El País*, 3 December 2015.

²⁰⁶ Euro-Latin American Parliamentary Assembly, 'Rules of Procedure,' *EuroLat*, Brussels, 2014.

Table 2:
Number of MEPs of the EP's delegation to EuroLat per EU Member State²⁰⁷

Country	Number of MEPs in the EP's delegation to EuroLat	Total size of national representation in the EP	Percentage of MEPs who are members of the EuroLat delegation
Spain	17	54	31 %
Germany	14	99	14 %
Italy	9	73	12 %
Portugal	7	21	33 %
France	7	74	9 %
United Kingdom	6	73	8 %
Austria	3	19	16 %
Belgium	2	22	9 %
The Netherlands	2	26	8 %
Poland	2	51	4 %
Estonia	1	6	17 %
Latvia	1	9	11 %
Slovakia	1	13	8 %
Bulgaria	1	18	6 %
Czech Republic	1	22	5 %
Romania	1	33	3 %

Source: Official website of the European Parliament

Three important asymmetries affect the potential impact of EuroLat: the different capacities of regional parliaments and the primary institutional affiliation of parliamentarians; the tendency to focus on Latin American issues and the different institutional arrangements and regime types in the two regions.

As for the first asymmetry, all MEPSs are directly elected to represent their constituencies at the supranational level, and their capacity to shape the integration process — for instance through the approval of the European Commission and through the EP's legislative powers (especially the ordinary legislative procedure), including the ratification of international agreements — have increased significantly over the years. In Latin America, with the exception of the recently empowered *Parlacen*, the **capacity of regional parliaments** is restricted to deliberation and they have very limited influence over the initiatives of regional integration. Furthermore, many members of regional assemblies in Latin America are members of their national parliaments who are indirectly appointed to the regional parliament (exceptions are *Parlacen*, *Parlandino* and the Argentine and Paraguayan members of *Parlasur*). When members of regional parliaments are indirectly appointed, most of their time is likely to be spent on

²⁰⁷ Excluding substitute members. Distribution as per May 2017.

national politics in the national parliament, regardless of how concerned they are about the inter-regional relations.²⁰⁸ The practical consequence of this difference — and of the fragmentation of the LA component — is that members of the Latin American parliaments have fewer opportunities to socialise in an institutional setting and discuss common regional positions outside the framework of EuroLat meetings. In contrast, the MEPs meet frequently during the EP's regular activities in Brussels and Strasbourg.

A second point of asymmetry is the fact that most extraordinary declarations and communiqués issued by EuroLat components address issues and events that relate to Latin America. A brief survey of the topics and contents of the declarations of the Executive Bureau, when it was particularly active in the 2008-09 period, shows that most of them refer to events in Latin America: the political situation in Bolivia (2008), the release of Ingrid Betancourt and other hostages held in Colombia (2008), the crisis involving Colombia, Ecuador and Venezuela (2008) and the political situation in Honduras (2009).²⁰⁹ Similarly, the most recent declaration of the two co-presidents, on the possible impact of US foreign policy under President Trump, only addresses the repercussions for Latin America — and for Mexico in particular —, but not for Europe.²¹⁰ This somewhat seems to reflect the asymmetries and lack of reciprocity that historically have characterised the links between Europe and Latin America. The objective of **balancing the relationship and constructing a partnership among equals** — where European issues and events are equally discussed — remains difficult to achieve. The unidirectional debate risks giving the impression that the European side controls the EuroLat agenda according to its interests, even if the demand for discussing Latin American issues in light of the European experience might come from the Latin American side.²¹¹

The third asymmetry concerns the institutional channels available for the parliamentarians to debate and **influence the direction of the EU-LAC strategic partnership in a national or regional settings**. On the European side, the EP has considerably enlarged its competencies related to the EU's foreign policy with non-legislative resolutions.²¹² It has a strong say on association and trade agreements, the approval of which requires its consent. Hence, MEPs acting individually or in groups can influence the course of the EU's external actions, including through the adoption of non-legislative resolutions, based on their experience and dialogue in the framework of EuroLat. Moreover, the participation in the meetings of EuroLat's committees and plenary of representatives of various EU institutions and bodies playing key roles in the formulation and execution of the EU's external action — the European Commission, the EEAS, the Council and the EESC — which take stock of the debates and regularly contribute actively to them, is another mechanism for EuroLat to make its agenda and priorities known and potentially influence the policies that shape the EU-CELAC partnership.²¹³

On the Latin American side, a significant number of the 75 members of EuroLat are members of their national parliaments, where, their influence on foreign policy issues is limited by the presidential systems which give heads of state and foreign ministers a large degree of autonomy. While national parliaments

²⁰⁸ Ajenjo, N., Stavridis, S., 'La Asamblea Parlamentaria EuroLat: ¿Un Modelo de Relación entre Bloques de Integración Regional?', p. 8.

²⁰⁹ In the two-year period from 2008 to 2009, EuroLat was particularly active in issuing such declarations and statements. A similar analysis wouldn't be possible in more recent year because there is not a sufficient number of messages to establish a trend. Although the 2008-2009 period was also the time when Europe was facing the financial crisis, no message was adopted on this topic in particular, which makes the comparison more pertinent.

²¹⁰ Euro-Latin American Parliamentary Assembly, 'Declaration of the Co-Presidents of the Euro-Latin American Parliamentary Assembly (EuroLat) of 7 February 2017 on the Executive Orders Issued by the Trump Administration in the Area of Foreign Policy and Their Repercussions on Latin America', *EuroLat*, Brussels, 2016.

²¹¹ Stavridis, S., Pace, G., Ajenjo, N., 'The Origins, Structures and Functions of the Euro-Mediterranean and Euro-Latin American Inter-Parliamentary Assemblies', p. 224.

²¹² Costa, O., Dri, C., 'How Does the European Parliament Contribute to the Construction of the EU's Interregional Dialogue?', in Baert, F., Scaramagli, T., Söderbaum, F. (eds.), *Intersecting Interregionalism: Regions, Global Governance and the EU*, Dordrecht, Springer, 2013.

²¹³ For an overview see: Fernández Fernández, J.J. 'La Asamblea Parlamentaria Euro-Latinoamericana (EuroLat) y la Dimensión Parlamentaria de la Asociación Estratégica Birregional UE-ALC: Evolución y Perspectivas', pp. 15-17.

do have a formal role in debating and approving treaties and other formal acts of national foreign policy, actual debate is frequently limited and the approval of agreements is often taken for granted. Equally, and contrary to the EP, the Latin American regional parliaments have very limited competencies that would allow them to shape the course of the bi-regional relationship.

3 Conclusions and policy recommendations

3.1 Conclusions

By presenting political, social, and economic developments as well as geostrategic trends, the study has provided an overview of the state of affairs in Latin America and the Caribbean and the EU's relations with the region. Hence, the study identified **windows of opportunity currently available to EU institutions**, above all to the EP, and Member States to further enhance the existing strategic bi-regional partnership with Latin America and the Caribbean.

There is **a positive overall trend of enduring democratisation in Latin America** with countries in the region holding regular free and fair elections. The region-wide process of democratisation has been accompanied by the formal recognition of rights of citizens such as health care, education and employment, many of which are now codified in national constitutions. Additionally, throughout the past two decades, voters across Latin America have elected a wide spectrum of leftist governments in the 'left turn'. Benefiting from increased revenues from the export of commodities, governments across the region implemented redistributive policies which, combined with **overall economic growth**, helped to lift millions of people out of poverty and extreme poverty and led to a large-scale increase of the region's middle-class. Nevertheless, Latin America remains one of the most unequal regions in the world both in economic and in social terms. The study has pointed out that access to formally recognised rights such as quality healthcare and education remains largely restricted to wealthy and politically influential minority groups owning the majority of economic and political capital. Furthermore, governments in the **region have generally failed to enact the political and economic reforms necessary to** ensure the sustainability of recent social and economic gains. In addition, social and economic advances are threatened by the end of the global commodity 'super-cycle' as many Latin American countries suffer from a fiscal base that is insufficient to efficiently provide public goods and a functioning welfare system for all groups of the population. Despite the successful democratisation of most countries' political systems, the study has argued **that Latin America continues to be plagued by its historical trends of endemic corruption, patrimonialism and populism** across the political spectrum. These negative trends, combined with the high rates of crime-related violence, are behind the current trend of mistrust in political institutions among large segments of citizens in Latin America and overall the lack of a functioning balance of power between the different branches of public authority, which in turn has a negative impact on good governance and the rule of law in the region.

Against this background, the study has focused on how the Latin American economies generally suffer from a **weak manufacturing sector and an underdeveloped technological and innovation base**, which negatively impacts its economic competitiveness and is not consistent with their intermediate level of GDP per capita. It has further highlighted that the long-term effects of reprimarisation on productivity and the demographic transition explain why according to forecasts of the long term development of the global economy, Latin America is unlikely to increase its share of the world economy. Projections for middle-class growth indicate only a very moderate increase for Latin America compared to Pacific-Asia and a relative decrease in the region's share of the global GDP. While Latin America's GDP per capita is likely to increase, it is projected to grow more slowly than the average of developing and emerging economies, particularly when compared to Asia. This means that Latin America is likely to continue to play **the role of commodity provider in the global division of labour** in the coming decades. Without major exogenous factors (e.g. pandemics, natural disasters, technological shocks) or changes in terms of industrial and research policies, the region is therefore unlikely to be regarded as a fast-developing market with important growth potential.

The analysis of five regional cooperation and integration projects – Mercosur, the PA, Unasur, ALBA and SICA – has shown the **diversity of regionalism in Latin America**. The different levels and fields of integration reveal different and overlapping goals of cooperation when comparing the five cases. Mercosur and the PA, with distinct non-overlapping memberships, so far have represented different modes of integration. The PA, on the one hand, is a regional project heavily focused on trade, building on the existing FTAs between its members and having succeeded in reducing tariffs on a wide range of products. The creation of the **PA also reflects the ‘shift’ of Pacific Latin America towards Asia**. On the other hand, Mercosur has experienced economic difficulties that have led to a reduction in intraregional trade and political tensions, particularly regarding the membership of Venezuela and the current democratic crisis in the country. Contrary to the PA, however, Mercosur has international legal personality and aims at a deeper integration process which includes political and social goals. The Unasur, which brings together all 12 states in South America and has a predominantly political orientation, has fostered innovative structures such as the CDS and COSIPLAN, which promote cooperation in key areas such as regional confidence building, the defence industry and regional infrastructure. **Central American regionalism and SICA are currently experiencing a renewed impetus** for regional integration following the empowerment of Parlacen and in the wake of the implementation of the trade chapter of the Association Agreement with the EU. Finally, ALBA has framed interesting initiatives of cooperation and solidarity, such as the regional virtual currency SUCRE and the ALBA Bank, in order to go beyond multilateral economic institutions like the World Bank and the US dollar as international exchange mechanisms, but struggles to move beyond being a political forum and to deepen integration. In all the cases, there have been cooperative achievements, but the overall question remains as to what extent the Member States are actually willing to subordinate national interests for deeper economic, political and security cooperation and integration. Overall, **regionalism in Latin America remains heavily dependent on day-to-day domestic politics** as the various initiatives of integration are deeply dependent on presidential impetus.

The study has also pointed to major geostrategic shifts which are currently at play in Latin America, particularly the **increasing presence of Asian countries**, in first place China, but also Japan, South Korea and India. China alone accounts for half of the trade between Latin America and Asia and is among the top trading partners of most Latin American countries. Chinese demand for commodities fuelled the commodity boom in the early 21. century, but at the same time it has made some Latin American countries dependent on Chinese trade and has encouraged the reprimarisation of some of the region's economies. Furthermore, China has developed cooperation with the region via institutional channels such as the China-CARICOM Forum, the China-Mercosur Dialogue, and the China-CELAC Forum. The possibility that the US under the Trump administration will pay less attention to the region may create a larger window of opportunity for those who want to develop and reinforce their ties with the continent. The Asian countries, particularly China, seem fully ready to seize this opportunity.

The study has provided an overview of the current and interconnected social, economic and political trends in the European continent, which potentially impact the EU's external relations in general and its relations with Latin America and the Caribbean in particular. Following the 2008 global financial crisis and the 2010 debt crisis, the **EU economies now experience modest GDP growth**. The challenge of reducing budget deficits and adjusting to austerity measures however remains. The legacy of austerity policies is persistent and may impact the funds made available for the EU's cooperation instruments. On the political level, the rule of law crisis that has produced growing divisions between the EU institutions and some Member States and the refugee crisis have had an impact on the EU's normative stand in the world stage as defender of democracy and human rights. The study has also highlighted the overlapping trends of growing sense of insecurity among European citizens following multiple terrorist attacks and the rise of populist parties and movements across the continent, which have gained considerable political space, nationally and regionally. These overlapping trends flow together in the process of the UK's withdrawal

from the EU, which will most likely **diminish the EU's relative weight in international relations** and require innovative solutions among the remaining 27 Member States.

Against these mixed trends in both Latin America and Europe, the study has showed that EU-Latin American relations are marked by relatively low interdependency and entrenched asymmetries between both regions, which in turn require **proactive political commitment and engagement** in order to advance bi-regional cooperation and exchanges. It particularly has focussed on the EU's inter-regional cooperation with Mercosur and bilateral relations with Cuba, Mexico, Chile and Colombia. As regards the broader inter-regional level, the study has analysed light on the **positive dynamics of the EU-CELAC strategic partnership and on its parliamentary component**, the EuroLat Parliamentary Assembly.

Even though the EU and **Mercosur** have not been able to conclude the negotiations on the Association Agreement that began in 1999, the two regions have developed a network of inter-ministerial, inter-diplomatic, inter-administrative and inter-parliamentarian relations, and between their civil societies which covers a wide range of issues beyond trade, including institutional cooperation, democracy, human rights, security, trade, migration and the environment. The arrival of new governments in Argentina and Brazil that are more clearly in favour of an Association Agreement with the EU than their predecessors has led to the resumption of the stalled trade talks and spurred optimism that the parties can make good on the commitment to concluding an agreement before the end of 2017.

In the case of **Cuba**, a new chapter in the relationship with the EU has been opened with the signing of the PDCA in December 2016. The conclusion of the agreement PDCA followed the signing of bilateral agreements with Cuba by most EU member states and intensified political relations, as reflected for instance in the re-launch of the EU-Cuba high-level political dialogue in June 2015. Similarly, the EU is the biggest foreign investor in the country and Cuba's first trading partner.

Almost 20 years after the signature of the **EU-Mexico** Economic Partnership, Political Coordination and Cooperation Agreement (the Global Agreement), which came into force in 2000, the two parties are negotiating the modernisation of the agreement, adapting it to a new international context and the changes in the global economy. The EU and Mexico have set the ambitious goal of concluding their negotiations before the end of 2017 and have expressed a strong political commitment in this regard. In the field of trade, the concerns about US protectionism have clearly helped to make the modernisation of the trade chapter of the Global Agreement a priority for both parties. Negotiations to modernise also the **EU-Chile Association Agreement**, which entered into force in 2003, are also expected to start in brief. The revision and modernisation of both the EU-Mexico Global Agreement and the EU-Chile Association Agreement appear as necessary in light of changes in the global economy and the conclusion by both parties of several more ambitious and comprehensive trade agreements since 2003, but also in political and strategic terms, in order to maintain the EU's close relations to key partners in Latin America in a moment of a shift towards Asia in the region.

Political and economic relations between the **EU and Colombia** have strengthened substantially in recent years. In addition to the Trade Agreement between the EU and Colombia (also covering Peru and Ecuador) that entered into force in 2013, stronger and more frequent political contacts, including the launch of an institutionalised dialogue on human rights, and the incorporation of Colombia among the countries that benefit from visa-free travel to the Schengen zone, have boosted bilateral relations. However, the principal issue of the EU-Colombia relationship in recent years has been the EU's support for of the peace process with the FARC. This support has represented a sustained effort to help create the conditions for sustainable peace in Colombia, making use of all the Union's instruments for external action: political dialogue and declarations, trade and economic relations and different forms of cooperation, including the creation of the EU Trust Fund to fund actions that contribute to Colombia's post-conflict development.

On the region-to-region level, the **EU-CELAC strategic partnership** has grown to constitute the main political engine behind the bi-regional partnership between the EU and LAC as a whole. It serves as a forum that allows for bi-regional dialogue and debate on common positions, such as in the case of the COP 21 negotiations in 2015, and serves as the framework for diverse cooperation initiatives established in line with the priorities of the EU-CELAC Action Plans. The **EU-CELAC summits constitute flexible platforms** for identifying converging interests, setting common positions relating to global governance and issues on the international agenda, taking stock and evaluating progress in the relationship between the EU and other regional groups and countries in Latin America and the Caribbean, and agreeing on strategies and priorities for the bi-regional cooperation. The 2016 Global Strategy solidifies EU-CELAC as the preferred interregional forum while at the same time acknowledging the importance of contacts with subregional groups.

Finally, the study has focused on parliamentary cooperation in the context of the bi-regional partnership. It showed that **EuroLat is a successful platform** for identifying and building on common understandings of international issues affairs and producing relevant resolutions. Additionally, there is a convergence between the topics discussed at the EU-CELAC summits and the resolutions debated and adopted in the EuroLat framework. EuroLat's success is mainly due to its flexible structure and the symmetries between its two components as regards the number of participating countries and the joint funding of the institution, which in turn create a functioning balance between the Assembly's European and the Latin American components. Furthermore, **EuroLat has the potential to continuously open the EU-CELAC strategic partnership to civil society by increasing transparency and inclusiveness**. Hence, it is an important element of the overall legitimacy of the interregional cooperative endeavour. However, the study has also found that a legitimate parliamentary component presupposes higher visibility and continuous diffusion of its debates and conclusions to the actual decision-making and implementation processes of the bi-regional partnership. This could be achieved directly through interaction with EU-CELAC summits and related meetings, or indirectly via formal and informal adoptions of EuroLat principles and resolutions through national and regional institutional channels.

3.2 Policy Recommendations

1. Latin America – Intra-regional dynamics

General recommendations to the EU

- Taking into account the **persistent trend of politicisation of judicial systems** in Latin America, the growing number of corruption scandals, general discontent towards the political establishment and their potential negative impact on good governance and the rule of law in the region, the EU should continuously remind its Latin American partners of the fundamental importance of **democracy, human rights and the rule of law** — values which both partners share — for political stability and social and economic development.
- To **foster respect for human rights and the rule of law** in Latin America and the Caribbean, the EU should work in partnership with the Venice Commission of the Council of Europe to address the judicial and constitutional protection of vulnerable people in Latin America.
- **Supporting good governance**, the EU should continuously advocate for formal and *de facto* independence of legislative and judicial branches of government in both regions, taking into account the possible imbalances generated by the presidential systems in Latin America
- Paying special attention to the **internal divisions within Latin America and the Caribbean** when promoting cooperation and regional integration, the EU must take into account the intra-regional perceptions of individual countries' roles in regional and global governance, especially how smaller

countries perceive larger countries' size and leadership in the region and how smaller countries currently perceive the ambitions of Argentina, Brazil, and Mexico at the global level.

Specific recommendations to the European Parliament

- Based upon its own historical development and empowerment due to direct elections, the **EP should consider promoting**, via the institutional channels of EuroLat, the **direct election of all regional parliaments in Latin America**. Furthermore, the EP should encourage the Latin American component of EuroLat to meet more frequently outside the framework of EuroLat in order to find common regional positions and better prepare its agenda.
- In view of the **growing trend of the criminalisation of human rights defenders** and the threats to their personal and collective security, the EP should propose the creation of a working group, within the framework of EuroLat, on the specific issue of protection of human rights defenders and environmentalists, building on the ongoing work of the EU to **support human rights defenders worldwide**.
- The EP should work in EuroLat to ensure that the bi-regional partnership includes the goal of strengthening **the protection of indigenous communities** vis-à-vis external and internal private sector economic interests that are detrimental to the communities' traditional way of life.
- Through the multiple EuroLat channels, the EP should encourage and help governments to strike a **sustainable balance** between the **exploitation of natural resources** on the one hand and **environmental protection** and the rights of affected local and indigenous communities, on the other.

2. Geostrategic dynamics

General recommendations to the EU

- The EU should move towards **overcoming formal and informal obstacles to possible triangular cooperation** with China and other Asian countries on Latin America's development.
- The EU should **encourage and consider joining further initiatives of South-South cooperation**, which include Latin American countries. Brazil, for instance, can be a partner in triangular cooperation involving the EU and the African continent.
- Taking into account the current trend of reprimarisation of some Latin American economies and their vulnerability to fluctuation of international commodity prices, the **EU should work to optimise the economic complementarity between both regions**, including by opening up the EU market to Latin American agricultural exports;
- Given the current trend of reprimarisation of some Latin American economies and the need to enhance the competitiveness of their industries, the EU should facilitate their **participation in global value chains by** (a) supporting further scientific cooperation in order to upgrade the Latin American scientific base and the competitiveness of the region's economies and their capacity for innovation; (b) further facilitating the exchanges of Latin American students and scholars with EU Member States; (c) supporting, financially and technically, infrastructure projects (e.g. transport and energy) aimed at further integrating Latin American economies, regionally and with the rest of the world.

Specific recommendations to the European Parliament

- In the light of its power to give its consent to international trade, investment and association agreements, the **EP has an opportunity to shape the norms of international trade and global**

governance through reinforced cooperation with Latin America. In this regard, the EP could focus more on the development-related aspects of trade agreements and trade-related cooperation programmes.

- Building on its role in the approval of EU trade and association agreements with third countries, the EP should **support continuous EU investment in LA regional infrastructure** (e.g. via the EIB) as part of the negotiation or modernisation of agreements with LA countries and regional blocs.

3. Regional integration dynamics

General recommendations to the EU

Pacific Alliance

- The EU should seek closer relations with the PA, possibly including through considering applying for observer status to the group — in parallel to most EU member states —, establishing regular, institutionalised contacts and dialogues on issues of mutual interest on the level of senior officials and ministers and the provision of relevant **technical and institutional support to the Alliance**. Issues relevant for the PA and the group's integration process should also be addressed regularly in the framework of the association agreements with Mexico and Chile and the trade agreement with Colombia and Peru.
- Based on its own experience, the **EU could support the Pacific Alliance in acquiring international legal personality**. This would reinforce Latin American regionalism, increase the EU's visibility and recognition in the region and ensure European economic interests.
- In the area of trade, and in order to support the consolidation of the PA integration process and the creation of regional value chains, the EU could consider an agreement allowing the accumulation of the rules of origin in its trade agreements with the four members of the PA.

Unasur

- Building on shared values and principles, the **EU should continue working closely with Unasur** as a platform for the enhancement of democracy, the rule of law and human rights in South America.
- The EU should continue **supporting specific Unasur initiatives** to promote political dialogue and the negotiated solutions to conflicts, including the as efforts to bring mediate between the Venezuelan government and the opposition.
- The EU should build on **Unasur's capacity to foster infrastructural projects** via COSIPLAN in order to advance its principle of social cohesion in the region, which includes physical integration. The EP component of EuroLat could encourage a dialogue with the EIB on financial support of COSIPLAN projects. The EU should welcome Unasur initiatives concerning **confidence building and cooperation in defence affairs** to strengthen intraregional cooperation and stability. The EP should encourage initiatives to strengthen oversight of Latin American national and regional parliaments of military spending, procurement and investment.
- The EU should cooperate with Unasur's South American Defence Council to **exchange best practices relating to transparency of military spending, procurement, and investment**.
- The **European Defence Agency (EDA) and the EU's Institute for Security Studies (ISS) should create ties with Unasur's CEED**, especially in view of building shared understandings on matters of security and defence and to identify possible areas of cooperation among defence industries.

4. Bilateral dynamics

Mercosur

General recommendations to the EU

- The **EU-Mercosur Association Agreement** should be seen as an opportunity for the EU to move towards completing the map of trade agreements with Latin America a time when the new US administration is adopting protectionist rhetoric. Such an agreement would establish an economic area based on similar trade and investment rules between EU Member States and almost all of Latin America.

Specific recommendations to the European Parliament

- The EP should continue monitoring the negotiations on an Association Agreement with Mercosur. The EP should ensure that negotiations take into **account the overarching goals of poverty eradication, social cohesion, environmental sustainability and increased productivity**.

Cuba

General recommendations to the EU

- Taking into account the evolution of the local and international context, the EU currently has a window of **opportunity to advance relations with Cuba** and to play a key role in the country's economic and social modernisation process, especially by (a) helping to overcome Cuba's difficulties in generating investments; (b) considering the Cuban government's fear that President Trump may roll back US-Cuba relations and the effect of Venezuela's economic crisis and the weakening of Cuba's economic and trade relations with the country.
- Building on increasing economic **relations with Cuba** and given the wish of the Cuban government to have closer relations with Europe, the EU should continue its constructive engagement in order to encourage a **democratic transition** in Cuba.

Specific recommendations to the European Parliament

- In the context of EU-Cuba relations, the **EP should work towards fostering greater dialogue with members of the Cuban National Assembly**.

Mexico, Colombia and Chile

General recommendations to the EU

- Given the EU's active support for, the peace agreement between the Colombian government and the FARC, the **EU should continue to closely follow the implementation of the peace deal**. The EU's cooperation in support of the implementation of the agreement should give priority to the protection of the most vulnerable groups in Colombian society.

Specific recommendations to the European Parliament

- The trade agreement between the EU, Colombia, Peru and Ecuador should have mutually beneficial economic effects. The **EP should continue carefully monitor the implementation of the sustainable development chapter** of the trade agreement.
- In the forthcoming negotiations on the modernisation of the EU-Chile Association Agreement, **both parties should prioritise addressing issues such as public procurement, technical barriers to trade and long term investment**. The EP should make use of its power of giving consent to

international agreements to ensure that overarching goals of poverty reduction, social cohesion and increased productivity are taken into account in a modernised agreement.

5. Interregional Dynamics

Strategic Partnership

General recommendations to the EU

- In order to overcome the relatively low interdependency and the entrenched asymmetries between Latin America and the EU, there is a need for a **proactive political commitment and engagement** to advance bi-regional cooperation and exchanges
- The various EU institutions and bodies (the EP, the Council, the Commission, the EEAS, the EIB) should aim at **closer interaction and greater coherence** among its bilateral, sub-regional and regional initiatives supporting the overarching goals of improving social cohesion in Latin America. The EU-CELAC summit — and the EU-CELAC Social Cohesion Forum in particular — should be used as institutional channels to provide a common vision for all levels of cooperation.
- **Eradication of poverty** should remain the main cross-topic priority of the EU's cooperation with Latin America. At the same time, it is important to recognise that economic growth does not necessarily correlate with poverty eradication if social and economic inequalities are not addressed via policies to promote social cohesion and social inclusion.
- Constant efforts should be made to ensure that **middle-income countries that no longer qualify for bilateral development cooperation** remain covered by region-wide programmes. The dialogue in the framework of the EU-CELAC summits should be used to assess their needs with special focus on their vulnerable populations.
- The EU's **development assistance should aim at making socio-economic gains sustainable** in the long term in order to prevent people from falling back into poverty due to economic recession, end of social programmes, loss of employment, the effects of climate change and environmental degradation.
- The overall EU-CELAC relationship – taking into account the cross-chapter goals of poverty eradication, gender mainstreaming and sustainability and environment protection – should be planned in the context of long **term objectives, such as the UN's 2030 Agenda for Sustainable Development**. Rather than reviewing or adding chapters to the existing bi-regional Action Plan, the next EU-CELAC summits should focus on reviewing and advancing the implementation (with specific modernisations) of the various initiatives under the current Action Plan and on ensuring coherence among its various chapters.

Specific recommendations to the European Parliament

- The EP should demand that **cross-chapter issues** in the EU-CELAC action plans are treated coherently and that synergies can be found between similar instruments to avoid unnecessary duplication.
- Considering that Latin America is a diverse continent and that per capita income does not sufficiently reflect economic and social diversity within LA countries, the **EP should promote additional flexibility in the application of the rules and guidelines on the eligibility for bilateral development cooperation**, particularly as regards for demand-driven development assistance in

order to ensure a larger coverage of countries, diverse sub-national socioeconomic contexts, and thematic areas of sustainable development.

- In line with the two most recent EU-CELAC action plans, the **EP should encourage the incorporation of the cross-topic of gender** in every cooperation initiative in order to ensure comprehensive social inclusion and social cohesion.

Parliamentary Dimension

General recommendations to the EU

- Given its broad composition, **EuroLat is uniquely positioned** to give voice to smaller countries on both sides of the bi-regional cooperation, in particular in the areas of research and technology, productivity and support of small and medium enterprises.
- Considering that EuroLat could add to the legitimacy of interregional cooperation, **greater visibility and diffusion** of its discussions and conclusions is needed. This could be achieved directly via interaction with EU-CELAC summits and related meetings, or indirectly via the implementation of principles and best practices through national and regional institutional channels.
- As a platform assembling the Latin American and Caribbean regional and sub-regional parliaments, EuroLat is **well-positioned to grasp the diversity of CELAC in terms of national and subnational contexts**, interests and needs. It should be included in monitoring and assessing the various joint efforts of bi-regional cooperation.
- The EU-CELAC partnership's goals of social cohesion, including the participation of civil society actors, are inseparable from the **stronger participation of EuroLat** in drafting, planning, monitoring and evaluating bi-regional initiatives.

Specific recommendations to the European Parliament

- EuroLat's **visibility and impact** should be enhanced by: (a) communicating **its debates and conclusions** to the EU-CELAC summits and ministerial meetings; (b) contributing to improve the capacity of members of national and regional parliaments as regards the oversight of trade and association agreements; and (c) **actively participating in monitoring, assessing, reviewing and evaluating the cooperative initiatives** taken in the framework of the EU-CELAC partnership and its Action Plans. EuroLat members should actively encourage discussion on issues related to the EU-LAC partnership in the EP's Committee on Foreign Affairs and other relevant committees, such as the Committee on Development.
- The EuroLat newsletter and periodical updates on the EuroLat-related news on the Assembly's website should contain **short briefings on its previous and future activities**. The EuroLat website should be designed to offer a better overview of the current and future events linked to EuroLat. It should be reviewed and kept up-to-date.
- Given that **EuroLat, as all other parliamentary assemblies, is not mentioned in the EU Global Strategy** and that the Strategy calls for a periodical review through a process of consultation including with the EP, it is crucial that multilateral parliamentary assemblies are given a place in the future revisions. The EP should promote this inclusion through the participation of the EP members of EuroLat.
- EuroLat's Executive Bureau and the co-presidents should seize the opportunity presented by relevant political and social events by **actively expressing EuroLat positions in the media**. The messages of

the Executive Bureau and the co-presidents should not be limited to events concerning Latin America, but should also address developments in Europe.

- EuroLat-related media appearances, such as the co-presidents' declaration of 7 February 2017 on the executive orders issued by the Trump administration and their repercussions on Latin America, are important because they express the position of the co-presidents of relevant institutions in such contexts. Therefore, **EuroLat should proactively position itself more prominently in the media** on issues regarding the bi-regional partnership.
- EuroLat should be able to clearly identify the relevant audience(s) for its increased visibility. While broader public visibility is desirable in the long term, the priority in the short term should be visibility with national decision-makers and stakeholders in the bi-regional partnership, including national governments, the private sector and civil society organisations.
- The EP should take into account the main **priorities of the EU-Latin American** strategic partnership **when debating and monitoring the implementation of trade and association agreements**, notably the all-encompassing goals of poverty eradication, sustainable development, the protection of the environment and gender-related practices. Given the lack of competencies of the Latin American regional parliaments to influence the substance of such agreements, the EP should constitute a platform in which Latin American stakeholders and vulnerable populations can raise concerns about current and future agreements.
- The EU-LAC Foundation and the EP should actively engage in a **constructive dialogue** on the current state and **future of the strategic bi-regional cooperation**. In addition, the EU-LAC Foundation should actively interact with civil society organisations that are involved in the implementation, assessment and monitoring of development activities in Latin America and the Caribbean.

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5 Annex

Table 3:
Gender inequality index rating, 2015²¹⁴

Country	Ranking
Slovenia	1
Germany	3
Romania	64
Chile	65
Mexico	74
Argentina	75
Ecuador	83
Colombia	92
Brazil	97
South Korea	23
Malaysia	42
China	40
Thailand	76

Source: UNDP, Human Development Report 2015, UNDP, New York, 2015.

Table 4:
Brazil's principal trading partners, 1988-2016

Exports (in %)								
Year	Argentina	Uruguay	Venezuela	Paraguay	Mercosur	China	NAFTA	EU 28
1989	2.6	1.2	1.4	0.9	6.1	2.5	29.0	32.4
1993	9.0	1.6	1.0	1.0	12.6			
1998	13.0	1.6	1.2	1.6	17.4			
2003	5.8	0.6	0.7	0.8	7.9			
2008	7.9	0.7	1.9	1.1	11.6			
2013	7.9	0.8	2.0	1.1	11.8	19.0	13.1	20.4
2015	6.6	1.7	1.5	1.3	11.1	18.0	16.3	18.0
2016*	7.2	1.5	0.7	1.2	10.6	19.0	15.8	18.0

²¹⁴ The countries presented in the table were chosen to show a varied spectrum within each region.

Imports (in %)								
Year	Argentina	Uruguay	Venezuela	Paraguay	Mercosur	China	NAFTA	EU 28
1988	4.4	1.9	0.9	0.7	7.9	0.8	25.5	26.2
1993	12.0	1.5	1.4	1.0	15.9			
1998	14.0	1.8	1.4	0.6	17.8			
2003	9.6	1.1	0.6	1.0	12.3			
2008	8.0	0.6	0.3	0.4	9.3			
2013	6.9	0.7	0.7	0.6	8.3	15.0	16.5	20.1
2015	6.0	1.7	1.5	1.3	11.1	19.0	19.1	22.2
2016*	6.6	0.9	0.3	0.9	8.7	17.0	21.3	22.6

Table 5:
Argentina's principal trading partners 1988-2016

Exports (in %)								
Year	Brazil	Uruguay	Venezuela	Paraguay	Mercosur	China	NAFTA	EU 28
1988	8.6	2.1	1.2	0.6	12.5	4.8	20.9	37.6
1993	24.0	3.2	1.6	1.8	30.6			
1998	24.0	3.6	1.4	1.6	30.6			
2003	15.8	1.9	0.4	1.5	18.8			
2008	19.0	2.1	2.0	1.6	24.7			
2013	21.0	2.3	2.9	1.9	28.1	7.2	9.1	13.0
2015	17.0	2.1	2.4	2.1	23.6	9.4	9.9	14.9
2016*	15.6	2.0	1.2	1.7	20.5	7.7	11.0	14.8
Imports (in %)								
Year	Brazil	Uruguay	Venezuela	Paraguay	Mercosur	China	NAFTA	EU 28
1988	20.0	2.0	0.6	1.2	23.8	0.3	19.3	32.1
1993	21.0	3.5	0.2	0.5	25.2			
1998	23.0	1.7	0.2	1.1	26.0			
2003	34.0	1.2	0.1	2.2	37.5			
2008	33.0	1.0	0.2	3.3	37.5			
2013	25.0	0.7	0.1	0.7	26.5	15.0	11.8	16.2
2015	23.0	0.7	0.1	0.7	24.5	20.0	15.0	17.3
2016*	24.9	1.2	0.1	1.3	27.5	14.8	17.9	17.9

Source: Defraigne, J.C., 'Is a strengthening south-south regional integration possible? The case of Mercosur and Latin America' / Observatory of Economic Complexity (<http://atlas.media.mit.edu/en/profile/country/bra/> and <http://atlas.media.mit.edu/en/profile/country/arg/>)

* 2016 figures are based on the Inter-American Development Bank (IDB)'s Information System on Integration and Trade (INTrade); <https://www.intradeidb.org/site/>

Table 6:

MERCOSUR and the EU: the importance of the primary sector, 2016, and the share of manufactured exports of total exports²¹⁵

Country	% of the sector in the overall GDP		
	primary	secondary	tertiary
Argentina	10.0	30.7	59.2
Brazil	5.5	27.5	67.0
Paraguay	23.1	18.6	58.3
Uruguay	9.4	21.7	68.9
Germany	0.8	28.6	70.6
France	1.8	18.8	79.4
Italy	2.0	24.7	73.4
Romania	7.9	32.9	59.2

Country	manufactured exports as % of total exports			
	1996-2000	2001-2005	2006-2010	2011-2015
Argentina	32	32	33	32
Brazil	34	35	36	35
Paraguay	8	9	8	9
Uruguay	28	24	24	24
Germany	83	82	83	83
France	76	77	77	78
Italy	82	82	82	83
Romania	78	77	76	76

Source: World Bank Open Data (<http://databank.worldbank.org/data/home.aspx>.)

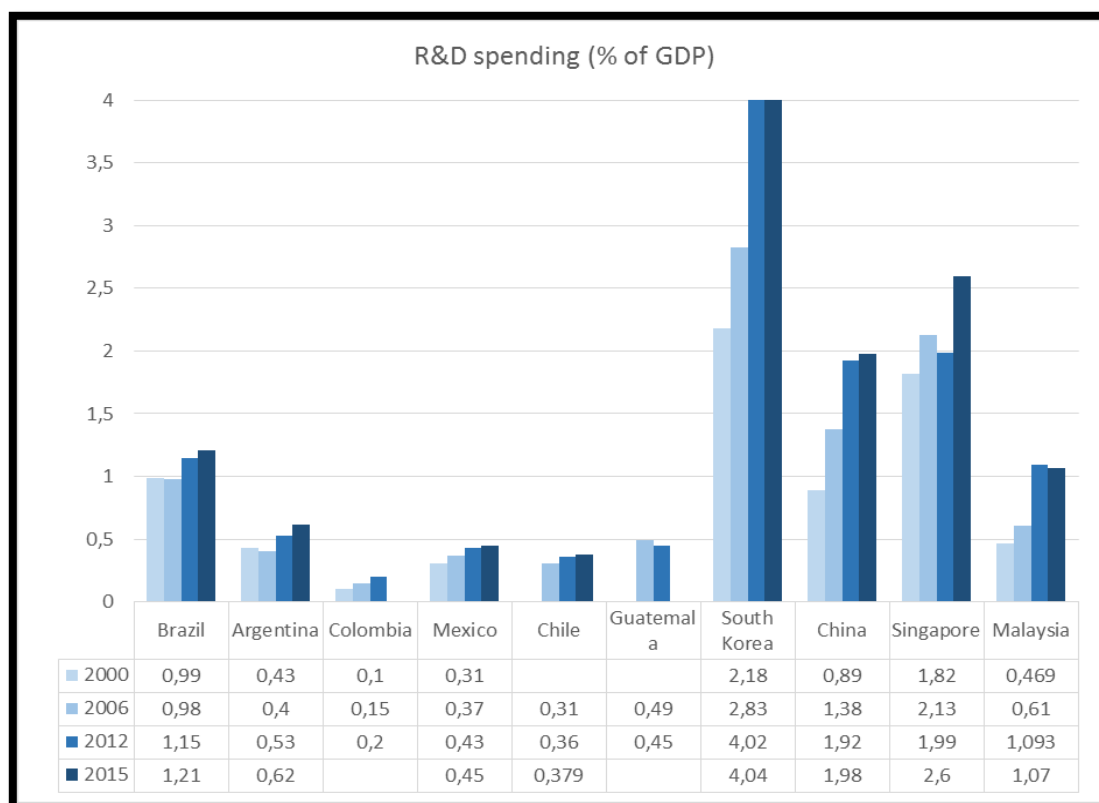
²¹⁵ The EU Member States presented in the table were selected to provide a diverse spectrum of EU economies.

Table 7:
Pacific Alliance: total and intra-bloc goods exports, 2013-2015

Pacific Alliance: total and intra-block goods exports, 2013, 2014, 2015 (In million dollars and percentages)							
Origin	Destination						Participation PA (percentage)
	Chile	Colombia	Mexico	Peru	Total PA	World	
2013							
Chile		867	1 315	1 908	4 089	76 684	5.3
Colombia	1 572		864	1 274	3 709	58 824	6.3
Mexico	2 085	4 735		1 770	8 590	380 027	2.3
Peru	1 667	838	508		3 012	41 512	7.3
Pacific Alliance	5 323	6 440	2 686	4 952	19 401	557 046	3.5
2014							
Chile		902	1 305	1 849	4 056	75 675	5.4
Colombia	989		914	1 186	3 090	54 795	5.6
Mexico	2 148	4 734		1 730	8 612	397 129	2.2
Peru	1 525	1 224	734		3 484	38 162	9.1
Pacific Alliance	4 662	6 860	2 954	4 766	19 242	565 760	3.4
2015							
Chile		787	1 344	1 636	3 766	63 362	5.9
Colombia	737		914	1 148	2 799	35 491	7.9
Mexico	1 861	3 668		1 651	7 180	380 772	1.9
Peru	1 069	871	545		2 484	33 247	7.5
Pacific Alliance	3 667	5 325	2 803	4 435	16 231	512 872	3.2

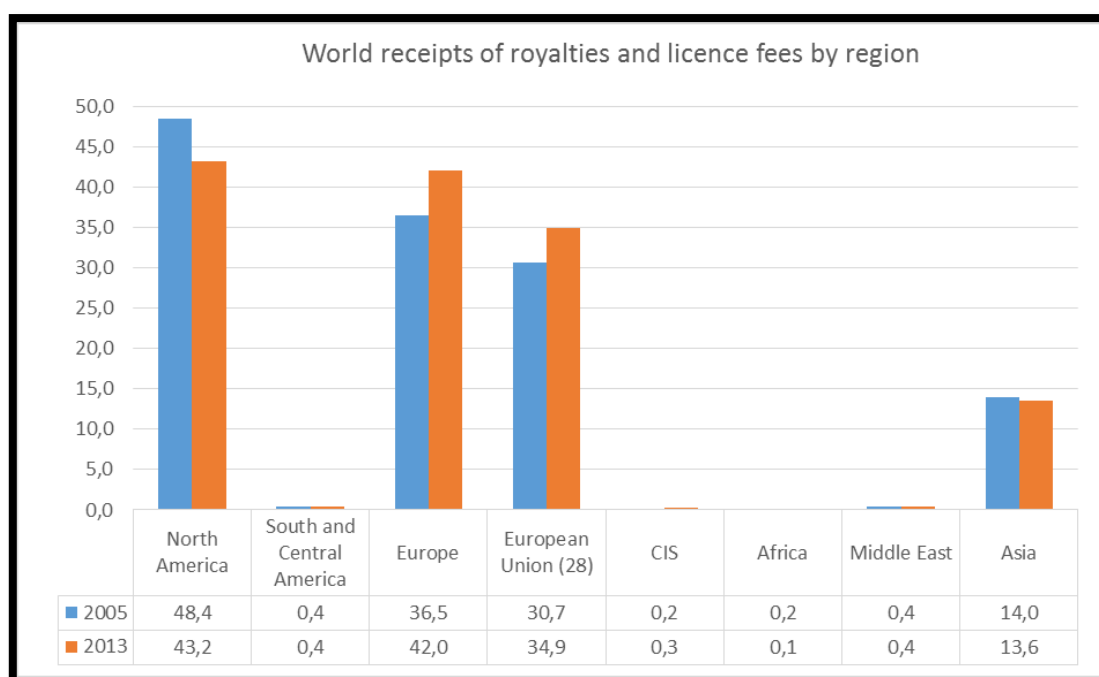
Source: Durán Lima, J. and Cracau, D., 'The Pacific Alliance and its economic impact on regional trade and investment Evaluation and perspectives', ECLAC, n°128, December 2016, p. 12.

Figure 4:
Key countries: R&D spending, share of total GDP²¹⁶



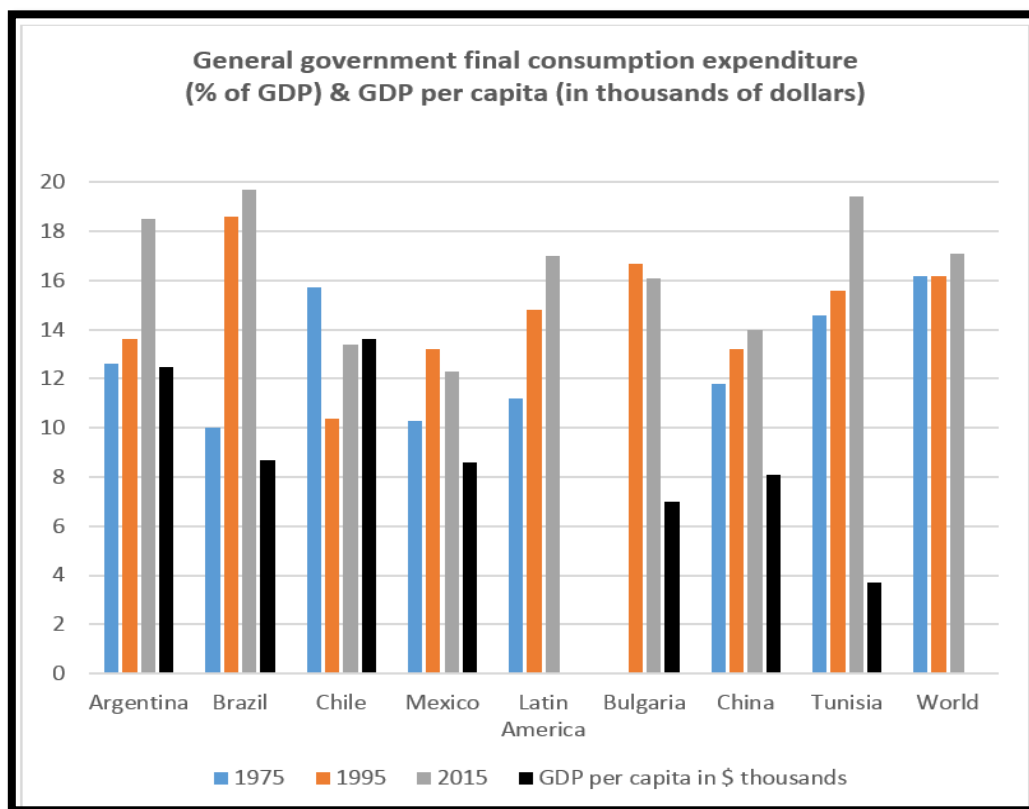
Source: Battelle, *Global R&D funding forecast, 2016*,
https://www.iriweb.org/sites/default/files/2016GlobalR%26DFundingForecast_2.pdf and World Bank data

Figure 5:
World receipts of royalties and licence fees by region



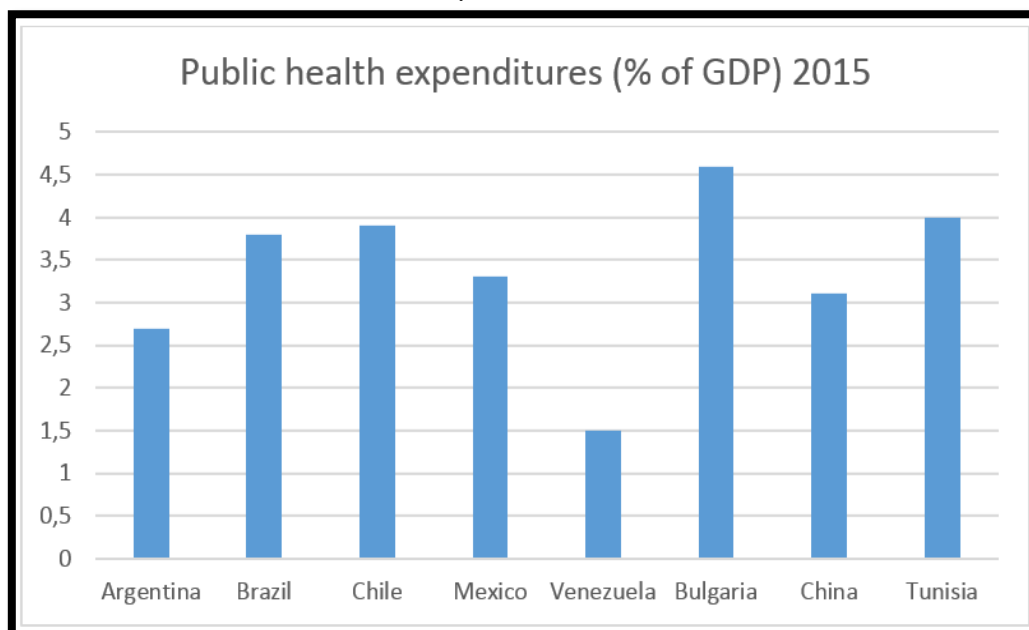
Source: WTO, DISPUTE DS502 Colombia — Measures Concerning Imported Spirits, 2017,
https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds502_e.htm

Figure 6:
General government final consumption expenditure (% of GDP) and GDP per capita



Source: World Bank. *World Bank Open Data*. <http://databank.worldbank.org/data/home.aspx>

Figure 7:
Public health expenditures (% of GDP), 2015



Source: UNDP, *Human Development Report 2016. Human Development for Everyone*, UNDP, New York, 2016, pp. 226-9

²¹⁶ The countries presented in the graph were selected to represent diverse groups in terms of R&D capacities. In the EU, Sweden is in the top 3, France in the top 10, Spain in the top 20 and Romania in the bottom five. Thailand is at a low level in East Asia but not in the bottom five. The selection demonstrates that no Latin American economy with the exception of Brazil, qualifies as 'intermediary' in terms of R&D capacity.

Figure 8:
Latin America and the Pacific Alliance: total exports, 2015

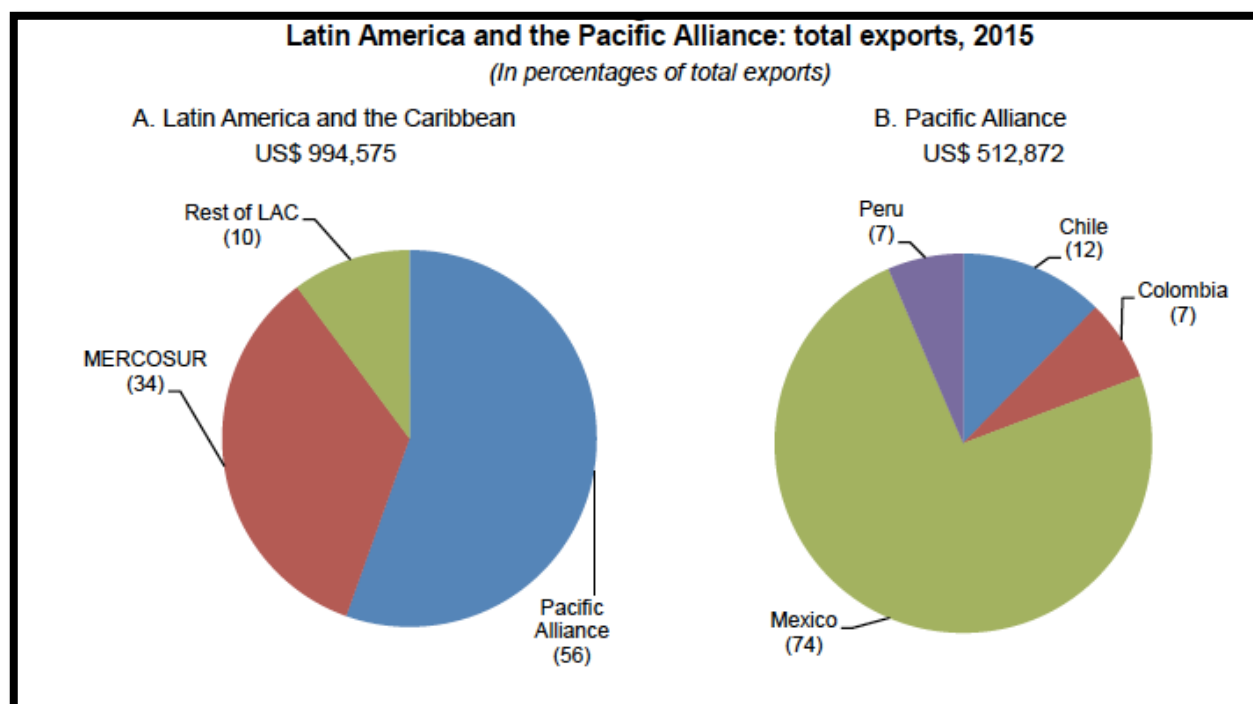
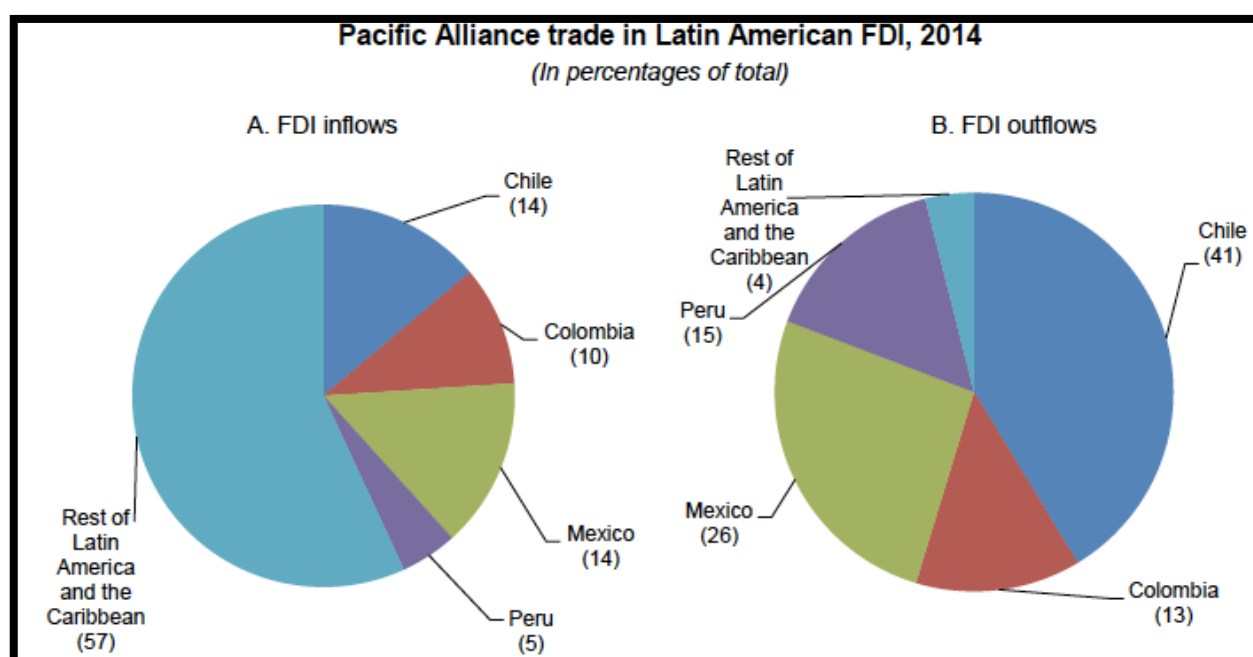


Figure 9:
Pacific Alliance trade in Latin American FDI, 2014



Source: Durán Lima, J. and Cracau, D., 'The Pacific Alliance and its economic impact on regional trade and investment Evaluation and perspectives', ECLAC, n°128, December 2016, p. 12.

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