

## THE STATE OF THE EU'S AGREEMENTS IN LATIN AMERICA

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There is a dense network of bilateral and interregional agreements between the European Union and Latin America. The stated goal of the EU's policy for the region has been to support existing (sub) regional integration mechanisms through the development of specific region-to-region ties across relevant EU policy areas. In reality, however, the state of the relationship with the continent is much more diverse and resembles a patchwork that does not fit the EU's continued rhetoric of policy preferences for the region.

### Diverse relationship(s)

The European Union entertains a diverse network of FTAs and other agreements with the region on an interregional and bilateral basis. While the table below is a simplification of the state of the EU's relations with the continent, it nevertheless offers an overview over the diversity of the EU's agreements with the region:

**Table 1: The State of EU-Latin American agreements**

Target region	Outcome				
			Trade	Cooperation	Political
Mexico	1996	2000	X	X	X
Caribbean (ACP: CARIFORUM)		2008	X	X	X
Mercosur	2000	-			
	<b>Brazil</b>	2007			X
Chile	2000	2002	X	X	X
Andean Community	2007	-			
	<b>Colombia</b>	2010	X		
	<b>Peru</b>	2010	X		
	<b>Ecuador</b>	2014	X		
Central America	2007	2010	X	X	X

Source: Own compilation.

The broad dividing lines in the table outline several rounds of the EU's negotiations with the region, where the first year marks the beginning of negotiations, and the second year their eventual signature.

The above picture of the EU's relations with the region is the result of a policy that the EU developed during the 1990s that would see it negotiate Association Agreements (AAs) with existing regional integration mechanisms in the region. These agreements were to link the three most important EU policy areas in the region within single agreements. These are namely the improvement of trade relations along the lines of FTAs, provisions in the realm of development and cooperation policies, as well as political dialogue.

It is important to note that the first successful conclusion of an Association Agreement with Mexico occurred outside of the context of regional integration mechanisms, as the geographically Northern American country does not belong to any of the more established regional integration mechanisms. While the Association Agreement as such was concluded earlier than 2000, its FTA component was only finalised by that year. The EU's agreement with CARIFORUM is furthermore subject to the policy provisions of the EU'S Africa-Caribbean and Pacific states (ACP) under the framework of the Cotonou agreement.

When negotiations began with Mercosur and Chile in 2000, the belief was that the latter country would ultimately join Mercosur, necessitating one Association Agreement only. Negotiations with the former stalled, however, and it is in this context that only Chile has concluded an Association Agreement with the EU today, while Brazil has been made a "strategic partner" of the EU in the political realm.

In 2007 the EU then launched negotiations for Association Agreements with both the Andean Community of Nations (CAN), as well as the Central American Integration System (SICA). While an Association Agreement was successfully concluded in the latter case, the outcome of the negotiations with the Andean Community was different, resulting in an FTA with Colombia and Peru only, which furthermore did not include the political and cooperation sections necessary for an Association Agreement. Ecuador then began negotiations on a possible membership in the existing FTA in 2013, and these were successfully concluded in 2014.

It is important to note that even where the EU has only concluded FTAs with particular countries, these are not "pure" FTAs as all of them contain certain provisions on democracy, as well as labour and environmental standards.

### Rhetoric and outcomes

The EU's rhetoric surrounding the negotiation and conclusion of the above agreements has been based largely on the idea of supporting a European Union-style regionalism in the region, which explains the focus on the interregional nature of negotiations where suitable organisations were present in the region. The organisations with which negotiations have been undertaken are hence relatively similar to the institutional model chosen by the EU. This is partially due to the nature of the EU's rhetoric, as well as to the realities of Latin American regionalism when the policy was formulated in the late 1990s and concretised in the early 2000. As a result, the EU's links with the region outlined above do not incorporate ties with new Latin American organisations that do not resemble the EU's institutional model, such as ALBA, UNASUR or the Pacific Alliance.

The initial phase of the EU's deepening of mostly bilateral ties with the region occurred during the 1990s amidst a period of democratisation and sustained economic growth in Latin America.

As outlined above, the outcomes of the various negotiations do not reflect the EU's initial aim of achieving a full network of Association Agreements based mainly on subregional organisations. In reality, an interregional Association Agreement has only been successfully concluded in the case of Central America. This has led to a patchwork of different relations with the continent, varying in the policy areas covered, as well as the bilateral and interregional nature of the relationship.

The failure to achieve the EU's initial policy aims has mostly been attributed to the weakness of the existing regional integration mechanisms in Latin America, as well as the diverse nature of domestic politics on the continent.

When the negotiations with the two very similar organisations in the Andean region and Central America were rendered difficult by the same internal divisions, the EU has used political pressure to overcome these divisions in the latter case, while opting to abandon the interregional dimension in the former.

### External drivers

While the EU's rhetoric as outlined above has focused on the commonalities between the two continents and the EU's willingness to support regional integration elsewhere, it should be noted that key moments in the timeline of EU-Latin American relations correlate very closely with developments in multilateral trade negotiations, as well as with the United States' approach to trade with the region.

The initial negotiation for the EU-Mexico agreement occurred in the wake of the coming-into-force of the NAFTA FTA between the United States, Canada and Mexico. The FTA component of the EU-Mexico agreement hence ensured its continued market access not only to Mexico, but equally to the other two economies by association.

The decision to launch negotiations with Mercosur and Chile—which cover the continent's most important economies—have to be seen in the context of the stalling of further WTO liberalization rounds, as well as attempts by the United States to conclude a so called Free Trade Area of the Americas (FTAA). The latter would once again have given the US a privileged position in the region and could have led to a loss of market access for the EU. When negotiations on the FTAA project came to a standstill, something similar could be noted in the case of the EU's negotiations with Mercosur. Conversely, there has been an important link between the EU's bilateral negotiations with Chile and those between the United States and the country.

It is in the context of an overall shift away from multilateralism by the United States that the EU introduced a similar change with its 2006 *Global Europe* document. In the Latin American case one can observe a link between the signature of FTAs between the United States and Colombia and Peru—the Andean Community's most important economies—and the EU's decision to undertake negotiations with the Andean Community starting in 2007.

### Policy linkages

While one of the stated aims of the EU's policy towards Latin America was to create a linkage between the different policy areas covered by Association Agreements, this has not been successful in all instances.

This can be illustrated by the development of the EU's relationship with the Andean Community. The development aid toward the region during 2007-2013 foresaw the funding of a number of projects that would strengthen the ties between its member countries, as well as the institutional structures of the organisation itself. This was in line with the EU's aim of negotiating an Association Agreement with the region.

By the time of the mid-term review in 2010, however, no significant alteration of the policy had occurred despite the fact that the organisation had become largely inoperative by then and the interregional dimension of the EU's negotiations had been abandoned. Only the recent programme for the 2014-2020 periods<sup>1</sup> takes into account these new realities and limits support for regional organisations to Central America.

More recently, the case of Ecuador's entry into the previous EU-Colombia-Peru agreement has shown the potential successful usage of policy linkages, while contributing to an overall problem of transparency: Ecuador only agreed to begin negotiations to join the existing FTA - and in line with the EU's initial 2008 policy aim—after the EU's decision to graduate the country from its reformed

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<sup>1</sup> See DG Development and Cooperation (2014): *Multiannual Indicative Regional Programme for Latin America. Development Cooperation Instrument (DCI) 2014-2020*, Brussels: European Commission, [https://ec.europa.eu/europeaid/sites/devco/files/dci-multindicativeprogramme-latinamerica-07082014\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/dci-multindicativeprogramme-latinamerica-07082014_en.pdf) (20 February 2015).

GSP and GSP+ schemes. Furthermore, after the successful conclusion of the negotiations the EU rewarded the country further by a *de facto* extension of its GSP+ preferences as well as through an increase of the development aid that the country would receive.

What is problematic in this instance is the non-transparent nature of the EU's threat to withdraw the country's GSP+ preferences and development aid adjustment that have led Ecuador's diplomatic service to describe the EU's strategy internally as a form of bullying the country into the agreement against its government's stated preferences.<sup>2</sup>

### Looking ahead

Much has been said about the merits of the EU's interregional approach to Latin America. However, the empirical realities of this policy do not necessarily match the rhetoric that has been used. If inter-regionalism is indeed still a priority for the EU despite all the difficulties in promoting such ties in the Latin American context, then a reformulation of the overall policy would seem in order.

While the organisations that the EU initially approached for such a deepening of its relationship with the region have become largely fragmented, new phenomena such as the Pacific Alliance could form the basis for a new inter-regionalist approach towards the region.<sup>3</sup> While this new organisation does not resemble the EU's institutional structures, the countries represented in it nevertheless account for almost half of the EU's trade with the region.

If, on the other hand, inter-regionalism has outlived its usefulness for the EU, then a change of its rhetoric would seem in order. It is only through an admission that the EU's choice for bilateralism or inter-regionalism is based on its own preferences that it can uphold its credibility in the region. It is in this context that the usage of carrots and sticks across different policy areas - as observed in the case of negotiations with Ecuador - would become aligned with the EU's stated policy aims.

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<sup>2</sup> This is evidenced by a number of leaked diplomatic cables between Ecuador's representation to the European Union and the Foreign Ministry in Quito. The cables were published on the whistleblowing website AWP: <https://data.awp.is/ecuadortransparente/2014/10/08/10.html>.

<sup>3</sup> For a discussion of this actor, see Jesper Tvevad (2014): *The Pacific Alliance: Regional Integration or Fragmentation?* Policy Briefing, PE22.318, Brussels: European Parliament.