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Regionalism in Favour of a New Bilateral Strategy? (WP)**

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Area: Latin America
Working Paper 36/2009 (Translated from Spanish)
21/9/2009

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Madrid – Spain
www.realinstitutoelcano.org

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*Celestino del Arenal**

Over the past three decades, Latin America¹ has undergone a major process of diversification in its international relations, making it easier for the countries of the region to develop foreign policies that are more autonomous and more focused on the challenges posed by an international society that is increasingly interdependent and global.²

The traditional relationship with the US set the entire Latin American agenda and in general involved important ties of dependency. But now, added to this are growing and increasingly important links with the Asia-Pacific region, fledgling relations with Africa, consolidated ties with Europe and increasingly deep links with Spain and Portugal, based in each case on motives of greatly varying nature.

The purpose of this paper is not to analyse these international relations in their entirety, nor to carry out a detailed study of them, which would exceed the scope of this project. Rather, the goal is to offer a series of general observations on one dimension of Latin America's international relations. Specifically, it is the currently deadlocked state and the future prospects for the region's relations with the EU, with an eye to the Sixth Summit between Latin America, the Caribbean and the EU. It will be held under the Spanish Presidency of the EU, in the first half of 2010.

It must not be forgotten that Spain, even as it negotiated to join the EU, before its actual entry on 1 January 1986, played an important role in the development and deepening of the relations between the two regions undertaken up to the present, becoming the main reference point for articulating EU policies towards Latin America (Arenal, 2006, p. 316-318, and 2008, p. 47-49). From that perspective, it makes sense to consider the possibility that, under the Spanish Presidency, relations with the region could enter a new phase.

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¹ This paper is a significantly extended version of a lecture given at the Special Seminars of the Spanish Association of Professors of International Law and International Relations, which were held at the Diplomatic School on 2-13 June 2009. The theme of the seminars was 'The Spanish Presidency of the European Union in 2010: Proposals for an Ambitious Agenda'.

² My gratitude to José Antonio Sanahuja for his observations.

(1) Relations Between the EU and Latin America: A Worrying Stalemate

Relations between the EU and Latin America have been practically stagnant since the second half of the 1990s. Despite the holding of five summits since 1999, no significant progress in them has been achieved. The most tangible evidence of this is the fact that negotiations between the EU and Mercosur to reach an Association Agreement have been deadlocked since the beginning of this century. Also, the Andean Community of Nations (CAN, in Spanish) and Central America, despite repeated demands, have managed only to sign third-generation Cooperation Accords, in 2003, and in 2007 they began negotiations aimed to lead to Association Agreements. There are big question marks as to what the final result might be, in particular with regard to CAN. In other words, in terms of political dialogue, free-trade zones and cooperation, the situation has changed little since the second half of the 1990s, except for the Association Agreements signed with Mexico in 2000 and Chile in 2002, and Strategic Partnerships with Brazil in 2007 and Mexico in 2008. In any case, these agreements show that it is through bilateral relations, and not a regionalist strategy, that real progress is made.³

Aside from expressions of good intentions and a broadening of the bi-regional agenda, the Fifth Summit between the EU, Latin America and the Caribbean, held in Lima in May 2008, brought no significant progress in relations between the two regions. Ten years after it was announced, the ambitious goal of a Bi-regional Strategic Partnership that was presented at the first summit, in Rio de Janeiro in 1999, remains unfulfilled.

Why is this happening? What are the reasons for this stagnation in relations between the two regions?

The goal of the first part of this paper is to try to explain these causes. In order to do so, it will not focus on the specific problems that came up in the negotiations designed to lead to the still-pending Association Agreements, which have been examined at length by specialists. Rather, it will look first at the ideological, political, economic and strategic factors which, independently of the negotiations themselves, are having an overall effect on bi-regional ties, preventing them from progressing and deepening. Secondly, it will analyse the EU strategy with regard to Latin America, which at present is not the right one for re-launching relations.

In this way it will be shown that the problems which really hinder progress are to a much larger extent deeper, underlying issues stemming from a model for bi-regional relations that was valid in the 1990s but has become obsolete since the beginning of the 21st century as a result of the profound transformations seen on the global, European and Latin American stages.

³ Progress in bilateral relations is also seen in the Scientific and Technical Cooperation agreements signed with Argentina, Brazil, Chile and México.

The paradox is that, while the EU managed to adapt its model for relations with Latin America from the 1970s through the 1990s –through successive Cooperation Agreements that marked major stops forward in bi-regional relations– with the goal of adjusting them to different scenarios and interests on both the European and Latin American sides, since the mid-1990s, despite the decisive changes that have taken place the EU has not modified its strategy for relations with Latin America significantly. Therefore, as Freres & Sanahuja have noted, that strategy has become inappropriate for current European and Latin American realities and interests (Freres & Sanahuja, 2006, p. 26-29).

(1.1) Changes on the Global Stage

In general terms, the changes that have taken place on the global stage do not favour progress in relations between the EU and Latin America because they have placed the latter in a position of lesser relative importance for both the US and the EU. In any case, these changes make those relations much more problematic. Without getting into an exhaustive analysis, as they are well known, six factors shape the global scenario in a decisive way: (a) the current global economic crisis; (b) US foreign policy; (c) the critical situation in the Middle East; (d) the growing strategic, political and economic weight of the Asia-Pacific region; (e) the priority of multilateral trade talks, especially in the first years of this new century, under the Doha Round sponsored by the World Trade Organization (WTO); and (f) the new international consensus on the Millennium Development Goals set by the United Nations.

(a) The current global economic crisis. The world is in a situation of deep economic crisis which is hitting major economic powers, beginning with the US and the countries of Europe, which are seeing negative growth rates and large increases in unemployment, as well as emerging and developing countries. The crisis has also begun to take its toll on the economic boom that Latin America has enjoyed in recent years, although the effects have varied depending on the measures that countries there have begun to adopt (Ruiz, 2009, and Sanahuja, 2009a).

Of course, this crisis affects international relations with Latin America, especially those of the US and the EU. This is because in a best-case scenario the crisis will bring about a change in the economic cycle as result of the credit crunch, the strong, global economic deceleration, the fall in external demand, lower interest rates, a drop in foreign investment and remittances, and Latin America's strong dependence on exports of raw materials with little added-value. In fact, the crisis is also leading to a fall in economic growth rates in Latin America, with all the political, economic and social consequences which that entails. It also creates the need to come up with new economic policies as well as adequate social policies to deal with the challenges raised by the downturn.

In the specific case of bi-regional relations, the effects of the crisis will be major because of the changes and budgetary modifications that the EU and its member countries have to implement in order to confront the crisis. These changes will affect cooperation with Latin America and any attempt to re-launch bi-regional relations through a new and more ambitious agenda.

(b) US foreign policy. First of all, the Bush Administration's policy set the agenda for relations with Latin America in a decisive way, and now the new policy of the Obama Administration opens up a new era.

In the wake of the 11 September 2001 terror attacks, the Bush Administration came to view international relations and US national interests in strategic and security terms. These were viewed in a broad sense that ranged from security in the face of terrorism to economic security. This emphasis on security in the overseas agenda served as a negative factor with regard to the interest and attention prompted by Latin America, inasmuch as the region did not pose serious threats for US security. To this lack of interest should be added the failure of the proposed Free Trade Area of the Americas, which had been presented by the US, and its replacement by a bilateral trade strategy with certain South American countries. This approach was yet another element thwarting the development of a specific Latin America policy by the US government.

As a result of this, Latin America in general was not on the Bush Administration's agenda, nor was it a top issue for the US, even though for differing reasons special attention was paid to certain countries, in particular Colombia and Cuba. In addition to all of this, ties in all areas increased between Mexico, Central America, the Caribbean and the US. Plus, that group of countries gradually distanced itself from South American countries. These two processes had consequences for Latin American integration and relations between the EU and Latin America, which will be analysed when looking at the situation in Latin America. There is also a fault line that weakens the international position of Latin America as a political entity on the international stage (Russell & Tokatlian, 2009, p. 219).

At the same time, this overall lack of interest on the part of the US has served to weaken Europe's interest in the region as well. It is no secret that the EU enhanced its relations with certain countries and sub-regions of Latin America when the US took firm steps toward signing free-trade accords, as was the case with Mexico, Chile, Central America and the Dominican Republic, Peru and Colombia, although in the latter case the agreement has not yet been ratified by the US.

However, the Obama Administration has made important changes to US policy towards Latin America, as was made clear at the Summit of the Americas, held in Trinidad and Tobago on 17-19 April 2009. While the Bush Administration did not pay particular

attention to the region, as a result of its international agenda being dominated by security issues, and Latin America was not a top issue for Washington, even though from time to time attention was paid to certain countries, that situation is now changing in a significant way under the Obama government.

The adoption of a foreign policy that is more multilateral and less interventionist in military terms opens up a new global scenario, one in which the US, without abandoning unilateralism completely, will look for the support and agreement of other countries and regions when it comes to developing policy, including the EU and Latin America. This will cause the US to have a greater presence in the region. Even so, the magnitude and gravity of the problems that Obama has inherited (the economic crisis, the Israeli-Palestinian conflict, Iraq, Afghanistan, Iran and terrorism, among others), means Latin America will have a secondary position on the US agenda, except for relations with certain countries, such as Colombia, Brazil, Mexico and Cuba, which are of particular interest to the US.

In any case, US relations with the region are certain to improve and Washington's approach to Latin America will be quite different from when Bush was in power, both because of the new policy Obama will adopt and the good reception the new US President has enjoyed in the region in general and in Latin American societies.

In more specific terms, since Obama has taken his first steps, Brazil –an emerging global power boasting a growing role in Latin America– has become a key reference point in US policy towards Latin America. This is seen in the special attention that Obama has paid to President Luis Inácio Lula da Silva, clearly seeking to open up a new era of political harmony and cooperation with Brazil in such areas as energy. If these prosper, there could be a major impact on the region and consequences for relations between the EU and Latin America. One can say the same of the Obama Administration's relationship with Mexico and, in another sense, the ties it might establish with Venezuela and Cuba.

The new policy that the Obama Administration is adopting towards Cuba seeks rapprochement and understanding, and marks the opening of a new phase in relations with the island nation. The new strategy breaks with the policy followed by successive US governments since 1959, and opens up a new scenario that might have important effects in the region. Good evidence of the new policy is the fact that in June 2009 the Organization of American States repealed its resolution that expelled Cuba in 1962. This new policy has a direct effect on EU policy towards Cuba; until the arrival of Obama, the EU had followed a strategy that clashed with the US line. In this regard, the new policy strengthens considerably both the bilateral policy that Spain has maintained with Cuba and the positions Spain has defended within the EU with regard to that country. This creates a new area in which Spain coincides with the US.

In summary, the new Obama Administration's policy, unlike what happened during the Bush era, not only opens up prospects for agreement with Latin America itself and with the EU in that region. It also raises the possibility of the EU paying more attention to Latin America, acting as a stimulus for a possible reformulation of relations between the two regions.

(c) The critical situation in the Middle East. The Israeli-Palestinian conflict, which poisons relations with the Islamic and Arab world, and the wars in Afghanistan and Iraq, which constantly generate and spread Islamic terrorism, have no prospects of resolution over the short and medium term. In general they are destabilising the region, which is the world's main oil producer and is home to its largest oil reserves, as well as relations between the Islamic world and the West. These problems also require growing political, economic and, in the case of the wars, military attention, not just from the US, but also from European countries. Added to all of this is the rise of Iran as a regional and potential nuclear power, making for yet another destabilising element. Consequently, the US's strategic interest is centred directly and mainly on that region. The country is at the limit of its military capability, unable to act in another strategic scenario.

The Obama Administration's new policy and desire to resolve the Israeli-Palestinian conflict and other conflicts in the region will continue to require special attention from the US and the EU. This, too, will be to the detriment of non-priority regions, such as Latin America.

(d) The growing strategic, political and economic weight of the Asia-Pacific region. It is here where the US's main political and economic expectations lie, and those of most states that make up global society. The Asia-Pacific region has become an essential variable of the strategic, political, economic, scientific-technological, cultural and social future of the globalised world. The strategic, political and economic balance of global society is changing because of the following factors: high and steady economic growth rates, especially in China and India, despite the negative effects of the global economic crisis; the growing political and economic presence of China and India in Africa and Latin America; the region's demographic weight, with 60% of the world's population; the rise of China and probably India to the status of global powers over the mid-term; and the spectacular rise of China as a military power. The Asia-Pacific region is becoming a new centre of power that is threatening the status quo that has been in place since World War II. Over the medium and long term, the main opportunities and strategic, political and economic challenges –both for investors and traders– are to be found in that region. So all countries, and European ones in particular, are assigning high priority to it.

(e) The priority of multilateral trade talks, especially those held in the first years of the 21st century, under the Doha Round sponsored by the World Trade Organisation (WTO). In analysing relations between the EU and Latin America, the crucial role of these

multilateral trade talks should not be ignored, as they coincided with negotiations between the EU and Mercosur and requests from Central America and the CAN group for Association Agreements. The EU repeatedly argued that it did not want to enter into talks with Central America and the CAN countries until the Doha Round had concluded successfully. This hindered the negotiations between the EU and Mercosur. It is true that the deadlock in the WTO trade talks, in the wake of the scant results seen at the Ministerial Conference in Hong Kong in December 2005 and the suspension of negotiations in July 2006, have apparently made regionally-oriented strategies attractive once again in the EU. This would explain the greater receptivity seen at the EU-Latin America-Caribbean summit, held in Vienna in May 2006, towards Latin America's demands and the idea of opening talks with Central America and CAN. But in any case, despite the recent failed attempt, the possible resumption of the Doha Round trade talks will act over the mid-term as an element that distorts trade negotiations between the EU and Latin America.

(f) The new international consensus on the Millennium Development Goals, set by the United Nations. This is a factor that has a negative effect on relations between the EU and Latin America. That is because the consensus establishes the poorest countries of Asia and Africa as priorities for development aid, to the detriment of most Latin American countries. Despite their deep social inequality and major pockets of poverty, the latter are considered middle-income countries and thus not top-priority destinations for development aid. This issue will be returned to in the next section.

(1.2) Changes in the European scenario

The changes that have taken place in Europe, specifically since the end of the 20th century, do not favour the development of bi-regional relations either. They have drawn a lot of EU attention away from Latin America. The reality is that right now, the EU has no special interest in the region, neither in political nor economic terms, except for some specific countries, such as Brazil, Chile and Mexico, among others. Nor is Latin America high on the European agenda.

The interest that the EU showed in the 1980s and 90s, with the implementation of a regional-based strategy, has given way to a situation marked by a lack of interest, as Latin America is relegated to a secondary spot in the EU's foreign relations. This reality does not mean that some member states do not continue to show top-level interest in Latin America and development of bi-regional relations within EU institutions, as is the case with Spain. However, the atmosphere of uninterest makes it difficult to break with the situation described, and to define and implement a new strategy adapted to new realities and bi-regional interests (Arenal, 2006).

Put concisely, there are six main factors that make up this unfavourable European scenario: (a) EU enlargement; (b) the EU's institutional crisis; (c) the new focus on security in the international agenda; (d) the EU's growing attention and interest in the Asia-Pacific region; (e) the Millennium Development Goals, adopted by the United Nations; and (f) the absence of a unified, efficient Latin American lobby in Brussels and in EU member states.

(a) EU enlargement. The end of the Cold War and the collapse of the Soviet Union and the communist bloc starting in 1989 introduced a new scenario for the EU. Practically right away, the issue of expanding the EU to the east and south was raised. The idea took shape throughout the 1990s and became a reality in 2004 with the admission of Poland, Hungary, Slovakia, the Czech Republic, Slovenia, Estonia, Latvia and Lithuania, as well as Cyprus and Malta, and later, in 2007, that of Rumania and Bulgaria. Twelve new states joined the EU, with all the institutional, strategic, political, economic and cultural impact that carried for the organisation, which went from 15 to 27 members. The enlargement process is not over because, at least in theory, the EU is considering bringing in Croatia and other Balkan countries at some point over the mid-term. Also under consideration is the controversial proposal to admit Turkey.

All this time, the EU's main interest was focused on the process of enlargement, which posed crucial challenges for the future of the bloc. First, it did so from the perspective of the EU's strategic relationship and in terms of the political, economic and legal harmonisation of the candidate states with EU standards. It also posed a challenge, as will be shown in the next section, from the point of view of the functioning and efficiency of an EU with 27 member states. It is understandable that, since the late 1990s, the EU's attention has been focused mainly on issues related to enlargement.

On the other hand, the entry of 12 new member states has considerably increased the heterogeneity of the EU and the asymmetries within it. In general, this is a result of the new members' lower levels of per capita income compared to the EU average. It has altered the balances that existed until now in terms of overseas scenarios that interested the EU. While in a 15-member bloc it was relatively possible for the EU to pay some degree of attention to Latin America as a result of influence exercised by some members states, such as Spain, and to a lesser extent Portugal, France, Germany and Italy, despite the divergent interests of the member states, on the other hand this is much more difficult in a bloc with 27 members. This is especially so if it is borne in mind on the one hand that the levels of per capita income of some member states are similar to those of some Latin American countries, which makes it difficult to view the EU relationship with Latin America in terms of rich versus poor. At the same time, none of the 12 new members have significant interests in Latin America, nor do they know the region or its problems well. The result is that with an enlarged Europe it is much more difficult for the EU to pay attention to Latin America.

(b) The EU's institutional crisis. The crisis was triggered mainly, although not exclusively, by the problems and changes brought about forcibly by the enlargement just discussed, in terms of the efficiency and functioning of EU institutions, the decision-making process and, consequently, how member states are represented in them and therefore the power they wield in the EU.

For this reason, since the Treaty of Amsterdam in 1997 the EU has been involved in a succession of Intergovernmental Conferences, starting with the one held in 2000 to resolve the outstanding points left over from Amsterdam; in other words, institutional reforms designed to allow for enlargement. This string of conferences ended with one held in 2003-04 to negotiate the Constitutional Treaty. Along the way, there were also different treaties: Nice in 2001, the Constitutional Treaty in 2004 and Lisbon in 2007. The failure of the process to ratify the Constitutional Treaty, as a result of the 'no' votes in France and the Netherlands, took the crisis to its maximum expression. This raised important doubts about the process of integration, which were resolved with the signing of the Lisbon Treaty on 13 December 2007, although ratification by member states remained pending. This treaty lacked the features of a constitution *per se*, but retains essentially the same content that was in the failed constitutional draft.

This crisis atmosphere which has characterised the EU in recent years has contributed along with other circumstances to the fact that the bloc cannot pay proper attention to other issues, such as relations with Latin America. As stated, these were not high on the list of priorities anyway. It seems clear that until the Lisbon Treaty takes force, it will be hard for the EU to consider in earnest a change in its strategy toward Latin America.

(c) The international agenda's focus on security. This circumstance, which is naturally alluded to in the section on the global scenario, has also had a major effect on the European agenda: its strategic attention is aimed mainly at the east and south of the enlarged Europe, and at the conflict in the Middle East. The main challenges and threats to EU security stem first of all from the conflicts and tensions that beset the Balkans region. Chief among them is Kosovo, where Europe is directly involved, through KFOR and mainly through EULEX Kosovo. Secondly, they come from the conflicts under way in the Caucasus, South Ossetia, Nagorno-Karabakh and Transdniestria. These stem from the breakup of the Soviet Union and Europe deals with these issues mainly through the OSCE. Thirdly, these threats and challenges to EU security come from the Middle East conflict in its triple expression: the Palestinian-Israeli dispute, the wars in Iraq and Afghanistan, and Iran. In the fourth place, there is the EU countries' dependence on Russia for energy supplies. Russia is fully aware of this, and takes advantage of it in its relations with the EU. Finally, it is impossible to ignore the threats and challenges that come from the Maghreb as a result of increasing activity by al-Qaeda in the region and a possible destabilisation of this area of North Africa.

With this kind of strategic and security scenario, Latin America is absent from the EU agenda and from that of most of its member states because it does not pose any kind of threat for European security.

(d) The EU's growing attention and interest in the Asia-Pacific region. As pointed out in the section on the global scenario, for the EU and its member states the Asia-Pacific region has become in recent years a focus of growing interest and presence. This is happening because of the strategic, political and economic motives cited earlier, and it relegates other regions, such as Latin America, to a very secondary role.

Unlike the case with Latin America, the EU has a specific, defined strategy toward Asia in the framework of the so-called *Asia-Europe Meetings*, in the dialogue it maintains with the Association of South-East Asian Nations (ASEAN), and in increasingly intense bilateral ties with the countries of that region. Added to this is the fact that EU member states are also giving priority to developing their political-diplomatic, economic and cultural relations with Asian countries. This situation differs from that which existed in the 1980s and 90s, when more attention was paid to Latin America than Asia and the EU had a defined strategy for its relations with the countries of Latin America.

(e) The Millennium Development Goals, adopted by the United Nations. In line with what has been said about the global scenario, one consequence of the adoption of these goals by the United Nations is that international organisations, starting with the Development Aid Committee of the OECD, and including the EU and its member states, now consider Latin American countries to be middle-income states. That means they are no longer a priority for EU development aid, which instead tends to go to the poorest countries of Africa and Asia.

This is important for Latin America given the fact that, since the 1980s, the EU and its member states have been the main providers of development aid for the countries of that region, supplying twice as much assistance as the US. But what is most important is that this is yet more evidence of Europe's loss of interest in the region, as noted in explaining the stagnation of relations between the two regions.

There is a long road ahead for the efforts of some EU members, such as Spain, to implement aid mechanisms that will balance the situation. The idea is that, at the international and European levels special attention be paid to middle-income countries with great social inequities and an absence of social cohesion, as is the case with many Latin American countries. These efforts have begun to be noticed, as was seen at the Lima summit, but much remains to be done.

(f) The absence of a unified, efficient Latin American lobby in Brussels and in EU member states. This has always been the case, but it takes on even more importance in the current context of a lack of European interest in Latin America. For now, there is no unified, cohesive Latin American lobby in Brussels and EU countries that would allow the region to speak with one voice and act consistently when it comes to presenting Latin America's case to European institutions and governments. This point shall be returned to shortly, when analysing the situation in Latin America.

As a result of all of this, it should come as no surprise that Latin America has been left off the agenda of EU institutions and that only the European Parliament occasionally shows some interest in developing relations between the two regions.

These factors also help explain the fact that Latin America is not on the list of the transatlantic dialogue either, nor is it expected to be, even though it features many international issues and problems. As already stated, the Obama Administration's new policy toward Latin America might change things.

(1.3) Changes in the Latin American Scenario

The situation in Latin America in the mid-1990s was quite different from the current global scenario. There have been important changes in practically every area. Since the beginning of the new century there has been a shift from a scenario characterised by significant political and economic homogeneity among Latin American states, and sub-regional integration mechanisms which, despite their difficulties seemed well-established, to a scenario marked by heterogeneity in political and economic ideas, confrontation among Latin American states and instability in sub-regional integration mechanisms, in which different kinds of nationalism are returning to the fore with growing strength.

In many ways, this is further evidence of the vitality and strength of Latin America as it tries to confront the challenges of the future. But as far as Europe is concerned, this scenario has weakened the efforts that the EU undertook for the region in the mid-1990s and has now left the EU without a strategy for it, or, rather, one that is no longer valid. As a result of this, the Latin American scenario does not appeal to Europe. This circumstance, when added to the global and European scenarios, places Latin America on the periphery of Europe's interests.

In this sense, there are five aspects of the situation in Latin America that are important in explaining the current stalemate in relations with Europe and the difficulties that hinder the development of a new model for bi-regional ties. But these factors also help to understand the opportunities that arise for implementing a new strategy. They are: (a) Latin America's lack of a grave political, economic and social crisis; (b) the growing ideological, political and economic heterogeneity of the countries of Latin America; (c) the economic boom that Latin America enjoyed in recent years, and now the global economic

crisis that is affecting it so severely; (d) the opening of a new phase in Latin American integration; and (e) the absence of Latin American unity of action in its dealings with the EU.

(a) Latin America is not immersed in a grave political, economic or social crisis. Latin America is not in the midst of a political and economic crisis, or mired in poverty. In general, it is not a region in which human rights are in jeopardy, nor does it pose a threat to European security. It does not have major implications for the economic interests of most EU member states, despite nationalization measures undertaken by some Latin American countries.

It is true that in recent times Latin America has gone from being traditionally peaceful and stable to developing pockets of tension and conflict. In some cases, these show weakness in the solidarity that stems from regional and sub-regional integration. In other cases, those tensions contribute to increasing the risk of destabilisation in the region. However, for now, unlike what happened in the 1980s, those potential areas of tension and conflict have not drawn any particular attention from the EU and its member states.

Therefore, as stated, most European states do not perceive any need to move forward with relations between the two regions. Latin America is absent from the European agenda, except when a summit between the two regions comes around and Europe cannot show up empty-handed.

(b) There is growing ideological, political and economic heterogeneity among the countries of Latin America. In the 1990s, Latin America was to a large extent homogeneous politically and in terms of economic policy, despite differing levels of development. But now Latin America is clearly characterised by heterogeneity of political visions and economic policy. Along with this has come a strong affirmation of different kinds of nationalism and, consequently, a re-embracing of national sovereignty, despite constant calls for and initiatives aimed at regional or sub-regional integration. Also added to this is the neo-populist bent of some countries. Latin America's political culture has always been characterised by strong nationalism, which helps explain why efforts to integrate the region have largely failed.

However, today's nationalisms have a strong ideological component and in some countries they have been accompanied by the adoption of neo-populist and nationalisation measures. These trigger legal insecurity for investments, and strongly discourage EU interest in some countries and, in an indirect way, in the whole region.

To this must be added the differences that exist among Latin American countries in terms of development and per capita income. In the current context of political division, these act as elements that stir up the different interests at play in relations with the EU.

In any case, this heterogeneity and these divisions must not cause us to neglect the fact that Latin America as a region is not just a geographic reality but also a political, economic, social and cultural one. Besides having a strong regional identity, the countries of Latin America are also beset with the same problems, such as insufficient democracy, social inequality and scant power to negotiate with the rest of the world (Muñoz, 2006).

For Europe, this growing political and economic heterogeneity and this pronounced rise in nationalism and in some cases neo-populism –which also weaken the existing integration mechanisms and help to fragment the region– are a factor which saps interest in Latin America as a region. Therefore, they also weaken prospects for improving relations between Latin America and Europe.

(c) Latin America enjoyed an economic boom in recent years, but now it is being hit hard by the global economic crisis. Latin America, especially since 2003, has posted high economic growth rates and good numbers in both trade and public finances. These made for a situation different from the traditional one in the region. With average growth of 4.5%, the period 2003-06 can be considered the best in the past 25 years. Meanwhile, in that stretch of time per capita GDP rose 12%. The region's overseas vulnerability declined, thanks to an increase in foreign currency reserves and a smaller foreign debt, which went from 36% to 10% of GDP between 1996 and 2006. All of this stemmed from an improvement in domestic finances as a result of reforms undertaken in earlier years. The international context was also favourable. It was characterised then by stronger growth in the world economy, higher prices for raw materials and an increase in remittances from emigrants.

This positive economic scenario should have led to an improvement in relations between the EU and Latin America, but it did not. The reality is that the scenario also had features that were not so positive. On the one hand, Latin America's growth rates could not compare with those of Asia. So the gap in income, competitiveness and economic weight between the two regions increased, and, as stated, this made Latin America less of a priority for the EU. At the same time, besides these economic factors, sources of tension and conflict arose, as did expressions of nationalism and neo-populism, as already noted. Some countries adopted nationalisation measures that had a direct effect on foreign investments, creating situations of legal insecurity.

If no progress in bi-regional relations was made during a period of economic strength, it will be even harder for the EU to adopt a new model for such ties in the current climate of global economic crisis, which is hurting the countries of Latin America. However, as stated, the need for the EU to do so might become even greater.

(d) A new period in Latin American integration has begun. This new phase of integration, which is in part an expression of the divisions and heterogeneity that characterise the countries of Latin America, is full of uncertainty and question marks. That will make it harder for outside countries to engage the region politically and in economic terms.

The problem in Latin America is that, to date, integration has not been viewed as an integrated process in which the political dimension is an essential component of the whole. This is a result of the priority that is still given to the traditional concept of national sovereignty. The habit prevents Latin America from considering a more modern version of integration in a world that is increasingly interdependent and global in nature (Altmann & Rojas, 2008, p. 19).

In any case, the reality is that Latin America is in a vibrant phase in terms of its integration processes. It features new initiatives that seek to wipe away existing ones; changes in orientation by some States; political and economic divisions between countries within some integration organisations; a rupture between South America on one side and Mexico, Central America and the Caribbean on the other; the emergence of integration projects that are highly ideological in nature, such as the Bolivarian Alternative for the Peoples of Our America (ALBA), which clash outright with many of the existing channels; and visions which are clearly alternative and contradictory in terms of regional integration (Sanahuja, 2007).

Latin America has never seen a situation like the current one as far as integration is concerned. The debate on its fundamentals had never been framed in terms that were so ideological and political.

Added to all this is the emergence of Brazil as a regional power. First, it became the leader of the Union of South American Nations (UNASUR in Spanish), which is limited to South America. Then, in the Brazilian city of Saupé in December 2008, it launched the Summit of Latin America and the Caribbean (CALC), which was broadened to include Central America and Mexico. The forum did not include any outside powers, be they the US, Europe or Spain. And its goal was to become a formal institution that would coordinate the various integration bodies at the regional and sub-regional level.

The big question is whether this reality stems from the vitality and dynamism of Latin American integration, or, to the contrary, is another reflection of the inherent weaknesses in a process that has failed to make sustained and solid progress since it was launched in the 1960s. Another question is whether there is a new cycle of regional integration marked by, as Sanahuja puts it, new 'post-liberal' agendas of integration that give special emphasis to the political dimension, security, defence, coordination of energy and infrastructure policies and in general to non-trade-related issues (Sanahuja, 2009b, p. 194, and 2009c, p. 21-24), or, to the contrary, is this the end of a cycle, that of 'open

regionalism', which has been developed since the 1990s, with no signs of a new cycle emerging and the consequences this will hold for Latin America over the short and medium term. In any case, what is being faced is a situation of confusion, with many question marks and much uncertainty. It does not, in general, favour progress in relations between the EU and Latin America or the formulation of a new strategy by the EU.

Then, there is the rupture that is occurring in the regional integration process as a result of the formation of a North American area, led by the US and also including Canada, Mexico, Central America and the Caribbean, through free-trade agreements that might eventually be extended to South American countries, also with free trade accords with the US, which is paying special attention to Asia.

Finally, in concluding this analysis of the complex scenario of Latin American integration, it is impossible to ignore the effects of the many free-trade accords that Latin American countries are signing with nations outside the region. In the case of accords that have been signed with the US or are pending –these have come to sit high on the agenda of some countries in the region and hold an undeniable ideological weight– the effects can be devastating for Latin America's processes of integration if such agreements become an anchor for these nations. That is because the agreements involve commitments which are sometimes at odds with the idea of integration, especially in terms of tariffs and rules of origin.

In the case of the Association Agreements which the EU has signed with Chile and Mexico or is in the process of negotiating with Mercosur, Central America and the CAN countries, although these agreements advocate regional or sub-regional integration they can also exert negative effects, especially if the EU changes its strategy definitively and openly opts for the tactic of negotiating bilateral arrangements.

The problem arises very clearly in EU negotiations with CAN. Although in principle the EU continues to back a regionalist strategy, as shown in the Lima summit, in January 2009 the European Council decided to limit inter-regional negotiation between the EU and CAN to political dialogue and cooperation. Trade talks with reserved only for countries willing to accept the 'WTO-plus' format. This was the case of Colombia, Peru, and, with strict conditions, Ecuador. Bolivia rejected clauses on investment and intellectual property. The EU decision suggests a shift in strategy.

If EU negotiations remain deadlocked with Mercosur, over the medium-term talks could open on an Association Agreement and free trade with Brazil and possibly some other country of the Mercosur bloc. In fact, the EU has already established a Strategic Partnership with Brazil, on 4 July 2007. Although it is limited to the political realm, it paves the way for that bilateral strategy to move into the trade area.

Furthermore, all of this would have a very negative effect on the future of UNASUR. Its development is based precisely on the idea of convergence between Mercosur and CAN.

To sum up, the Latin American situation in terms of integration, which has traditionally shaped the entire EU regional strategy toward Latin America, has changed dramatically since the 1990s. The EU lacks a strategy adapted to new realities. Nor does it have clear reference points or negotiating counterparts that would allow it to opt for a renewed, regionally-oriented strategy as it tries to design a new model for relations with Latin America. If they succeed, EU trade talks that have begun with Colombia, Peru and Ecuador mark a possible change in model.

(e) The absence of unity of action in Latin America's dealings with the EU. Latin America is significantly weakened in making demands of the EU because it lacks unity of action and the region's countries have different interests in their relations with the EU. As a result of this, Latin America lacks clear, shared ideas as to what it wants from the European bloc.

Lobby groups have an important influence on EU decision-making. However, Latin America has been unable to come up with one of its own, with enough weight to have an effect on the formulation of EU policy. Neither the countries of Latin America as a whole, or as subregional groups, nor the Group of Latin American Ambassadors in Brussels, have managed to act with a single voice. The national interests of individual countries in the region have always taken precedence over any shared goal. Further weakening Latin America's position is the fact that neither the governments of the region nor its societies really know what they want or expect from the EU, aside from legitimate and long-standing complaints against the EU's Common Agricultural Policy and demands for Europe to open up its markets to Latin American farm goods and livestock. This runs the risk of reducing agreements with the EU to simple trade accords and thus having a very limited vision of the possibilities that having ties with the EU opens up in other areas.

Among other reasons, this is because there is great asymmetry between the two regions, and because the countries of Latin America do not have the same interests in their dealings with the EU. While trade ties are important for some countries, such as those of the Mercosur grouping and Chile, they are less so for other nations, and the same applies to investments. This is also the case when it comes to development aid, which is of vital importance to some countries, especially those of Central America and to a lesser extent the Andean countries, while this is not so much the case for other nations. The impact of remittances also varies from one country to the next.

This lack of a common, single voice in Latin America is even more pronounced now because of the growing heterogeneity and political and economic division that characterises the countries of Latin America.

In fact, in the history of relations between the EU and Latin America, it has almost always been the EU which set the agenda and designed the strategy and model for ties with the other region (Arenal, 1997). There were no shared ideas for Latin America to defend. Its countries dealt with the EU on a bilateral level.

To sum up, as Sanahuja has said, Latin America must be aware that the EU is defining the region's options. To a large extent, Latin America's response will depend on the region's deciding what it wants to be, how it wants to be seen and what it wants to do with its own integration process (Sanahuja, 2006, p. 83).

(2) A New Regionally-Oriented strategy, or a Focus on Bilateral Ties?

In light of what has been discussed here, it is clear that neither the global scenario, nor those in Latin America or Europe, are in general favourable to an intensification and deepening of ties between the two regions. Therefore, it is not likely that negotiations currently under way for the EU to sign Association Agreements with Mercosur and CAN will succeed, at least over the short term. Talks with Central America do seem to be progressing with no major problems. Thus, in this context it is very unlikely that the Bi-regional Strategic Partnership, first proposed at the Rio de Janeiro summit in 1999, will come into existence.

All in all, as stated at the beginning, the underlying problem goes far beyond whether there is a favourable or unfavourable context for relations between Latin America and the EU. In any case, that context might change in coming years, in one direction or the other.

The main problem, which is nonetheless related to changes in said scenarios, is that relations between the two regions are still based on suppositions characteristic of the second half of the 1990s. They reflect world, European and Latin American realities quite different from the current ones, different Latin American and European interests and a Latin American integration cycle that has come to an end. At this point, it is increasingly clear that the regionally-oriented strategy the EU has pursued in its relations with Latin America since the second half of the 1990s no longer makes sense, and therefore will not serve to re-launch these ties at the end of the first decade of the 21st century. An added problem is that the countries of Latin America do not have clear and shared ideas about the concepts that should guide their relations with the EU, nor does the latter have a new strategy, and thus a model, for its ties with Latin America.

Furthermore, it is important to consider the pronounced asymmetries that exist between the EU and Latin America, and the differences in development levels and per capita income among the countries of Latin America. These nations view bi-regional relations in starkly different terms, and this is a major obstacle to advancing toward the Bi-regional Strategic Partnership (Maihold, 2008).

Therefore, what is essential for EU-Latin American relations to advance is the design and implementation of a new model adapted to today's world, European and Latin American scenarios and, in particular, to the new and different European and Latin American interests that have emerged in them. So long as the EU keeps trying to deal with Latin America through a model typical of the late 20th century, which is the association agreement model, these relations will have a hard time advancing in a consistent and valid fashion for the countries involved.

The Seventh Summit between the EU, Latin America and the Caribbean, which will be held under the Spanish Presidency of the EU in the first half of 2010, offers an opportunity that Spain –the party most interested in developing bi-regional relations– should take advantage of by adopting a new strategy toward Latin America.

Such a new strategy should be based on elements that currently exist in relations between the two sides –political dialogue, cooperation and trade ties– and feature the following points as priorities: political dialogue, cooperation, trade, the Euro-Latin America-Caribbean Foundation, and integration of relations between Latin American and European societies into the bi-regional institutional realm.

(2.1) Political Dialogue

Strengthening political dialogue is key to improving relations with Latin America and encouraging multilateralism. But it is also fundamental for achieving progress in cooperation, advancing consistently in trade talks under way with Mercosur, Central America and part of the CAN countries, and culminating an effective implementation of the Bi-regional Strategic Partnership.

Political dialogue is the foundation for defining a new model for relations with the region, because it is this dialogue which will allow for putting both shared and diverging interests on the negotiating table and finding common, agreed positions.

Such common interests emerge in a shared drive for efficient multilateralism and bi-regional cooperation. The latter allows for contributing to the definition of a global agenda and thus to global governance in key areas such as managing global resources, peacekeeping, climate change, food and energy security, democratic governability, the war on poverty and inequality and the fight against international organised crime. But these interests also emerge in the strengthening of the role of both regions as forces capable of acting in coordinated fashion with relative autonomy on the global stage.

That political dialogue also allows for addressing contrasting interests, especially on trade issues in the Doha Round of talks and therefore in negotiations on Association Agreements, on the issue of investment safety, reform of the international financial system and emigration, and in finding points of agreement that favour both sides.

The dialogue has to stem from the bi-regional mechanisms that already exist (Alemany, 2007), when it comes to specifying common and divergent interests at stake, setting priorities, articulating in practical terms policies of regional and bilateral cooperation, and establishing obligations on both sides. But it also has to work in overcoming disagreements and opposing positions that hinder progress in trade talks. In all of this one must utilise not only the various forums for inter-regional dialogue –which take place with the region, with sub-regions and with countries at the bilateral level– but also specific rounds of dialogue that centre on the environment, security, social cohesion, drug trafficking and migration.

It is clear that the division and differing political and economic viewpoints that now characterise Latin American countries –especially, but not only, among the CAN countries– make it necessary to boost bilateral or sub-regional dialogue. But even more importantly, one cannot go on with the proliferation –and subsequent fragmentation– of dialogue into many different bilateral, sub-regional and inter-regional forums, which also lack adequate mechanisms for following up on whatever agreements are reached. This proliferation and dispersion of dialogue also lowers people’s level of interest, especially on the European side, and serves as a disincentive for officials at the ministerial level to take part in so many different rounds of talks.

One possible way to overcome this compartmentalisation of dialogue is through enhancing the sector-based kinds of dialogue, which also touch on key issues in the bi-regional agenda (Gratius, 2007, p. 87), generating a more consistent agenda for dialogue. These forums also allow for updating debate on shared values, introducing in its core a dialogue on the rules that govern each region (Díaz Barrado, 2008, p. 21-23). These sector-based kinds of dialogue also facilitate the establishment of positions on some of the most important global challenges that both regions face, and the promoting of efficient multilateralism. The latter is one of the international signs of identity of Latin America and the EU.

Evidence of this are proposals from the Euro-Latin American Parliamentary Assembly (Euro-Lat) to create a ‘Euro-Latin American Charter for Peace and Security’ and a bi-regional body for conflict prevention.

Even with all of this, and despite the difficulties that exist, it is still necessary to work through the European-Latin American summits to institutionalise a truly inter-regional political dialogue, one that includes the issues just mentioned and features, on the Latin American side, the region as such, with an agreed agenda and common positions on how to deal with the EU. Dialogue with the Rio Group will have a hard time serving this function. However, the momentum established first by UNASUR and later by the summit of Latin American and Caribbean countries, in Sauipé in mid-December 2008 –besides South America, Central America, Mexico and the Caribbean took part, including Cuba–

might offer a way to open up a truly bi-regional dialogue and work toward the practical articulation of the Bi-regional Strategic Partnership.

In order to do this, it would be necessary to create a *pro-tempore* secretariat at the EU-Latin American and Caribbean summits. It would be made up of the State that organised the previous summit and the one that is holding the next one, and by representatives of the European Commission and the corresponding Latin American sub-regional organisation. The secretariat would provide continuity for the agenda and allow for it to be followed up on. The Iberoamerican summits –which have a *pro-tempore* secretariat bringing together a significant part of the countries of Latin America, plus Spain and Portugal– might provide a useful model for creating such a body.

(2.2) Cooperation

As was reiterated at the Lima Summit, support for regional integration and social cohesion are the two top goals of cooperation with Latin America. Both involve encouraging democratic governability. These objectives must be retained, although they need to be adapted to new realities, interests and challenges which, as seen, are raised by bi-regional relations.

Support for regional integration has been one of the foundations of EU cooperation and trade talks between it and Latin America since the 1980s. As Sanahuja states, in Latin America the EU wanted to see a ‘mirror’ reflection of its own experience with integration, both in economic and political terms. One of the most pronounced differences between Europe and the promoters of the ‘Washington Consensus’ was European support for regional integration (Sanahuja, 2006, p. 78).

But now, in light of the heterogeneities and political divisions that exist in Latin America, it seems to have lost some of the strength it had until recently, as seen in the negotiations with CAN. The key question is whether the EU should maintain that goal as a priority or, to the contrary, should just opt openly for dealing with countries at a bilateral level and forget about following a regional approach.

The issue is an important one. At stake is the entire strategy that the EU has followed up to now in its dealings with Latin America. If the EU does choose to go bilateral, this would not only mark a radical shift, but would also amount to elimination of what has been and is its own strategy for political, economic and social development and thus its *raison d’être* as an international stakeholder.

In this sense, support for integration should continue to be a top goal in EU relations with the region, as much as Latin America’s heterogeneous scenario might not favour the realisation of such integration. The reason why the EU should retain this goal is that it has traditionally supported regionalism and inter-regionalism as tools that enhance

multilateralism, political stability, economic and social development and the collective search for global wellbeing.

However, that goal must be made compatible with effective progress in bi-regional relations; regional integration in Latin America cannot stand as an obstacle to such progress. This means that support for integration must be made compatible –by creating incentives, in a consistent and inter-related fashion, for political dialogue, cooperation and trade relations in regional and sub-regional terms– on the basis of the principle of social cohesion, where possible, with the development of intense bilateral relations with certain states, when divisions, heterogeneity and difficulties become unsurpassable obstacles in the EU's first line of activity.

This is the approach the EU is currently following in the region. But in the new model of relations it has to develop, the approach needs to take some new ideas into consideration. On the one hand, it needs to keep in mind the new, 'post-liberal' integration map that is taking shape in the region; the new approach must openly inspire the defining of a new strategy and will thus become more consistent. Finally, it must become a goal that is present in a coherent fashion, not an isolated one, in the entirety of EU policies with Latin America.

Support for social cohesion, directly linked to support for integration, has been another of the EU's top goals in its relations with Latin America. This is in line with its own integration experience, in which integration and economic and social development of its member states have been inseparable.

It is true that in Latin America, inequality in economic and social development and social inequality are much more pronounced than in the EU; the deep divisions and political heterogeneity that currently exist in Latin America translate into opposing ideas on policies for social cohesion. And the European model cannot simply be exported as is to a region with very different features. But it is also true that the EU should continue to promote the principles and tools of a model for social cohesion and correction of asymmetries that, to date, has been tremendously successful in Europe. Europe needs to make whatever adjustments are necessary for Latin America.

The issue of social cohesion should be made fully present not just in the area of cooperation, but also in political dialogue and in trade talks because it is a central element for the development of bi-regional relations.

So far the biggest advance in this area has been the programme called EuroSociAL (Regional Programme for Social Cohesion in Latin America). But clearly it is not enough. With that in mind, first of all the new EU strategy for relations with Latin America should embrace the goal of social cohesion within the entirety of those ties and the tools for

cooperation, both at the regional and bilateral level, going beyond the prevailing sector-based ideas and the lack of complementarity among the various tools; secondly, social cohesion must be included on the agenda for political dialogue and in the negotiations aimed at reaching Association Agreements; third, the new strategy should take into consideration Europe's own experience in articulating complementary policies that address existing asymmetries from different angles; fourth, the EU should apply a criterion of policy flexibility which, to the extent that is possible, will allow it to adjust said policies to the different Latin American realities and the different political ideas on social cohesion that characterize the countries of the region; finally, it needs to overcome the shortage of resources in this area, a challenge which does not look easy to meet in the current situation of economic crisis.

As stated, in order to achieve these goals it will be necessary to strengthen and enhance cooperation with the region, not so much through new tools, which in the case of support for social cohesion will in fact be needed, but rather mainly by improving those which already exist. These should be placed in the framework of a strategy and clearly defined, common priorities; these existing tools should be made full compatible with each other; they should be coordinated better, reducing the way they are currently spread out. They should also be simplified even more and made more flexible, so that they can be adjusted more easily to suit the different situations that exist in the countries of Latin America. Therefore, achieving these objectives requires the defining of an integrated, consistent agenda for the development of middle-income nations.⁴

It also involves coordinating EU cooperation policies with those of its member states, so as to make them complementary and avoid dispersion of efforts. An opportunity to make progress in this area will be provided by the 2nd meeting of EU cooperation agencies operating in Latin America. This is to be held in the first half of 2010, under the Spanish EU Presidency, before the next summit among the EU, Latin America and the Caribbean.

(2.3) Trade

Trade is the third pillar on which relations between the EU and Latin America have traditionally been based.

A European Commission statement issued in 2005 calling for enhanced association between the EU and Latin America, and the Lima summit, reaffirmed the goal of creating a network of association agreements between the EU and all the countries of the region, as well as its integration associations. But that strategy was based on the integration map of the early 1990s, which bears little resemblance to the one taking shape now.

Even though all of Latin America and the Caribbean, except Cuba, have institutionalised their trade relations with the EU, the situation is far from homogeneous. Whereas Mexico

⁴ For a new cooperation strategy with Latin America, see Sanahuja (2008), p. 31-34.

and Chile have signed Association Agreements, which involve free-trade zones with the EU, as did the CARIFORUM countries recently, Mercosur, which has a third-generation accord, is deadlocked in its negotiations with the EU for the signing of an Association Agreement. Central America and the CAN grouping have GSP-plus status, and third generation-plus agreements, which they are not entirely happy about. They are negotiating Association Agreements, with widely differing expectations.

All of this raises the prospect of a network of association agreements operating at different speeds (Ayuso, 2009, p. 192). This will complicate bi-regional relations and is not in line with the new integration movements that characterize the region. So there are questions about what the final result might be.

In any case, as said when discussing EU support for integration and the need for a new strategy adapted to new realities, it is necessary to prevent difficulties that arise over the course of negotiations, especially in the case of the CAN, from leading to what Sanahuja calls the false dilemma of 'all or nothing'. Here, 'all' means the conventional agreement format of 'WTO-plus' and 'nothing' means dumping the inter-regional approach and signing bilateral accords only with countries willing to accept that format (Colombia and Peru), while others reject it (Bolivia and Ecuador) (Sanahuja, 2009b, p. 199).

For starters, these negotiations must address with greater ambition the difficult relationship that exists between economic, social and territorial cohesion and the deep economic liberalisation entailed in an association agreement. The latter can have a negative effect on bi-regional goals of social cohesion. Sanahuja argues that this makes it necessary to consider asymmetries with tools such as evaluation of sustainability; recognition of the principle of special, differentiated treatment for less developed countries; the establishment of exceptions and transition periods in sectors where these are necessary; and a different approach to development aid. Also needed is an effort to adapt EU cooperation programs for the period 2007-13 (Sanahuja, 2009b, p. 197).⁵

The prospects for the negotiations under way with the three sub-regions are quite different. One of the factors which is having a decisive effect is the division and different political and economic positions held by the Latin American countries that make up these sub-regions.

⁵ In this context, there is still interest in the European Parliament's proposal to set up a 'Bi-regional Solidarity Fund' backed by the European Commission and other bilateral and multilateral donors. In the Latin American scenario of creation of regional tools, such as Mercosur's Structural Convergence Fund (FOCEM in Spanish), which is up and running, and the Cohesion Fund announced by the Central American customs union in December 2007, these open up opportunities for 'triangular cooperation' for the EU (Sanahuja, 2009b, p. 197).

In the case of Mercosur, the negotiations began 10 years ago but it has not been possible to reach an Association Agreement. This is because of opposing positions the two sides hold, mainly on agriculture, services and intellectual property rights. The deadlock also stems from the fact that both sides insist on waiting for a successful conclusion to the Doha round of WTO talks, which are currently paralysed, before signing one of their own. If to all this one adds Venezuela's pending incorporation into Mercosur, with all the problems that could entail for the negotiations, it is clear that over the short term, under the Spanish presidency of the EU, one cannot expect a breakthrough in the talks or the conclusion of an Association Agreement providing for a free-trade area in that sub-region.

Furthermore, these negotiations might be affected significantly by the EU's Strategic Partnership with Brazil. Although this arrangement is limited exclusively to the political realm, it opens a breach in relations with Mercosur. Over the medium term, if the EU-Mercosur talks fail definitively, given the importance of Brazil the EU might opt to sign a bilateral Association Agreement with it, as it has already done with Mexico and Chile and is negotiating with Bolivia, Colombia, Ecuador and Peru. This would effectively end the EU strategy of support for Latin American integration. It should not be forgotten that other countries which belong to Mercosur, such as Uruguay and Paraguay, have already requested bilateral Association Agreements with the EU. In any case, this new avenue of negotiation is not simple either, because the same problems dogging the talks with Mercosur would come up: services, intellectual property and agriculture.

As for Central America, the EU's talks on reaching an Association Agreement with it are moving along without significant obstacles, despite the growing political differences among the countries of the region. This is because the region has fulfilled prior conditions on customs union and does not export many products that are sensitive for the EU, except for bananas, sugar and beef. So the accord will probably be signed during the Spanish EU Presidency, in the first half of 2010.

However, the EU must address adequately the problems that stem from bi-regional asymmetries, adapting liberalisation timetables and establishing transition periods that take into account the most sensitive sectors and their social and workplace impact. In that regard, it would be a good idea to launch a Social Cohesion Forum with Central America, as sought by some countries of this sub-region.

The EU's negotiations with the CAN countries are particularly problematic. Its initial plan was to negotiate with the CAN all together, which is logical given the EU's support for integration. But this failed after three rounds of talks because of differing positions between the Andean countries, which have divided into two blocs. On the one hand are Colombia, Peru and Ecuador, and on the other, Bolivia, which does not accept the EU's trade proposals. Given this stalemate and demands from Colombia and Peru to continue negotiating, even if in a bilateral format, the EU decided to open up two parallel channels

of negotiation. One involves trade, and is being carried out en masse with Colombia, Peru and Ecuador, with Bolivia sitting it out for the time being. The other section addresses political dialogue and cooperation, and is being negotiated with CAN as such.

The greatest difficulties in the trade talks are coming from Ecuador. Besides problems arising from the country's approval of a new constitution, they centre mainly on intellectual property, services, government purchases, competition and agriculture.

An added difficulty comes from the way CAN works. Unlike Central America, it has not managed to advance in the process of trade integration in line with the terms set by the EU. The absence of a common external tariff forced the EU to accept an Initial Point of Duty Reduction in order to get the talks going. It was hard to reach agreement on that.

In any case, whether the trade talks move ahead with three countries or with the entire CAN grouping, the EU must take special care in confronting the issue of asymmetries. It has to do so in the area of trade, with compensatory measures in liberalisation timetables and transition periods, depending on the sector, and also with measures in the realm of cooperation. Strengthening political dialogue with CAN could be a big help. This could be particularly useful in the case of Bolivia so it might return to the negotiating table.

The EU has said that Bolivia can join the negotiations at any point, even after an Association Agreement is reached.

If Bolivia were to stay out of the trade talks for good and they yielded an agreement with Colombia, Peru and Ecuador, this would deal an almost certain death blow to CAN and further sap the stalemated talks with Mercosur. That, in turn, would pave the way for bilateral negotiations with Brazil and other members of Mercosur, certifying the definitive failure of the EU strategy of support for integration and the emergence of a new one based on a bilateral approach.

Despite some optimistic suggestions, it is almost certain that the talks with CAN –in either of its variants– will not yield an agreement in time for the next summit between the EU and Latin America.

(2.4) Euro-Latin America-Caribbean Foundation

The creation of a Euro-LAC Foundation, which was considered at the Lima summit, has not yet taken shape. But it would mark an important step in re-launching bi-regional relations. Such a body would allow for debate on those ties, the problems and interests that are at stake, and on common strategies. This would facilitate political dialogue, cooperation, trade negotiations, the participation of non-State actors in the debate and, finally, the definition of a common agenda and a new EU strategy. But creating such a foundation is no easy task because some European countries are opposed.

Although on this issue the interests at stake within the EU are many and varied, Spain should continue to be a firm advocate of creating this foundation and raise the proposal during the EU-Latin America, Caribbean summit in the first half of 2010.

(2.5) Integration of Relations between Latin American and European Societies into the Bi-regional Institutional Realm

This is another pending challenge that must go beyond the modest progress achieved so far in this area (Alemany, 2007, p. 55-62), if the two sides want their relations to once again develop strongly.

There is a paradox at work here. Except for North America, no other region in the world has greater cultural affinity and social ties with Europe than does Latin America, in all areas. However, not only does Latin America not enjoy relations with the EU that are commensurate with these links, but rather that social dimension is practically absent, save some small progress, in institutional relations between the two regions. This circumstance has a negative effect on development of those relations, and on dialogue, cooperation and trade. It also prevents Europe from understanding the importance that those relations hold for the EU's role in the world.

Therefore, it is necessary to incorporate social stakeholders, NGOs, companies, foundations and associations to the institutional dimension of bi-regional relations, especially in dialogue between the two regions, as a way to enhance mutual understanding and adapt the bi-regional agenda to better suit social and economic needs.

(3) Conclusions

Evidently, it will not be easy to implement all of these observations and proposals for ending the stalemate in bi-regional relations and re-launching them with a strategy adapted to the new scenarios in the world in general, in Europe and in Latin America. This is a result of the difficulties that have been discussed, which are compounded by the global economic crisis. However, Spain –because of its special interest in Latin America, its responsibility for Latin America within the EU and as host of the next summit– must strive to overcome these problems and fashion a new model for bi-regional relations.

In the 1990s the EU was able to have a common strategy for Latin America that simply established differences among countries based on their level of development and potential for economic development, through third- and fourth-generation cooperation agreements. Now, however, there is no new strategy adapted to the new realities and challenges in the region, and for that matter it does not seem that a one-size-fits-all approach would work anyway.

As seen, it is essential to articulate a new model with general principles that establish a framework for relations between the two regions. The model must take into account the new dynamics of integration that have emerged, and the pronounced heterogeneity of Latin American countries, not only in economic development and social cohesion, but also and especially in ideological, political, economic and social terms. This circumstance entails making a regional-based strategy compatible with bilateral approaches. It complicates the design of such a model adapted to the new realities and capable of re-launching bi-regional relations. It also discourages the efforts that must be made in an EU which, as seen, does not have all that much interest in Latin America.

In any case, in the search for this new model of relations, Spain must use its own policy and Iberoamerican dialogue, at the bilateral and regional level, to try to overcome the problems that stem from the situation in Latin America and facilitate a coming together of the different political, economic and social positions that characterise the countries of the region. But besides this, Spain must seek the support of those nations, who have the most to gain from a re-launching of bi-regional relations.

In order to achieve this goal, above all Spain must try to muster more support within the EU for the re-launching of relations with Latin America. Its hosting of the next summit can facilitate the task tremendously. On the one hand, Spain must again seek the backing of the countries which have traditionally shown the most interest in Latin America, such as Germany, France, Italy and Portugal. At the same time, it must try to convince new members of the importance of having relations with a region with which Europe shares a culture and common values, and the opportunities that such ties give the EU when it comes to projecting itself internationally.

Spain is not alone in this task. Both in Latin America and Europe there are stakeholders and institutions that are clearly in favour of deepening bi-regional ties. To mention one of the main ones, there is the Euro-Latin American Parliamentary Assembly. In a drive that is perhaps too pro-active, but still relevant, it has called for an all-encompassing association agreement between the two regions that would include all the pillars of association, including the social and cultural areas. The overriding goal, among others, would be to establish gradually a free-trade area between the two regions.

In summary, at this point it is only through the introduction of a new model for relations between the EU and Latin American that there are prospects for making real progress toward the decade-old promise of a Bi-regional Strategic Partnership.

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