



Gloria Carrión Fonseca

with the collaboration of:
Francisco Mendoza and Enrique Alaniz

Transatlantic Trade and Investment Partnership between the European Union and the United States: Challenges and opportunities for bi-regional relations between the EU and Latin America and the Caribbean



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Hagedornstraße 22

20149 Hamburg, Germany

www.eulacfoundation.org

AUTHORS :

Gloria Carrión Fonseca

with the collaboration of

Francisco Mendoza and Enrique Alanis

TEXT REVISION AND EDITING:

Arturo Esquivel, Viviana Lozano and Bettina Trueb

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INTRODUCTION

Given the complexity and eventual stagnation of trade negotiations at the World Trade Organization (WTO), the number of regional trade agreements between developed countries and developing countries has grown dramatically in recent years. The United States led this process in the 90s followed by the European Union. Currently, there are a number of free trade agreements (FTAs) around the world that govern trade flows to these markets. According to the Economic Commission for Latin America (ECLAC) the nature of these regional agreements is, in its majority, primarily bilateral (2013a: 61).

Latin American and the Caribbean (LAC) countries have entered into these political-economic dynamics, negotiating and signing FTAs with the United States, the European Union, as well as some Asian countries and members of the Association of South-East Asian Nations (ASEAN). Moreover, Costa Rica and Panama signed a free trade agreement with the European Free Trade Association (EFTA), which include Switzerland, Norway, Iceland and Liechtenstein.

With the exception of Bolivia and MERCOSUR countries, Latin American and Caribbean countries have already established free trade agreements with the United States and/or the European Union. MERCOSUR countries, however, are currently negotiating an Association Agreement with the European Union. Bolivia has also expressed interest in negotiating a bilateral agreement with the EU (Economía & Mercados 2010; La Razón 2014). Meanwhile, Ecuador has recently concluded negotiations for a Multi-party Trade Agreement with the European Union (Andes 2014).

The regional trade integration agenda, however, seems to have reached a new level of depth on a world scale, having clear implications for international trade governance. Currently, a number of countries are negotiating trade agreements called mega-regional agreements, due to the size and importance of the economies involved.

In fact, countries such as Australia, Brunei Darussalam, Canada, Chile, Mexico, Malaysia, New Zealand, Peru, Singapore, Vietnam and the United States are negotiating the Trans-

Pacific Partnership (TPP) Agreement, and, in turn, the United States and the European Union have begun negotiations for a Transatlantic Trade and Investment Partnership (TTIP) Agreement.

Other mega-regional or mega-bilateral agreements are also under negotiation. However, this study will only focus on the transatlantic agreement between the U.S. and the EU. The importance of these economies worldwide and the fact that these negotiations are not primarily focused on tariffs¹ means that their policy implications will profoundly impact the architecture of international trade.

If this negotiation process is finalised, the TTIP agreement will become the most important regional free trade agreement in the world in terms of its economic impact. According to the European Union, this agreement could increase gross domestic product (GDP) in the EU by 0.5 percent annually and in the U.S. by 0.4 percent.² According to the Centre for Economic and Policy Research (CEPR) [2013], 80 percent of the potential gains of the Transatlantic Trade and Investment Partnership would result from the reduction of bureaucratic and regulatory barriers and the liberalisation of trade in services, as well as government procurement.

While this agreement could benefit both partners in the context of the current economic crisis, it could also have profound political and economic impacts on other regions of the world like Latin America and the Caribbean. Thus, potential TTIP impacts will need to be analysed in light of the results of the ongoing negotiating process.

This study aims to identify major trends and possible TTIP implications for Latin America and the Caribbean. Moreover, its objective is to contribute to the debate on the future of bi-regional relations between the European Union, Latin America and the Caribbean. Therefore, it is essential to highlight that since TTIP negotiations are taking place at the time of writing, any pronouncement on its results would be highly speculative. For this reason, this analysis focuses mainly on identifying potential opportunities and/or challenges for the LAC region in the context of these negotiations.

In order to provide empirical data and given TTIP potential implications for international trade governance, eleven in-depth interviews were conducted with trade negotiators World Trade Organisation from Latin America and the Caribbean (Argentina, Chile, Mexico, Guatemala, Costa Rica, Jamaica, a member country of the Andean Community of Nations³) and the European Union, as well as with experts in intellectual property rights and regional integration in Geneva, Switzerland.

¹ The average tariff rate is approximately 4.5%.

² United States & European Union (2013).

³ The negotiators from this country asked not to be identified. They also asked for their country not to be identified.

Most negotiators from other countries also asked for anonymity, but consented to the name of their countries being mentioned in this study.

1 CONCEPTUAL FRAMEWORK AND BACKGROUND INFORMATION OF TRADE AND INVESTMENT PARTNERSHIP NEGOTIATIONS BETWEEN THE USA AND THE EU

Political and economic relations between the U.S. and the EU have a long history. Historically, both have been political allies. However, the coming together of both regions and the initial attempt for a possible economic partnership began in 1990 when the United States and the European Union jointly signed the Transatlantic Declaration in which they established areas of common interest.⁴ From that moment, economic cooperation was outlined as one of the top priorities in the declaration.

From the 90s onwards, a series of summits were celebrated which lead to the signing of new agreements and interregional cooperation frameworks. These brought the relations even closer. However, it was not until 2007 when both regions developed three proposals for what a possible Partnership Agreement between the EU and the U.S. could contain.

The first proposal consisted of the creation of an integrated market with greater cooperation and transparency in establishing regulatory policy and the creation of technical standards which aimed to preserve competition in both regions of the global market (Iñíguez 2007). The second proposal focused on the complete economic liberalisation of both economies based on the gradual and systematic removal of investment and trade barriers (Ibid).

⁴ a) Economic Cooperation (to strengthen and enforce the rules adopted by GATT and OECD, to develop a dialogue around TBTs, competition policy and transportation, etc.); b) Educational, Cultural and Scientific Cooperation (exchanges and joint projects in science and technology, academic exchanges); c) Transnational Challenge (join efforts in combating terrorism and other threats to international security, environmental protection, prevention of the proliferation of nuclear weapons); d) Institutional framework of consultation (areas of high-level dialogue: presidents, ministers, cabinet members promise to attend annual summits). Transatlantic Dialogues are created for Businesses, Consumers, the Environment and Work (United States & European Union 1990).

Table 1.1 Background and TTIP timeline

1990	Declaration of US-EU Transatlantic Relations.
1995	Creation of the New Transatlantic Agenda (NTA).
1998	Joint statement on the Transatlantic Economic Partnership.
1999	Agreement on mutual recognition between EU-US.
1999	Creation of Transatlantic Legislators' Dialogue.
2005	Joint declaration on the Initiative to Enhance Transatlantic Economic Integration and Growth
2007	Framework for Advancing Transatlantic Economic Integration between the EU-USA. Creation of the Transatlantic Economic Council.
2010	Progress in regulatory cooperation and innovation as a result of work of the Transatlantic Economic Council.
2011	Creation of the High Level Working Group (HLWG).
2012	High Level Working Group Interim Report.
2013	The European Council passes a Global Trade Agreement. High Level Working Group Final Report. President of the USA announces his intention to notify Congress of TTIP negotiations. US-EU Joint Declaration to initiate necessary internal processes to launch TTIP negotiations. The European Commission agrees a draft mandate for TTIP negotiation. Obama Administration notifies the US Congress of the intention to commence TTIP negotiations. The Committee on International Trade of the European Parliament (INTA) issues a resolution for the preparation of the negotiation mandate for TTIP. The European Parliament issues said mandate. Official launch of TTIP negotiations. First, second and third rounds of negotiations are conducted.
2014	Creation of the Expert Group that advises the EU in negotiation processes. The fourth, fifth and sixth rounds of negotiations are concluded.

Source: Own

The third and final proposal formulated the economic partnership of both partners through the convergence of the respective regulations, particularly in areas such as intellectual property, cooperation on energy and environmental issues as well as the promotion of efficiency and competitiveness (Ibid). This proposal was put forward by the German Chancellor, Angela Merkel, and ended up being elected to guide the ongoing partnership process.

During the 2007 Summit, the European Union and the United States created a Framework for Advancing Transatlantic Economic Integration. This established a shared commitment towards the elimination of transatlantic trade barriers (United States & European Union 2007). As part of this framework, the Transatlantic Economic Council was also created, whose objective was, and still is, to direct and accelerate the partnership process, advising leaders in both regions and, similarly, facilitating cooperation and dialogue between policy makers and stakeholders.

Later, during an EU-US Summit in 2011, the High Level Working Group was established. This group emphasised that “transatlantic trade and investment are the central pillar of the global economy” (HLWG 2013). In 2013, the Group urged a speedy negotiation of a Treaty that was ambitious in three main areas: access to markets, non-tariff measures and barriers, and intellectual property.

TTIP negotiations were officially launched on the 5th of July 2013. The first round of negotiations was held in July 2013 in Washington, DC. Until now, six rounds of negotiations have taken place, both in Washington and Brussels.

THE THREE PILLARS OF THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP

The first pillar is market access for goods and services, investment and government procurement. Both the USA and the EU aim to achieve trade opening beyond other regional agreements previously negotiated. According to the ECLAC, tariffs between the two are currently low. However, since goods account for about 65 percent of bilateral trade, “any reduction in tariffs will have a major impact on [trade] flows” (2013:70).

The second pillar is that of regulatory convergence. The importance of this pillar lies in the differences, especially cultural ones, that prevail in the internal regulations of both partners and impact both goods and services such as: cars, agricultural products, chemicals, pharmaceuticals, cosmetics and financial services.

The third pillar focuses on the regulation of issues that go beyond the bilateral/transatlantic context and relate to the governance of global trade in systemic terms. This negotiation represents “an opportunity to agree new disciplines on topics of common interest that are currently insufficiently regulated in the WTO agreements”(Ibid). In other words, these negotiations pose a scenario of WTO`plus plus disciplines. Some areas of interest are: trade in raw materials and energy, state enterprise operations and the so-called “localisation barriers to trade.”⁵

According to a report by the European Commission on the state of negotiations, some of the sensitive areas in negotiation are: regulatory coherence, investors’ protection, technical barriers to trade, sanitary and phytosanitary measures, and geographical indications in the context of intellectual property (European Commission 2014).

Promoting competitiveness for both blocs is a prevailing necessity. For the EU, this and other agreements with third-party countries have become key elements in the framework of a compre-

⁵ These barriers are defined as measures designed to protect, promote or encourage industries or local service providers and the local development of intellectual property, at the expense of imported goods and services and intellectual property developed or controlled abroad (HLWG 2013).

hensive competitiveness strategy whose objective is, amongst other things, to ensure the status quo of European companies in the “comparative advantages” of the future economy, especially in the context of the emergence of new global competitors such as China, India, Brazil, Russia, and South Africa (Carrión-Fonseca 2012). Currently, China is not only a strong competitor for both blocs in terms of production but it is also, and ever more, a competitor in technology and knowledge creation.

During the period of 2000-2007, private sector Research and Development (R&D) spending as a share of gross domestic product (GDP) experienced a sharp increase in Japan, China, Singapore, and especially in the Republic of Korea. On the contrary, R&D spending remained stable in Germany, France and the UK, and it experienced a slight decline in the Russian Federation and the United States (UNESCO Press 2010). Both the TPP and the TTIP aim to restore competitiveness against China, which along with Russia are two of the largest economies absent of both frameworks. In the Pacific there are two competing processes: one without China (TPP) and one with China, but in absence of the United States.

The strengthening of intellectual property rights and the liberalisation of investments and services are the structural elements of this competitiveness strategy. The EU document *Global Europe: Competing in the World*, clearly outlines that knowledge, innovation, intellectual property and services are essential tools for Europe to ensure its competitiveness in the global economy. In this sense, “trade policy and competitiveness strategy [...] should encourage greater trade openness and stronger rules in areas of economic importance for Europe, such as investment, services, intellectual property, government procurement and competition” (European Commission 2006:8).

In terms of economic globalisation – understood as an increase in economic openness and the integration of national economies (Wade 2004:163) – the proliferation of free trade agreements and Partnership Agreements by the United States and the European Union has played an important role in the regional integration agenda since the 90s.

In general terms, these agreements propose a political-economic trade-off with crucial long-term implications for developing countries. In exchange for greater market access, developing countries have committed to standards that go beyond those established in the World Trade Organization, especially in areas such as intellectual property, investment, services, government procurement, amongst others. These commitments, however, may impact, limit, and/or deeply influence policy spaces of these countries.

In the context of trade and development debates, the concept of policy space has been directly linked to “domestic policies that encourage the development of industry, trade and investment” (South Centre 2005; UNCTAD 2001). Inherent to this concept is the idea that “governments should be free to assess the benefits of adhering to international rules and the limits and losses of policy space that may result from those rules” (South Centre 2005; Rodrik 2004).

In this sense, the notion of policy space is based on three principles of international law and policy such as sovereignty and self-determination of Nation-States, the right to develop [economically] and the principle of having special and differential treatment for developing countries (South Centre 2005). Two key elements relate to this concept of policy space including the autonomy of governments to use a diverse range of policy instruments in order to promote inclusive development and the ability of the State to orchestrate the process.

According to Rodrik (2004), countries that use their policy spaces in a substantial and effective manner, manage to develop institutional designs sensitive to local opportunities and limitations. In this sense, and according to a number of authors (Amsden 2003; Wade 1990; Amsden y Chu 2003; Rodrik 2001; etc.), the creative use of industrial, financial, and trade policy spaces has played a key role in the impressive development of South Korea, Taiwan, Hong Kong and Singapore. The governments of these countries used both national policies and international trade frameworks to develop local capacities and to absorb and adapt knowledge from other countries, thus fostering innovation processes and high-tech production.

In these countries the active role of the State in the creative management of policy spaces on the demand side (business rules) and the supply side (national policy) was key for promoting infant industries, adding value to production, promoting innovation systems for research and development, direct foreign direct investment, creating productive and integrative linkages with the domestic economy and the effective transfer of technology, and strengthening national companies that would become spearheads of the economy improving their participation in the global economy (Carrión-Fonseca 2012:6).

The emergence of mega-regional agreements like the TTIP and the TPP will impact and transform the political and economic governance of international trade. Although both agreements are currently under negotiation and their effects will only be established once the stakeholders reach an agreement, the fact that they exist as a tangible reality reflects a profound change in the economic integration strategy of existing powers. Moreover, it denotes a reconfiguration of power relations in the global economy.

Mega-regional agreements currently differ from existing regional and/or bilateral agreements in three main aspects. Firstly, mega-regional agreements are “integration associations between countries and/or regions that represent a major portion of international trade and foreign direct investment (FDI) in which one or more of the partners are leaders and/or function as centers or platforms for global value chains” (Meléndez in World Economic Forum 2014:1). Secondly, they aim to create economic spaces that transcend the bilateral logic of most existing regional agreements (ECLAC 2013a). Thirdly, the negotiation agenda covers a number of areas that go far beyond those addressed in World Trade Organization agreements (Ibid).

Today, the economic and political hegemony of the European Union and the United States in global economic institutions is being put to the test due to the rise of emerging countries. In fact, the stalemate in Doha Round negotiations in the WTO and demands for governance reforms in

the International Monetary Fund, amongst other things, illustrate the pressure and challenges that fast-growing economies might mean for traditional hegemony.

Indeed, the phenomenon of mega-regional agreements must be analysed in the context of these and other factors. On one hand, and according to Draper and Ismail (2014), the TTIP is the result of a process of cooperation and partnership between the two regions that started in the 90s. On the other hand, however, the lack of agreement in World Trade Organization negotiations has created a vacuum in an organization that was conceived as the creator of trade rules *par excellence*. This has prompted a perception of political inefficiency at the multilateral level (Ibid). As a result, negotiating areas and issues in both the TTIP and the TPP have been divided and classified as *WTO plus and WTO extra*.

Mega-regional agreements aim to meet the trade liberalisation needs of the parties involved promoting high standards that will allow them to benefit from existing and new trade and investment opportunities. In other words, members expect that these agreements advance their status in regards to global competitiveness. Finally, mega-regional agreements also reflect the United States' and the European Union's interest in maintaining a decisive role in trade and investment rule-making (Ibid).

Given the fundamental role that the United States and the European Union play in the global economy, any negotiations and eventual agreements that arise from these negotiations will have a systemic effect on international trade governance. Therefore, it is essential to inquire into the potential political and economic implications for third-party countries and regions such as Latin America and the Caribbean.

In general terms, one potential direct or indirect impact of TTIP and the TPP on third countries might be the adoption of standards that specifically respond to the interests of their parties. Although in some cases this might be positive, in others it could lead to unnecessary or counter-productive restrictions on policy spaces in highly heterogeneous regions like Latin America and the Caribbean. These impacts could also be felt in the context of regional relations between the European Union and Latin America and the Caribbean.

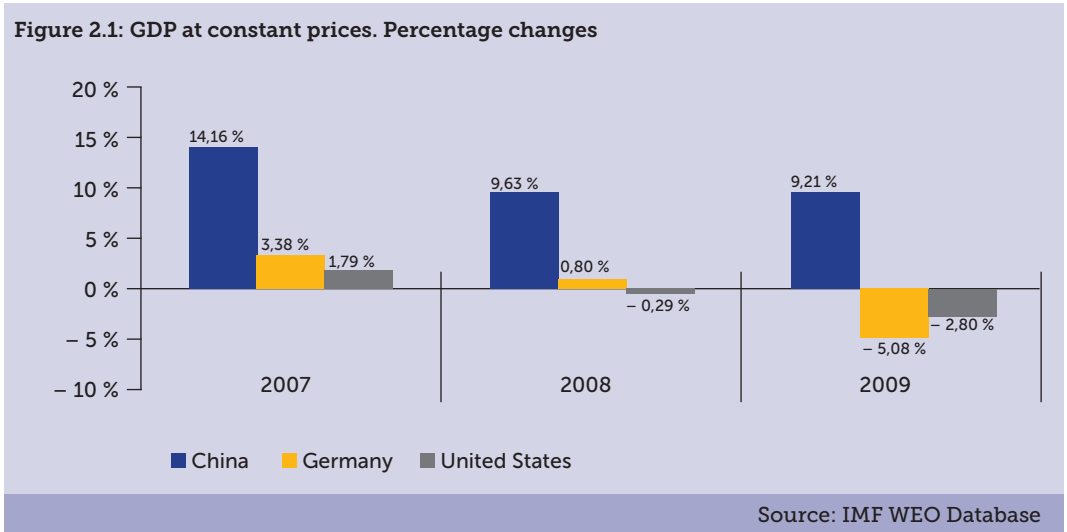
Indeed, EU-LAC bi-regional relations are already undergoing a major transformation. The rise of China and its growing presence in Latin America and the Caribbean is a major challenge for the European Union, whose trade flows could gradually lose relevance in Latin America and the Caribbean in the medium and long term. The EU currently remains an important investor in Latin America and the Caribbean. In 2011, the EU was still the second most important trade partner for the region with a 13 percent share of Latin American and Caribbean trade flows (ECLAC 2013b). However, as we will discuss in the next chapter, Asia and the Pacific are playing an increasingly important role in trade flows in Brazil, Chile, Colombia and Peru. On the other hand, interdependence with the United States has increased in Central America and the Caribbean (Gratius 2013).

Finally, the emergence of economies such as Brazil, Chile and Mexico and to a lesser extent Peru and Colombia, as well as the crisis in the Euro zone have rendered the old geopolitical categories of “North” and “South” obsolete. It is therefore essential to dwell on new paradigms that reflect the political and economic transformations underway, which will impact on the emergence of a potentially new political and economic order at the international level.

2 TRADE, INVESTMENT AND LABOUR MARKETS: TRENDS IN LATIN AMERICA AND THE CARIBBEAN

The emerging economies, and particularly the Chinese economy, have experienced sharp and rapid growth. In fact, between 1980 and 1993, GDP in China increased at an annual rate of 8.2 percent (Ray 1998). This dynamic economy has generated new consumer patterns on a domestic level, as well as new investment trends and the creation of new goods and services markets of greater added value.

On the contrary, and given the effects of the economic crisis that affects the EU and the US, both regions have not grown with the same impetus. These, however, continue to be the highest income countries per capita in the world. According to the World Bank (2013), the GDP/capita of the US in 2012 was US\$50,000 while in the European Union it was US\$32,000 on average. China's GDP/capita was US\$9,060.



In the context of the 2008 economic crisis, China showed a resilience that allowed it to continue to grow, in spite of the global repercussions of the crisis. Figure 1.1 contrasts the Chinese economy with the European (taking Germany as a point of reference) and the North American economies.

At the end of 2011, the North American economy still showed a lower income than the potential income defined by its pre-crisis trend (Thoma 2012) while Europe, and more specifically the Eurozone, was struggling – and continues to struggle – with the institutional failures that arose from the existence of a monetary but not fiscal union (Tilford & Whyte 2011).

China's growth has reduced the gap in living standards among China, the EU and the U.S. It is worth pointing out, however, that the crisis that affects the EU and the US in different ways has coincided with a relative fall in China's high growth levels, due to a lesser demand from these markets in crisis. However, in spite of this, China has become a major player in international and regional trade.

Increasing intensification of relations between China and Latin American economies reflect that this is the case (Sánchez 2013; Gratius 2013; etc.).

MERCOSUR, THE ANDEAN COMMUNITY, CENTRAL AMERICA AND MEXICO AND CARICOM

The economic performance of Latin America and the Caribbean is currently marked by heterogeneity and fragmentation. Even though the region has experienced important levels of growth in recent years,⁶ it is evident that this has not impacted all countries in the same way. According to Gratius (2013:3), there is a dividing line between the group of new powers (Brazil) and emerging ones (Colombia, Peru) and another one between countries with high levels of political and economic instability (Venezuela, Argentina), as well as countries affected by poverty and/or insecurity (Bolivia, Central America).

This is evident in the context of trade flows in these sub-regions. In the case of the Caribbean Community (CARICOM) and given the statistical heterogeneity of the countries, trade flows were identified differently compared with other regions in Latin America.⁷ Following this logic, only exports from Grenada have shown positive annual growth between 2005-2011, while the other countries' annual average export levels decrease.

There is a clearly marked trend in Latin America and the Caribbean in regards to trade flows. On one hand, the countries from the north of Latin America and the Caribbean (Mexico, Cen-

⁶ In terms of foreign trade, export levels of the economic blocs of LAC (the Andean Community, MERCOSUR, Central America and Mexico) have increased by an annual average of 7 and 14 percent for the period 2005-2011. The Andean Community is the bloc of countries that has showed the greatest average annual growth between 2005-2011, with an increase of 14.6 percent, followed by MERCOSUR which had an increase of 11 percent, and finally the region spanning Central America and Mexico, which experienced an increase of 7.25 percent.

⁷ For CARICOM, three countries with different characteristics were chosen: Firstly, a country with high economic growth and an average level of income per person in PPP (Granada) (Aten et al. 2012). Secondly, a country with moderate economic growth and a medium-high income per person in PPP (Antigua y Barbuda), and finally a country with moderate economic growth and a medium-low income per person in PPP (the Dominican Republic).

Table 2.1 Trade flows of goods and services in LAC in millions of U.S. Dollars

	MERCOSUR		Andean C.		CA & Mexico	
	Exports*	Imports*	Exports*	Imports*	Exports*	Imports*
2005	172,690.5	138,025.7	51,606.2	45,825.8	234,971.6	260,573.4
2006	198,631.2	173,462	65,181.2	56,660.4	273,170.2	300,763.5
2007	231,358.2	230,117.6	77,296.3	70,396.7	297,169	335,002.6
2008	285,926.1	309,006.6	94,520.6	92,036.5	317,957	370,519.3
2009	22,2041.9	229,977.3	79,157.3	72,342.1	254,808	282,149.3
2010	286,173.9	307,212.6	99,820.2	92,394.6	327,238.4	357,752
2011	358,986.1	376,700.8	134,721.0	121,457.3	383,550.4	421,901.1
Growth (%)	11.02	15.42	14.69	14.94	7.25	7.12
	Granada		Antigua and Barbuda		Dominican Republic	
Growth (%) (2005-2011)	3.26	0.31	-18.42	0.18	-2.08	3.31

* in US\$

Source: Based on data from central banks and institutes of information from relevant countries.

Table 2.2 Simple average of the five main export destinations in each region's structural weight

Destination	MERCOSUR	Andean C.	CA. and Mexico
Towards Brasil	22.79%	32.55%	–
Towards Colombia	11.76%	–	–
Towards the United States	11.05%	29.28%	39.64%
Towards China	10.98%	–	–
Towards Argentina	7.53%	–	–
Towards Chile	–	7.74%	–
Towards Japan	–	5.36%	–
Towards Peru	–	5.16%	–
Towards Venezuela	–	–	15.32%
Towards Germany	–	–	9.60%
Towards Salvador	–	–	9.22%
Towards Honduras	–	–	8.01%
Towards Europe	13.62%	6.22%	9.06%

Note: Missing data for the countries of CARICOM.

Source: Elaborated with data from central banks and research institutes.

tral America and the Caribbean) find themselves closely linked to the US market. On the other hand, countries from the south of Latin America have strengthened their trade ties with Asia.

According to Gratius (2013:6): “the European Union continues to be a significant trade partner for MERCOSUR and has also increased its exports with Mexico, which depends less on China (given that their exports depend less on raw material extraction than in the case of South America). However, the United States and the European Union have generally lost relevance in re-

Table 2.3 Simple average of the five main suppliers of goods in each region's structural weight			
Supplier	MERCOSUR	Andean C.	CA. and Mexico
Brazil	19.60%	9.01%	–
China	16.81%	15.78%	8.44%
The United States	12.81%	21.25%	38.02%
Argentina	9.56%	12.67%	–
Peru	6.54%	–	–
Colombia	–	8.71%	–
Venezuela	–	–	20.29%
Taiwan	–	–	8.27%
Costa Rica	–	–	8.27%
Europe	12%	12.5%	7%

Note: Missing data for the countries of CARICOM.

Source: Elaborated with data from central banks and research institutes.

gional imports. Moreover, current trade flows emphasise that China's interests in Latin America and the Caribbean lie especially in the importation of primary products.

Brazil is the most important market in the region for MERCOSUR exports. The European Union comes second in relevance while the United States and China fight over the third place in importance. It is worth mentioning that intra-regional and South-South trade is an increasingly important element in Latin America and the Caribbean. However, when compared with intra-regional trade in the European Union, it does not yet have the same weight or relevance.

Aside from Brazil, Colombia and Argentina have also become important destination markets for exports from MERCOSUR members. In the case of the Andean Community, Brazil represents its main intra-regional export destination market. However, unlike MERCOSUR countries, the U.S. market is proportionally more relevant than the European one. For Central America and Mexico (also the Caribbean), dependence on the U.S. market is even greater.

In terms of imports, China has become the main provider of goods for MERCOSUR, beyond the United States and the European Union, strengthening trade flows with this country. Moreover, as far as the Andean Community is concerned, the United States continues to be its main supplier, followed by China and the European Union, whereas in the case of Mexico and Central America, the United States is predominantly the main supplier.

Venezuela, however, comes second in relevance as a result of the market access agreements reached through the Alianza Bolivariana para los Pueblos de nuestra América⁸ (ALBA) to signatory countries – in their majority Central American and Caribbean. Unlike the other regions, China's relevance as a provider of goods is not as pronounced in Central

⁸ The Bolivarian Initiative for the people of our America.

Table 2.4 Total FDI received from the U.S. and the EU from 1994-2012

	CA and Mexico	MERCOSUR	Andean C.
The United States	176,262.44	81,406.07	49,487.47
Europe	133,148.83	272,750.91	117,500.92
Difference (Europe-The United States)	-43,113.60	191,344.84	68,013.45
Proportion (Europe / The United States)	75.54%	335.05%	237.44%

Note: The data from Mexico, Paraguay and Brazil comprises the period 1994-2013, Bolivia includes data until 2008; the graph does not include data for Venezuela, Argentina and Honduras. Data is in U.S. million dollars. CARICOM is excluded due to missing data.

Source: Elaborated with data from Central Banks.

Table 2.5 FDI destination by region and sector in millions of U.S. Dollars

CA and Mexico		MERCOSUR		Andean C.	
Energy, mining and quarrying	32,452.86	Construction	5,343.54	Mining, quarrying, oil, gas and energy	105,060.43
Agricultural sector	3,327.57	Agricultural sector	94,466.90	Business services, trade	22,419.34
Communications	12,178.69	Trade and services	220,447.27	Agricultural sector	11,406.79
Trade	13,496.95	Mining, quarrying, oil and gas	5,198.24	Transport	14,259.05

Note: CARICOM is excluded due to missing data.

Source: Elaborated based on data from Central Banks and research institutes in member countries of each region.

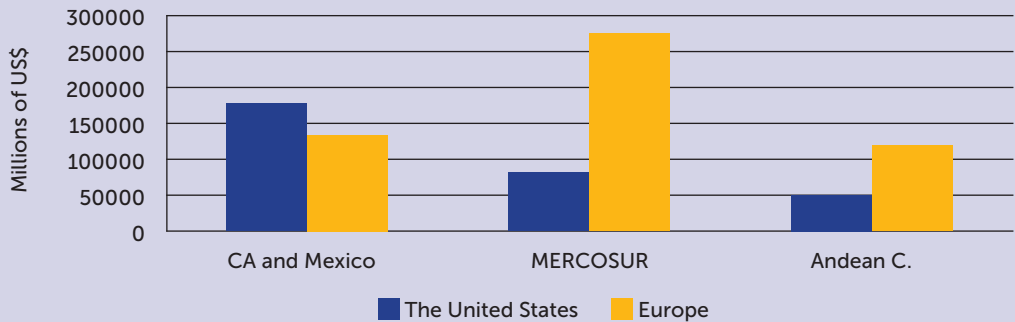
America and Mexico. However, its presence in regional imports is still greater than the European Union's.

FOREIGN DIRECT INVESTMENT

The European Union continues to be the most important source of Foreign Direct Investment (FDI) in Latin America and the Caribbean. As the following graph shows, Central America and Mexico is the only sub-region where FDI from the European Union comes in second place. The United States is the main source of foreign direct investment in these countries. However, FDI from the European Union is currently declining in this region.

According to Gratius (2013: 8), approximately half of European foreign direct investment is concentrated in Brazil, whilst in 2010 China was the third largest investor in the region after the United States and the Netherlands. Furthermore, differences between FDI flows and destinations from the European Union and the United States to Latin America and the Caribbean are clearly illustrated in Table 2.5.

Figure 2.2: Total FDI received in LAC from the US and the EU from 1994-2012



Note: Data from Mexico, Paraguay and Brazil is comprised over the period 1994-2013, Bolivia includes data until 2008; the graph does not include data for Venezuela, Argentina and Honduras. CARICOM is excluded due to missing data.

Source: Based on data from Central Banks.

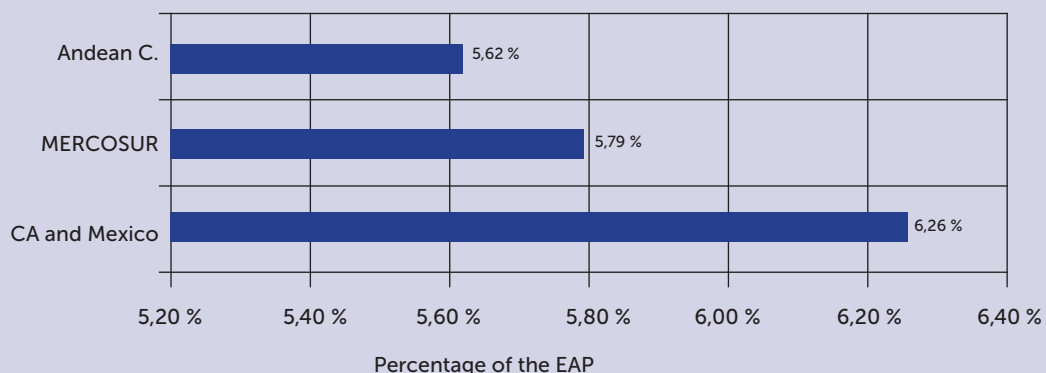
Moreover, countries from Latin America and the Caribbean are, in turn, increasingly becoming investors themselves. According to ECLAC, the Netherlands, Portugal, and France were recipients of 15 percent of FDI from Brazil, which makes this country the fifth investor in the European Union with a total of 80 billion dollars worth of investments in 2010 (Ibid).

In regards to the final destination of foreign direct investment, Table 2.5 shows that in Mexico and Central America FDI is geared predominantly to the energy sector. In MERCOSUR, FDI is mainly directed to trade and the services sectors followed by the agricultural sector. Finally, in the Andean Community, FDI is mainly directed towards mining, oil, gas, and energy sectors. This suggests that investment interests in the region continue to lie primarily in the provision and extraction of raw materials.

LABOUR MARKETS IN LATIN AMERICA AND THE CARIBBEAN

Labour market trends in Latin America and the Caribbean show (see Figure 2.3) that Central America and Mexico is one of the sub-regions with the highest levels of open unemployment as a percentage of the economically active population, reaching approximately 6.26 percent. MERCOSUR has an unemployment rate of about 5.79 percent and the Andean Community has the lowest unemployment rate reaching 5.62 percent. The following case study explores these and other socio-economic trends in four Latin America and Caribbean Countries.

Figure 2.3: Average unemployment rate in different regions as a percentage of the economically active population in 2011



Note: CARICOM is excluded due to missing data.

Source: Elaborated with on data from Central Banks and research institutes from each member country.

CASE STUDY 1: TRADE, INVESTMENT, AND LABOUR MARKETS IN 4 COUNTRIES IN LATIN AMERICA AND THE CARIBBEAN

With the purpose of further exploring the inherent social and economic heterogeneity in Latin America and the Caribbean 4 countries were selected from each sub-region: Brazil (MERCOSUR), Ecuador (Andean Community), Jamaica (CARICOM) and Nicaragua (Central America). This will shed light on the fragmented socio-economic realities in the region and the potential implications of the U.S.-EU trade negotiations. Formerly analysed regional trade flows are clearly reflected in these individual countries:

Table 2.6 Trade flows of selected countries to and from the EU and USA in 2012 in millions of dollars

	Exports			
	Brazil	Ecuador	Nicaragua	Jamaica
The United States	26,700.85	10,617.08	765.26	648.12
Europe	31,417.89	2,244.97	314.56	7 283.90
	Imports			
	The United States	Europe	Nicaragua	Jamaica
The United States	32,362.68	6,802.40	1,075.81	1,850.30
Europe	29,429.72	2,678.26	444.77	369.47

Source: Elaborated with data from Central Banks

In regards to exports, only in the case of Brazil the EU market is as – or more – important than the United States’ market. For the rest of the countries, the U.S. market is comparatively more important. Imports follow similar trends.

Foreign direct investment has meanwhile grown at highly accelerated rates in Nicaragua (23%), Brazil (24%) and Ecuador (23%) between 2009-2012 with the exception of Jamaica (-22%). In 2012, FDI in Nicaragua reached US\$ 810 million. In Ecuador it reached a total of US\$ 582 million, whilst in Brazil and Jamaica it accounted for US\$ 60.542 million and US\$ 228 million, respectively.

According to employment growth rates in sectors receiving FDI, the impact is minimal or decreasing. Employment growth rates have declined in most of the sectors where there have been larger investment flows. While in Nicaragua and Brazil the services sector shows positive annual growth in terms of job creation, it is necessary to further analyse the quality of the jobs directly created by FDI. However, this minimal impact on employment may be due to the fact that investment has been mainly directed to sectors that are not labour intensive, such as energy. In turn, it is possible that technologies being introduced in these sectors are more capital and less labour intensive.

In the case of Nicaragua, if we compare informal employment reduction rates with job creation rates in high-level FDI recipient sectors, the average growth rate of the two sectors with higher volumes of FDI is higher than the reduction rate of informal employment. In Ecuador and Brazil, informal employment reduction rates are higher than employment creation rate in these sectors. Structural changes in informal employment are not explained by employment growth in sectors with higher FDI. In the case of Nicaragua, it is important to take into account that a reduction in informal employment rates is not necessarily due to an increase in formal employment, but rather to other factors. For example, an increase in the number of workers registered in social security. This, however, in turn does not necessarily ensure that these workers have formal employment.

Table 2.7 Annual average employment growth by economic sector*

	Average annual employment growth by economic sector		
	Nicaragua	Ecuador	Brazil
Agriculture, hunting and forestry	–	–	– 4.66%
Mining and quarrying	–	– 0.52%	0.85%
Manufacturing	–	– 0.64%	– 0.64%
Trade	– 0.77%	-0.10%	–
Services	2.70%	–	3.69%
Overall growth rate (the five sectors of FDI)	0.97%	– 0.42%	– 0.19%

* Nicaragua includes years 2001, 2005 and 2009. Ecuador includes years from 2003-2012. Brazil includes years from 2004 to 2012. Information was missing for Jamaica. Source: Elaborated with data from SEDLAC.

Source: Elaborated with data from Central Banks

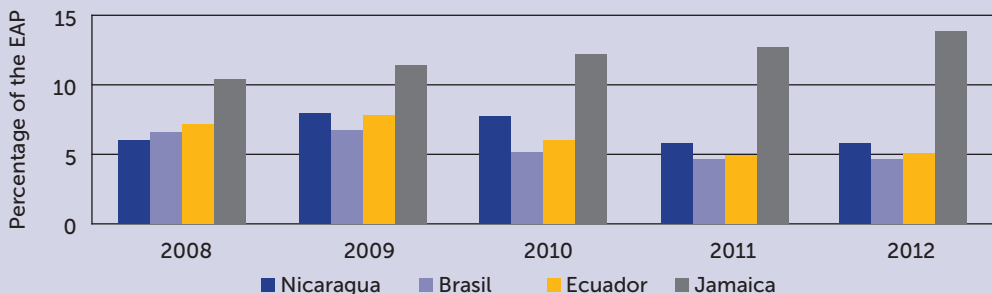
Table 2.8 Informality*

Informality	
Nicaragua	-0.58%
Ecuador	-4.48%
Brazil	-4.85%

**Nicaragua includes data from 2001 and 2005. Ecuador includes data from 2003-2011. Brazil includes data from 2004 to 2011. Information was missing for Jamaica. Source: Elaborated with data from SEDLAC.*

Source: Elaborated with data from Central Banks

Finally, labour markets in these countries, except for Jamaica, show unemployment rates lower than 7%, as a percentage of the economically active population. In fact, Nicaragua has an average unemployment rate of 6.7%. Ecuador shows an average unemployment rate of 6.26% and Brazil has the lowest with 5.6%, making Jamaica the country with the highest unemployment rate reaching 12.18%.

Figure 2.4: Open unemployment rates as a percentage of the Economically Active Population

Source: Elaborated with on data from Central Banks and research institutes from each member country.

3 POSSIBLE TTIP IMPACTS AND THE HETEROGENEITY OF FREE TRADE AGREEMENTS BETWEEN LATIN AMERICA & THE CARIBBEAN, THE EU, AND THE U.S.

In Latin America and the Caribbean, there is a heterogeneity of regional and bilateral trade agreements both with the European Union and the United States. The political-economic geography of the region rests upon a variety of mutual concessions, export quotas, tariff cuts, and standards that reflect the power relations of the partners involved and the agreements finally reached. As a result, these agreements impact on policy space and inclusive development in Latin America and the Caribbean in different ways. The potential implications from current TTIP negotiations will thus be explored from this analytical perspective.

As mentioned before, TTIP emerges not only as a result of China's exponential growth and the impact of the global economic crisis, but also due to the impasse of Doha Development Round negotiations. According to WTO negotiators, the latter plays a crucial role in current negotiations.

Although the partnership between both economies is perceived as "natural"⁹ given their common historical and cultural roots and political-economic interests, the transformation of power relations at the World Trade Organization is one of the cornerstones of current negotiations. For the European Union, TTIP negotiations pursue a clear economic benefit. However, these negotiations are particularly motivated by the lack of progress at the multilateral level and the geopolitical interests in the context emerging economic powers.

Given the crucial role that economies like China, Brazil, India, amongst others, now play at the WTO, it is increasingly more difficult for the United States and the European Union to solely assert their interests and preferences, and worldviews.¹⁰ This has led not only to the creation of new economic blocs through mega-regional agreements but also to the idea that "the old concept of Doha does not work."¹¹

With the exception of the Multilateral Agreement on Trade Facilitation reached during the last WTO Ministerial Meeting in Bali in 2013 and the plurilateral Trade in Services Agreement

Table 3.1 Free trade agreements signed and/or in negotiation in LAC

Country	Region	US	EU	Other
Antigua and Barbuda	Yes	No	Yes	No
Bahamas	Yes	No	Yes	No
Belize	Yes	No	Yes	No
Dominica	Yes	No	Yes	No
Grenada	Yes	No	Yes	No
Guyana	Yes	No	Yes	No
Haiti	Yes	No	Yes	No
Jamaica	Yes	No	Yes	No
Montserrat	Yes	No	No	No
Dominican Republic	Yes	Yes	Yes	No
Saint Lucia	Yes	No	Yes	No
St Vincent and the Grenadines	Yes	No	Yes	No
Suriname	Yes	No	Yes	No
Trinidad and Tobago	Yes	No	Yes	No
Costa Rica	Yes	Yes	Yes	Yes
El Salvador	Yes	Yes	Yes	Yes
Guatemala	Yes	Yes	Yes	Yes
Honduras	Yes	Yes	Yes	Yes
Nicaragua	Yes	Yes	Yes	Yes
Colombia	Yes	Yes	Yes	Yes
Ecuador	Yes	No	In Negotiation	No
Peru	Yes	Yes	Yes	Yes
Argentina	Yes	No	In Negotiation	Yes
Bolivia	Yes	No	In Negotiation	No
Brazil	Yes	No	In Negotiation	Yes
Paraguay	Yes	No	In Negotiation	Yes
Uruguay	Yes	No	In Negotiation	Yes
Venezuela	Yes	No	No	No
Chile	Yes	Yes	Yes	Yes
Mexico	Yes	Yes	Yes	Yes
Panama	Yes	Yes	Yes	Yes

Source: Own based on WTO

⁹ According to Mexico and Chile, TTIP negotiations arise as a natural process due to current trade flows between both economies and as a way to advance and facilitate bilateral trade. However, they consider it to be more of a political partnership rather than a technical one.

¹⁰ In the Uruguay Round (1984-1994), which gave rise to the WTO, both powers were able to assert the interests and preferences of their own multinational companies especially in areas like: intellectual property, investment, services, amongst others (Sell 2003). Developing countries were at that time mainly “rule-takers.”

¹¹ Interview at the EU Permanent Mission to the WTO, May 15th, 2014, Geneva, Switzerland.

(TISA), the Doha Round remains deadlocked.¹² The balance of power has thus certainly been altered.

The European Union and the United States, however, still maintain hegemony and symbolic power in trade negotiations.¹³ For this reason, Latin America and the Caribbean observe the ongoing negotiations between the EU and U.S. very carefully, and in some cases, with some uncertainty.

Contrary to the WTO where each country has the right to vote¹⁴ and therefore to veto an agreement (an institutional principle known as the “single undertaking”),¹⁵ current TTIP negotiations only include two actors: the European Union and the United States. Whatever both actors agree will have worldwide systemic implications.

Currently, Latin American and the Caribbean countries only participate as external observers. The majority of trade negotiators inform themselves of the state of the negotiations through the international press, just like the rest of the citizens of the world. Some, however, obtain information through informal channels.¹⁶ In general terms thus, the negotiations are taking place behind closed doors and remain confidential.

This has alarmed European civil society, in particular, demanding greater transparency from the EU. In response, the European Commission has systematically published briefing notes and studies regarding potential impacts for interregional trade and third-party countries.

POLITICAL-ECONOMIC TRADE-OFFS OF TTIP NEGOTIATIONS

Most trade negotiators and experts in Geneva agree that the market access pillar will not represent much complexity in the negotiations given that the tariff structures of both economies are similar. The majority of tariffs are relatively low, except from goods experiencing “tariff peaks.”¹⁷ However, in the European Union agricultural tariffs are relatively higher than in the United States.

¹² It should be noted that the Indian Government recently objected to sign the Multilateral Agreement on Trade Facilitation.

This could as a result turn it into a plurilateral agreement, which among other things would question the ability of the WTO to reach multilateral agreements in the future.

¹³ “What will happen if the U.S. leaves the WTO or the EU or both? It will be over, that will be the reality, in such a way that when you arrive intending to strike the table, you’re not accepting the reality of the world, for this reason I think that the TTIP is going to have a great impact on the WTO. We’ll have to wait and see. There’s no guarantee that this is going to happen, but if it ends up happening, it will undoubtedly have an impact on the WTO, and for this reason I refer to a WTO Two or WTO.2” (Interview with Chilean trade negotiators, Geneva, May 19th, 2014).

¹⁴ Founding principle of the WTO, which states that each country has the right to one vote on the approval of agreements.

¹⁵ Nothing is agreed until everything is agreed.

¹⁶ In the corridors of the WTO and informal conversations with negotiators from both blocs.

¹⁷ Relatively high custom duties that stand above the average tariff level and are usually related with “sensitive” products.

For industrialised countries, tariffs of 15 percent or more constitute “tariff peaks” (WTO 2014).

According to Harsha Singh, U.S. lobby groups will focus their attention on these tariffs since they have made significant progress in this area in the context of TPP negotiations. They will also focus on issues such as trade facilitation, services' market access, and electronic commerce.¹⁸

Instead, the European Union's interests center around opening the United States' market to their goods and services, reducing regulatory barriers and reaching an agreement on geographical indications, among other issues.

The main trade off in these negotiations, however, will most likely focus on regulatory issues such as rules and technical standards, sanitary and phytosanitary measures, and regulations for specific sectors. In other words, the central element in these negotiations will be how and to what extent standards may become equivalent.¹⁹

The latter implies a significant level of complexity in the negotiations. What is currently at stake is not only the technicalities around rules and standards, but also two regulatory cultures that respond very differently to particular socio-cultural codes and sensitivities.

Indeed, certain regulations on goods considered of cultural and social value such as cinema; the use of hormones, chemicals, or antibiotics in meat and other food production; and the consumption of genetically modified organisms are some of the areas of potential conflict in these negotiations. Both sides have thus chosen to exclude certain sectors from the agreement.²⁰

Moreover, politicians and negotiators are now referring to regulatory "coherence" instead of "convergence" in the context of TTIP negotiations. According to Christophe Bellmann, the maximum level of ambition in regulatory terms²¹ in these negotiations will most likely be the potential harmonisation of evaluation processes in regards to conformity with each country's regulations.

Regulatory coherence and a potential assessment of regulatory conformity between the U.S. and EU could lead to a reduction of existing non-tariff barriers to trade. This could be beneficial to trade flows between both parties and, in some cases, to third-party countries, especially those that have the capacity to adapt and comply with the new standards.

The latter reflects, however, an inherent inequality in the current trade system, which Guatemalan negotiators emphasize:²²

¹⁸ Interview with Harsha Singh, Senior Associate, International Centre for Trade and Sustainable Development (ICTSD), Geneva, 19th May 2014.

¹⁹ Ibid.

²⁰ For example, financial services. In exchange for this exception, the U.S. has demanded greater market access for beef and soya (Interview with Harsha Singh 2014). Europeans also propose that the audio-visual sector be excluded from negotiations.

²¹ Interview with Christophe Bellmann, Senior Research Fellow, ICTSD, Geneva, May 19th, 2014.

²² Interview with trade negotiators from Guatemala to the WTO, Geneva, May 20th, 2014.

“...Many of our exports adapt to our business partners’ trade rules without even questioning whether these rules are legal or not. We have had many examples, at least in Guatemala, when a sanitary measure has been applied without any scientific basis. There is no risk, absolutely none. However, [they introduce it] simply because they want to stop our exports and instead of claiming rights we start to negotiate with the authorities [of these countries]. The authorities set a number of unjustified requirements and many of our exporters have adapted their production to meet these requirements in order to keep exporting. So, if there is any benefit from these negotiations in terms of sanitary measures, I do not know if it will really benefit us or if we will continue to adapt to the rules of the moment.”

According to Bellmann, countries that do not follow or are not capable of adapting to the norms and standards that the United States and the European Union agree upon in TTIP may run the risk of being “left out”:

“...If an agreement is reached, third countries will need to adapt to the norms and standards contained in this agreement, or they will be left out. I don’t think that the U.S. and the EU will sit down and negotiate with each country in Latin America and the Caribbean. Both blocs are able to establish rules that may then turn into de facto international rules, if not de jure, and everyone else will need to adhere to them... This is no different than what goes on today. The difference lies in the fact that in this agreement regulatory coherence will help countries, which are not part of it, adapt.”²³

POSSIBLE IMPACTS OF TTIP NEGOTIATIONS AND HETEROGENEITY IN LATIN AMERICA AND THE CARIBBEAN

Given the socio-economic heterogeneity in Latin America and the Caribbean, this scenario could affect market access and export diversification in less developed countries in the region. Higher export standards in turn would imply higher compliance costs for export businesses in these countries and, therefore, more complex market entry barriers to the United States and the European Union.

If the United States and the EU were to agree on common standards which would allow third countries to comply with uniform export standards for both markets, this would be very beneficial for all countries in the region. According to Mexico, if both blocs were to agree, for example, the standardisation of sanitary and phytosanitary measures and technical barriers to trade, this would greatly benefit third countries.

If, in addition, harmonisation was carried out based on international standards and the reduction of trade barriers was applicable to other countries, the benefit would be even greater.²⁴ In the case of Mexico, a common export standard in the automotive, chemical and electronic sectors

²³ Interview Christophe Bellmann, ICTSD.

²⁴ Interview with trade negotiators from Costa Rica to the WTO, Geneva, May 20th, 2014.

would facilitate exports from this country to both blocs.²⁵ Thus, a key though still uncertain factor in these negotiations has to do with how the two blocs will discuss the implementation of potentially new standards arising from TTIP with countries at very different stages of development.

While it is not yet possible to accurately identify potential results of these negotiations, what the United States and the European Union agree on areas like genetically modified organisms, hormone use in livestock production, and biofuels' regulation, among others, will have a profound impact on Latin American and Caribbean economies (Rosales and Herreros 2014).

Argentine trade negotiators consider themselves “skeptical” about the ambition of a potential agreement between the U.S. and the EU. Nonetheless, they stress that Argentina, Brazil, and other middle-income countries in the region with similar export structures to the United States or Europe could experience enhanced competition in both markets. Indeed, as a result their exports could be eventually displaced. Currently, Argentina is the third largest wine exporter to the United States. If tariff reductions were to benefit the European Union in this regard, Argentine wine's access to the United States market could be eroded. The EU is currently the largest wine supplier in the United States (Ibid).

Meanwhile, beef exports from Argentina, Brazil and Uruguay may also face increased competition in the European Union if, as a result of the negotiations, EU trade negotiators bilaterally decrease tariffs on beef exports in favour of the United States. Likewise, other agricultural exports, especially processed foods, could be displaced. This could largely impact on the participation and/or positioning of these countries in global value chains, especially in agriculture.

Indeed, countries could either be displaced or “locked-in” in lower strata in global value chains, especially given the high protection the European Union and the United States grant to industrial and processed goods.²⁶ One of the main risks for Latin America and the Caribbean in the context of TTIP is the possibility of perpetuating itself as a supplier of raw materials.

Countries currently benefiting from trade preferences and/or having limited export structures could see some of their key sectors affected, especially those where U.S. and EU tariffs are high. Some of these are the textile and clothing and agricultural sectors and, in particular, products such as dairy, sugar, cereals and fruits destined mainly to the European Union market.²⁷

According to Jamaica, this could lead to trade diversion and preference erosion, which could bring risks and implications that may exceed the potential indirect benefits of the agreement. Caribbean countries could certainly be vulnerable to trade diversion given their dependence on trade preferences, as well as a limited range of exports and economies of scale.²⁸

²⁵ Interview with trade negotiators from Mexico to the WTO, Geneva, May 16th, 2014.

²⁶ Interview with trade negotiators from Argentina to the WTO, Geneva, May 16th, 2014.

²⁷ Interview Mexico, 2014.

²⁸ Interview with Jamaica trade negotiators in the WTO, Geneva, May 15th, 2014.

The impact of TTIP in Latin America and the Caribbean will therefore depend on the volume of trade with the United States and the European Union, the level of competitiveness of the region's economies, and their ability to adapt to new trade rules. However, given the socio-economic diversity of the region, impacts will also depend on the level of integration these countries have (or do not) with the U.S. and the EU, particularly in the form of bilateral and regional free trade agreements.

CASE STUDY 2. PARTNERHIP AGREEMENTS BETWEEN THE EU-CENTRAL AMERICA AND EU-CARICOM FROM A COMPARATIVE PERSPECTIVE

Both Central America and CARICOM signed agreements with the European Union, an Association Agreement in the case of Central America and an Economic Partnership Agreement in the case of CARICOM. However, these agreements bear profound differences in terms of their policy space and inclusive development implications.

In the case of Central America, EU tariffs on export products of crucial interest to the region such as beef, sugar, dairy products, textiles and clothing will not phase out, but rather enter the EU market under export quotas. In contrast, export quotas in CARICOM have been limited to a few products and expired before those in Central America.

Table 3.2 Export quotas obtained by Central America and CARICOM

Central America	CARICOM
Beef: 9,500 Metric Tons (MT).	Rice: 187,000 MT for 2008 and 250,000 MT for 2009 until complete liberalisation.
Sugar: 150,000 MT with an annual increase of 4,500 MT.	Sugar: 60,000 MT until complete elimination of sugar tariffs between 2009-2010.
Rice: 20,000 MT with an annual growth of 1,000 MT.	
Rhum: 7,000 HL with annual growth of 300 HL.	
Dairy products (imports): 1,900 MT powder milk and 3,000 MT Cheese.	

Source: Own based on Carrión Fonseca (2012)

In exchange for market access, both regions committed to standards beyond those set out at the WTO, particularly in areas such as investment and intellectual property. However, the EU-Central America agreement went further than the one signed between the EU and CARICOM. In fact, Central America had already signed a free trade agreement with the U.S. (DR-CAFTA) in which commitments in these areas had been acquired. DR-CAFTA was thus the "floor" for negotiations with the EU. The latter achieved concessions in geographical indications for some of its agricultural products. As for CARICOM, member countries managed to protect their policy space more.

Table 3.3 Comparative results of Central America and CARICOM FTAs with the EU

Central America	CARICOM
<p>As part of the intellectual property rights' commitments under the agreement, the region signed the International Union for the Protection of New Varieties of Plants (UPOV) and the Budapest Treaty on the International Recognition of the Deposit of Microorganisms.</p> <p>Both agreements allow the patenting of plant varieties and genetic material since the Budapest Treaty does not clearly define what a "microorganism" is.</p> <p>The definition of what constitutes a "public health threat" was limited to certain events. Under the WTO, parallel imports of generic drugs can be pursued (WTO 2003). Generics are usually less costly for developing countries.</p> <p>Host countries cannot demand foreign direct investors to guarantee local content and backward linkages. Thus, the State cannot request foreign investors that part or all of their production may use domestic inputs.</p>	<p>CARICOM countries were allowed to study the possibility of adhering to UPOV in the future. However, they did have to sign the Budapest Treaty on microorganisms.</p> <p>The definition of a "public health threat" was not constrained. Instead, both parties should refer to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).</p> <p>A dispute settlement mechanism between the State and the foreign investors was not established.</p> <p>However, as in Central America, the State may not impose regulations that directly or indirectly require that a proportion of a regulated product comes from domestic sources.</p>

Source: Own based on Carrión Fonseca (2012)

Latin American and Caribbean countries that currently have free trade agreements with the United States and/or the European Union can benefit from TTIP as long as negotiators from both blocs establish mechanisms of complementarity.

For countries that only benefit from the Generalised System of Preferences (GSP) granted by both the U.S. and the EU, TTIP will most likely make them adopt the agreed trade rules and/or negotiate free trade agreements with both blocs given the tendency of GSP market access to expire and be volatile.²⁹ It is therefore essential, to try to identify possible tensions and complementarities with existing trade agreements in Latin America and the Caribbean and the TTIP in order to further understand some of its possible impacts.

POSSIBLE TENSIONS AND/OR COMPLEMENTARITIES BETWEEN THE TTIP AND BILATERAL TRADE AGREEMENTS: POSSIBLE IMPLICATIONS FOR LATIN AMERICA AND THE CARIBBEAN

One of the potential complementarities that could arise between TTIP and trade agreements already signed in Latin America and the Caribbean with the U.S. and the EU centers on rules

²⁹ The GSP is a unilateral market access scheme granted by developed countries to developing countries. It is of a temporary character and sensitive to priorities and constraints that are in many cases political. Moreover, some GSPs such as the Caribbean Basin Initiative have expired while others may expiry in the near future.

of origin. If rules of origin under TTIP allowed the “accumulation” of a product’s origin in close connection with current rules of origin present in free trade agreements in Latin America and the Caribbean, the agreement could potentially increase trade flows and investment in the region. Deep integration could also be strengthened.

In other words, if TTIP establishes complementarities between its rules of origin and those of other regional free trade agreements, the production of parts of a European or North American product in Latin America and the Caribbean could be considered as having “originated” in any of those blocs and therefore enjoy preferential access. According to the European Union, U.S. and EU negotiators contemplate the possibility of negotiating rules of origin that include what was agreed in the FTAs signed with the region.³⁰

If this was the case, TTIP could be highly beneficial for countries like Mexico, which have free trade agreements with the United States (NAFTA) and an Association Agreement with the European Union. In the case of Mexico, the automotive industry could be the ultimate winner.³¹ Indeed, this could strengthen the role of Mexico as a production and export platform for the United States and the European Union and transform Central America – which also has FTAs with both blocs – into an important business centre.³² For instance, the region could attract possible outsourcing of business processes³³ from both markets, with a special emphasis on the U.S. market given current trade and investment flows.

According to some analysts, countries who manage to meet the new requirements arising from TTIP will be able to better connect to these economies, receive technology transfer, increase their capacity, and insert themselves into global value chains.³⁴

It is important to note, however, that FDI attraction is not only due to the adoption of new rules and business standards or adhesion to free trade agreements. Foreign direct investment responds to a multiplicity and simultaneity of subjective and objective elements. In many cases, these relate to a country’s educational standards, historical and socio-cultural proximity, institutional strength and effective administration of justice, as well as potential and economic viability of the sectors concerned.

If TTIP were not to establish complementarities with the rules agreed upon in free trade agreements currently under implementation in Latin America and the Caribbean, the region – and especially countries with a lesser degree of development and/or that do not currently have an FTA with the European Union or the United States – runs the risk of being at a disadvantage.

.....
³⁰ Interview with the EU, 2014.

³¹ Interview with Mexico, 2014.

³² Interview with Christophe Bellmann, ICTSD, 2014.

³³ This refers to the sub-contraction of internal or external service providers to conduct parts and functions of the business process, which is usually less costly and more effective.

³⁴ Interview with Harsha Singh, ICTSD, 2014.

Indeed, increased competition from the United States and the EU could limit the relevance of the concessions obtained in free trade agreements under export quotas granting market access at zero tariff. Thus rather than an erosion of tariff preferences, Latin America and the Caribbean could face an erosion of the benefits they currently derive from such quotas. Once TTIP negotiations are completed, it will be necessary to identify the products liberalised under the agreement and engage in political and economic dialogue with both parties in order to minimize possible negative impacts and maximize potential benefits.

According to trade negotiators from Chile, one of the main tensions that could arise between TTIP and free trade agreements in Latin America and the Caribbean would be a de facto “graduation” of such agreements. In other words, the United States and the European Union could try to reflect TTIP results and interests in regional trade agreements already signed, thus modifying them.

According to these negotiators, the latter took place in the context of the Anti-Counterfeiting Trade Agreement³⁵ (ACTA) under current TPP negotiations. When ACTA was proposed to Latin American and Caribbean countries, they rejected it. However, under the TPP, U.S. negotiating position on intellectual property reflects the standards and interests contained in ACTA. If they were to sign the TPP agreement, Chile, Peru and Mexico would have to adopt these standards.

It is worth noting that, as mentioned above, adopting higher standards in certain areas is not always beneficial for countries whose use and maintenance of policy space is crucial for their development. Such is the case of intellectual property. Both the United States and the European Union prioritise high standards of intellectual property as part of their trade agreements and competitiveness strategy. TTIP therefore is just one piece in this strategy.

Currently, TPP could have a major impact in this area for Latin America and the Caribbean given the advanced state of negotiations. The Transpacific Partnership agreement proposes an exponential increase in the protection of intellectual property rights. If rules currently under negotiation in the TPP were to be adopted, protection for the so-called “innovative enterprise”, that is transnational pharmaceutical companies, would increase. This would tip the balance of structural power in favor of these actors.

According to Chilean trade negotiators, the United States’ interests in intellectual property under the TPP seek to further limit the use and production of generic drugs in Latin America and the Caribbean, establishing rules that benefit and protect pharmaceutical companies, especially in the case of a public health threat.³⁶ Currently the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights allows developing countries to import generic medicines in the context of a public health emergency.

³⁵ This is a multilateral agreement that proposes the establishment of greater protection for intellectual property in order to prevent counterfeit goods, generic medicines, and Internet piracy.

³⁶ Interview with Chile, 2014.

However, in regional trade agreements with the U.S. and the EU like DR-CAFTA, among others, the signatory States agreed to limit the definition of what constitutes a national health threat. In other words, they restricted their policy space in this important area. TPP has the potential to further limit this definition and protect pharmaceutical companies to the detriment of the State.³⁷ Although TPP and TTIP are different agreements, any increase in intellectual property standards resulting from TPP negotiations could deeply impact what will eventually be agreed upon under the TTIP.

According to Mexico, both TPP and TTIP results will be very similar. According to negotiators, having different disciplines in both agreements could be counterproductive for trade facilitation between the blocs that such agreements seek to form, as well as for the rest of the world.

Whilst it is very plausible for TPP to “absorb” NAFTA, the agreement would remain in force through bilateral committees and policy dialogue amongst its three partners – the United States, Mexico and Canada.³⁸ Most likely, tariff preferences obtained under NAFTA would be overtaken by those received under the TPP agreement.

However, the trade-off that TPP negotiations imply could have a greater impact on policy space than NAFTA had and continues to have.

For countries like Brazil and other MERCOSUR members that do not have FTAs with the United States or the European Union (currently under negotiation), the risk of being at disadvantage or in isolation is greater. The EU thus presses for countries, benefiting from GSP market access, to enter into negotiations of bilateral and regional trade agreements.

Such a tacit or explicit strategy has paid off. Long postponed negotiations between MERCOSUR and the European Union have resumed their course. Brazil is one of the leading countries in the negotiations. Meanwhile, Ecuador, which left the negotiating table during the European Union’s and the Andean Community of Nations’ trade negotiations, has just completed a bilateral FTA with the EU. Bolivia is also in the process of negotiating with the EU its own bilateral free trade agreement.

In the case of MERCOSUR negotiations, the main market access trade-off will center on the liberalisation of the EU agricultural sector and MERCOSUR’s industrial goods’ sector. The Southern economic bloc is currently working on a joint list of demands and offers.³⁹ Ultimately, however, the political-economic trade-off of these negotiations will focus on deep commitments on intellectual property, services, and investment. These will certainly go beyond WTO standards, impacting policy space in MERCOSUR member countries.

³⁷ Ibid.

³⁸ Interview with Mexico, 2014.

³⁹ Interview with Argentina, 2014.

According to Argentine trade negotiators, the FTA between MERCOSUR and the European Union will help the region compete with other countries in one of its most important export markets. In the context of TTIP negotiations, Argentine negotiators hope that the FTA with the European Union will attract investment to sectors that could become export platforms to the United States.⁴⁰

Given the socio-economic heterogeneity in Latin America and the Caribbean, as well as the diversity of free trade agreements with the United States and the European Union, possible TTIP impacts will be deeply marked by such structural differences and existing FTA commitments, rules, and trade concessions at the regional level.

A key element stands out, however, in light of this analysis: whatever the result of TTIP is, competition among Latin American and Caribbean countries to access the United States and the European Union markets will rise. Such increased competition will in turn greatly impact on currently weak integration and regional institutionalisation processes.

Finally, more specific sectoral analysis will have to be carried out in the future. Once TTIP results are finalised, it will be crucial to identify impact scenarios and establish national and regional complementary agendas in order to reduce potentially negative impacts and enhance related benefits.

⁴⁰ Ibid.

4 IMPLICATIONS FOR INTERNATIONAL TRADE GOVERNANCE AND BI-REGIONAL RELATIONS BETWEEN LATIN AMERICA AND THE CARIBBEAN AND THE EU

The final results of TTIP negotiations will have a profound effect upon the structure and governance of international trade. The creation of the World Trade Organisation in 1995 marked a milestone in the world post-Second World War. By replacing the old GATT, created in 1945, the WTO emerged with the objective of establishing multilateral rules and regulations to institutionalise and govern international trade relations. It also aimed to manage “trade-related” areas such as intellectual property rights, investment, and environment, which emerged from the Uruguay Round.

Compared to international organisations such as the World Bank and the International Monetary Fund, the WTO was conceived with a participatory perspective in mind (one country, one vote). Since its conception in 2001, the Doha Development Round was intended to reform the system in order to improve the trade prospects of developing countries.

Twelve years later, the world has changed. Power relations are being transformed by a series of crucial events such as global economic crises which have hit developed countries, as well as the emergence of new economic powerhouses. The WTO has become a place where “almost nothing happens”⁴¹ due to current political and economic challenges.

According to Guatemalan trade negotiators, this has created a vicious circle in which the proliferation of bilateral trade agreements is promoted as a result of the lack of multilateral consensus. In turn, these bilateral agreements, however, discourage multilateral ones since they could lead to the erosion of preferences or bilateral concessions.⁴²

⁴¹ Interview with Guatemala, 2014.

⁴² Ibid.

The European Union supports this vision. The treatment that certain “sensitive” sectors will receive under TTIP will be negotiated bilaterally with the United States. However, the main question is how this will affect multilateral negotiations given that “it is only possible to pay [grant concessions] from one pocket.”⁴³

Granting bilateral market access to the United States (and other partners with whom the EU has signed FTAs), makes potential market access benefits from the Doha Round seem rather small for other members. In other words, this may limit the horizon for the Doha Round’s ambition and the WTO package deal.

As a result, one of TTIP’s most important systemic risks is that the WTO could increasingly turn into a place that only administers rules, which have been decided elsewhere; in other fora and centres of power. Some analysts may argue that this is something that already happens.

The difference, however, lies in the fact the mega-regional agreements under negotiation seek to create trade blocs where only founding members will have a say in establishing the “rules of the game.” This could become a major challenge for democracy and effective participation. Two inherent elements of the current international trade system.

While in the future third countries may adhere to mega-regional agreements, participating in the creation of a trade regime will never be the same as merely joining it as a beneficiary. Decision-making and negotiating processes are fundamental for establishing national interests, priorities, and limits regarding trade policy. The latter should, at best, be closely linked to complementary public policies geared to foster inclusive development at national and regional levels.

THE WTO AND INTERNATIONAL TRADE GOVERNANCE

There is much debate among trade negotiators at the World Trade Organisation about potential repercussions of TTIP and other mega-regional agreements. Most discussions have centred on international trade governance, in general, and the WTO as an institution, in particular.

According to Pedro Roffe, mega-regional agreements are rendering the multilateral system obsolete in the area of intellectual property rights. Compared to current proposals for IPR protection standards at TTIP and TPP negotiating tables, the WTO Agreement on Trade Related Aspects of Intellectual Property Rights allows for much broader policy space for developing countries. If countries were to adopt WTO plus plus standards under these new arrangements, this leeway will become practically irrelevant in the future.⁴⁴

⁴³ Interview with the EU, 2014.

⁴⁴ Interview with Pedro Roffe, Senior Fellow Intellectual Property Rights, ICTSD, May 20th 2014.

Latin America and the Caribbean have not yet taken full advantage of the policy space established under the TRIPS agreement. Instead, they have chosen to address short- and medium-term business priorities:

“... Most Latin American and Caribbean countries have committed to stricter intellectual property protection standards in their bilateral trade agreements because they had other interests during negotiations and have considered intellectual property as a bargaining coin.”⁴⁵

For Bellmann, the emergence of large trading blocs would mainly affect small countries which are not considered “attractive” enough in terms of trade negotiations from the perspective of large economies. For these small players the WTO remains the best forum for negotiations and the creation of international trade rules.⁴⁶

The multilateral forum will become crucial for developing countries if the United States and the European Union reach agreements over issues sensitive to them. According to Argentina, one of the main concerns for Latin American and Caribbean countries, is that the WTO may lose relevance. In turn, this could lead to the creation of external dispute settlement mechanisms or courts outside the current WTO framework.

Other negotiators are more optimistic about the WTO’s future. Indeed, some believe that mega-regional agreements and the WTO will coexist harmoniously. Many even claim that current mega-regional negotiations will act as a catalyst for negotiations in Geneva. According to Bellmann, TTIP standards will create a global precedent which, sooner or later, will be reflected on at the multilateral system. This will play a key role in stagnant Doha negotiations and may also facilitate negotiations over “new” issues at the WTO.⁴⁷

Negotiators from a member of the Andean Community of Nations argue that it is not surprising that the EU’s and the U.S.’ interests and agreements may end up expanding to other WTO members. These informants state that this is what happened with the agreement on trade facilitation, which multilateralises the practices currently in force in the United States and the European Union.⁴⁸

Yet, for some analysts, the creation of highly integrated economic blocs would increase the pressure to return to the multilateral system to solve any tensions that may arise from the application of new standards.⁴⁹ From this perspective, the WTO would not become irrelevant, but rather the opposite.

45 Ibid.

46 Interview with Christophe Bellmann.

47 Ibid.

48 Interview with negotiators before the WTO from an Andean Community member country, Geneva, May 21st, 2014.

49 Interview with Harsha Singh.

According to the European Union, its trade strategy aims to reach agreements beyond the WTO without contradicting the institution's rules. According to European negotiators, if the United States and the European Union were to reach an agreement on geographical indications, it would reduce 50 percent of obstacles impeding Doha's conclusion.⁵⁰

For Chile, striking a balance on these "new" issues would advance Doha Round negotiations. Thus, it will be crucial for the EU and the U.S. to assess their negotiating approaches before a WTO membership that, on the one hand, wishes to bring the Doha Development Round to a successful conclusion. Yet, on the other, is unwilling to modify its negotiating positions without getting something in return in key areas such as market access for developing countries, agricultural subsidies, non-tariff barriers, among other demands.

BI-REGIONAL RELATIONS BETWEEN THE EUROPEAN UNION AND LATIN AMERICA AND THE CARIBBEAN

Since the creation of the Customs Union and, subsequently, the European Common Market, the EU's external relations have been primarily focused on international trade. As a result, from 1957 onwards the Community's external relations were centred on the customs union and the EU's common trade policy (Álvarez Macías 2011; Klaveren 2004).

In this context, bi-regional relations between Latin America and the Caribbean and the European Union were permeated by a series of cooperation frameworks such as aid instruments and the generalised system of preferences (market access). However, regional concessions never matched those granted to former colonies, especially in Africa, the Caribbean, the Pacific, as well as in the Mediterranean (Ibid).

Throughout the 1960s and 1970s, the EU, Latin America and the Caribbean signed a number of non-preferential trade agreements. Such agreements were mainly intended to achieve "balanced trade." However, these were not ambitious enough to attend the demands of Latin American counterparts to eliminate protectionism in the European Union.

Development aid became thus the only economic tool to support political dialogue and set out objectives to fight poverty in Latin America and the Caribbean. However, financial aid was not always part of the agreements and could be distributed on a discretionary basis by the European Union (Ibid).

Despite this, bi-regional relations acted as a counterweight to the hegemony that the United States has traditionally had in Latin America and the Caribbean. The European Union began to be perceived as a development alternative to overcome internal and external problems and obstacles in the region (Freres y Sanahuja 2006; Álvarez Macías 2011).

⁵⁰ Interview with the EU.

In the 1980s, Central America was in a period of war and conflict, which had significant economic, social and political consequences for the region. Europe played a key role in the peace process carried out at the end of that period. From then on, it has supported Latin American and Caribbean countries throughout the democratisation processes and the defense of human rights (Martin 2002).

In the 90s and early 2000s, the European Union proposed a new partnership model with the region. This was based on political dialogue, “enhanced” economic cooperation, and trade liberalisation negotiations (Álvarez Macías 2011, Martin 2002). However, given the heterogeneity in Latin America and the Caribbean, Europe decided to work with each bilateral or sub-regional integration scheme in a differentiated manner.

The rapprochement between both regions, however, would be affected as a result of the attacks on the World Trade Centre in New York, U.S., on September 11th, 2001. Following these events, the international agenda restructured to focus on fighting terrorism and advancing security issues (Ibid).

The global economic crisis and political importance of China and India, among others, are some of the factors that have contributed to a shift in bi-regional relations between Latin America and the Caribbean and the European Union. Indeed, it seems that bi-regional relations have taken the “back seat”.

Currently, the European Union’s foreign policy centres on the stagnation of the Doha Development Round, the increased relevance of Asian countries in Latin America’s export market, and a seemingly “interregional rivalry” with the United States (Pollio quoted in Álvarez Macías 2011).

The economic crisis that affects the European Union has transformed traditional power relations between Latin America and the Caribbean and the EU. According to Gratius (2013:11), in just three years relative poverty in Spain (having less than 60 percent of average income, which in Latin America and the Caribbean would be middle class) increased by more than two points, from 19.6 percent in 2007 to 21.8 percent in 2010. A series of asymmetries have thus emerged within and among member countries of the European Union.

In the case of Latin America and the Caribbean, current high prices of raw materials are mostly behind the economic growth experienced in the region. Many governments have implemented social policies in order to improve wealth distribution. Some countries have focused on generating growth and investment on an intra-regional level with positive results. However, this growth is not, nor will it be, homogeneous in the region (CELARE 2012). As in the European Union, economic and social development in Latin American and the Caribbean is currently fragmented.

Indeed, some countries such as Brazil, Peru, Mexico, Colombia and Chile are currently growing. In contrast, other countries in Latin America and the Caribbean face challenges including vio-

lence and security problems, State fragility, political instability, and governance issues that affect their economic growth and social welfare.

ECLAC identified four areas still facing large gaps at a regional level. These are: inequality, investment, taxation and productivity. However, as Bárcena (2012:14-15) states there is an opportunity to revive European and Latin American and the Caribbean partnership in all of these areas:

“... with European businesses it is easier to achieve than with Chinese companies (...) [European companies] also come looking for resources, they come looking for the same things, but with a much greater negotiation capacity. (...) Equality and rights are very important for us, similar to the European approach. In addition to productive convergence we need territorial convergence with long-term economic policies. I see our region attempting to define its own policies, even rethinking its monetary policies. Not everything is yet written in macroeconomics, as it used to be.”

Economic growth and poverty reduction in some countries in Latin America and the Caribbean has contributed to more horizontal bi-regional relationships with the EU. This provides new opportunities for sharing and solving common problems. Thus, a new paradigm is needed to understand and manage bi-regional relations in order to seize the opportunities and face the challenges of the modern world.

The consolidation of democracy in Latin America and the Caribbean, a process in which the EU played a crucial part, has been key for economic growth in the region. In fact, a country with strong institutions, redistributive social and economic policies, and a long-term educational policy is more likely to advance in a sustainable manner.

However, the differences that still permeate the region are also likely to be reflected upon aid flows and international trade. Therefore, it is essential to understand how TTIP results could impact the present and future of bi-regional relations between Latin America & the Caribbean and the European Union.

TTIP IMPLICATIONS FOR BI-REGIONAL EU –LAC RELATIONS

Complementarity between TTIP and current regional trade agreements could strengthen bi-regional relations. If the agreement were to establish complementary mechanisms, not only on a technical level, but also on a political scale with FTAs in Latin America and the Caribbean, bi-regional relationships would thrive.

TTIP could thus underpin integration between both regions, attract more investment, from European firms to LAC, and promote existing trade flows. In turn, Latin American companies that have reached a global level and already operate in Europe⁵¹ (e.g. Mexican company Cemex,

⁵¹ Currently, Mexican investments in Spain account for about USD 20,000 million (AFP 2014).

etc.) could expand their economic ventures. Similarly, other businesses in Latin America and the Caribbean could see Europe as a new investment destination.

Furthermore, the increasing horizontality of bi-regional relations, especially with regards to the more advanced economies in the region, could generate political and cooperation agreements, as well as technology transfer and/or exchange in benefit of each partner's economy.

If, additionally, TTIP were to allow the cumulation of origin and a certain degree of product transformation in Latin America and the Caribbean based on existing FTAs, both regions would largely benefit. The EU could increase or expand its operations and investments in Latin America and the Caribbean. And it could also reach the U.S. market using this "regional platform." In turn, Latin America and the Caribbean could link to global value chains on better terms.

Likewise, less-developed countries in Latin America and the Caribbean could become potential export and outsourcing platforms for services or business processes to the United States or other regions. Moreover, with an installed capacity, they could also promote South-South trade. Hence, TTIP could create a number of economic synergies than would benefit small, medium and large businesses in the EU and LAC.

The EU could also continue to exert an important role as a political and economic counterweight to the region vis-à-vis the United States and, more recently, China. For the more vulnerable countries in the region, partnering with the European Union could play a decisive part in human rights, democracy, justice, adaptation to climate change, and sustainable development issues.

If, however, TTIP were not to establish complementary mechanisms to promote sustainable economic integration, bi-regional relations could risk losing even more relevance. The European Union is currently losing ground in the region on both trade and political levels. If this trend continues, other countries such as China could take the place that the EU has, until now, held in the region. Both regions could lose an important political and economic ally.

Failing to establish complementary norms and standards with free trade agreements in Latin America and the Caribbean, TTIP could also isolate countries in the region whose export structure is not as diverse. Moreover, not having similar or common export standards to access both markets would stop Latin American and Caribbean exporters from reaping the potential benefits of streamlined export processes. Indeed, the elimination of tariff and non-tariff barriers for key exports from the Latin America and Caribbean region could be crucial to improve access to the EU market.

The greatest threat to bi-regional relations could be, however, if instead of transforming current economic relations, TTIP perpetuates Latin America and the Caribbean's status quo as a global supplier of raw materials. This would impact negatively on the region's long-term development objectives and the horizontality of current power relations between the European Union and Latin America and the Caribbean.

Indeed, maintaining the current status quo would not allow the region to progress towards value-addition and thus ensure a better insertion in global value chains. Similarly, this could lead to a deepening of the intensive natural resource extraction model being currently implemented in many LAC countries with serious environmental impacts in the short, medium and long term.

Moreover, if TTIP increased intellectual property standards, as is currently being proposed under TPP negotiations, Latin America and the Caribbean would face great challenges. Indeed, if both agreements were to change the balance of power in favor of transnational pharmaceutical companies, public health around the world could be largely affected. Political repercussions of this on bi-regional relations could also create new tensions and challenges for both partners.

Both regions, however, have key historical and cultural ties that can enhance their understanding and mutual development. Both Latin America & the Caribbean and the European Union can learn from their experiences, knowledge, technology and position in the world to manage crisis and foster sustainable economic development. The search for complementarity, coherence and synergies in foreign policy, including trade, will play an essential part in present and future of bi-regional relations between LAC and the EU.

It is essential that Latin America and the Caribbean and the European Union maintain a constant and fluid dialogue. Coherence on all levels (including trade rules and standards under negotiation and implementation) will be crucial in order to maintain the dynamism and relevance of bi-regional relations.

Finally, in a multipolar world in constant change and transformation, neither of the two regions should lose space for political economic dialogue. Present and future social, economic, and environmental global challenges can only be addressed through interrelation and interconnectedness, and the pursuit of mutual welfare.

5 CONCLUSIONS

TTIP negotiations may generate both opportunities and challenges for Latin America and the Caribbean. The region, which is marked by structural socio-economic differences, has signed a series of regional and bilateral free trade agreements with the United States and the European Union. TTIP results will thus impact the region differently. Latin American and Caribbean States should implement effective and heterogeneous measures.

TTIP results will have systemic implications on international trade governance and the World Trade Organisation in the medium and long term. However, these will only be clearly determined once negotiations are concluded and made public. Whatever the outcome of these negotiations, it is important that Latin American and Caribbean countries maintain an ongoing dialogue with the European Union and the United States given their bi-regional relations, including the FTAs signed with both blocs.

Latin American and Caribbean countries should lobby the U.S. and the EU bilaterally and multilaterally so that standards under negotiation remain consistent and emphasise complementarities with FTAs, while maintaining policy space. That way, TTIP could become an engine for economic integration between the LAC region and both blocs.

It is imperative that Latin America and the Caribbean work together on national and regional policy agendas to strengthen their position in the world economy. The multiplication of existing social policies and programs; the promotion of education, health and environmental policies; the creation of centres for interregional research and development of local technologies; the fostering of South-South innovation and knowledge exchange will be vital.

The latter will create capacities and opportunities for all Latin American and Caribbean countries, especially the most vulnerable ones, to face the challenges and reap the benefits from globalisation. Moreover, bi-regional relations should be strengthened and supportive of inclusive development objectives in the region. This will be crucial for the promotion of economic growth, poverty and inequality eradication, and the integration of Latin America and the Caribbean into the world economy on more effective and sustainable terms.

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Harsha Singh, Senior Associate, ICTSD, 19 May 2014.

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