



# EU-LAC: the other transatlantic partnership

by José Luengo-Cabrera

The 7th Summit of the Americas, held last week in Panama, brought together thirty-five heads of state and government of the region to address the challenge of fighting inequality across the American continent. The coverage of the summit, however, was largely dominated by the unprecedented presence of Cuban representatives and the historic thaw in US-Cuba relations.

Although largely symbolic, the first formal encounter between Barack Obama and Raúl Castro was nevertheless an important step. Both leaders limited themselves to announcing their willingness to “turn the page” despite persisting fundamental differences and expressed their determination to continue to advance “mutual interests”. Moreover, the White House’s decision to remove Cuba from its list of state sponsors of terrorism in the wake of the summit has been met with praise by Havana, which considers this to be the first real indication of a willingness to normalise ties. The upbeat feeling generated by this rapprochement, however, stood in stark contrast to the fractious relationship that the US continues to have with Venezuela. Tensions with other Latin American countries were also evident – despite President Obama’s shifts on illegal immigration and the ‘war on drugs’ (now recast as a public health issue rather than a bilateral political concern).

The recent imposition of sanctions against a group of Venezuelan officials over alleged human rights violations, as well as an executive order declaring Caracas a threat to US national security, were heavily criticised by Venezuelan President Nicolás Maduro. Ecuador’s President Rafael Correa also used the occasion to accuse the US of double standards *vis-à-vis* its human rights record, and tensions do not seem to have abated with Buenos Aires over the ongoing legal dispute which is pitting Argentina against hold-out creditors in US courts.

As the US reconsiders its relations with regional counterparts, the EU will also be looking at how to revitalise its own relations with its ‘other’ transatlantic partners in the run-up to the 8th EU-LAC (2nd EU-CELAC) summit to be held in Brussels this June. With bilateralism becoming the main channel of cooperation, much attention will be geared towards reinvigorating the multilateral nature of this inter-regional partnership.

## Revitalising the framework

Since the first inter-regional summit held in Rio de Janeiro sixteen years ago, the internal dynamics of both the EU and Latin America and the Caribbean (LAC) have changed significantly.

While the former has become more politically and economically integrated, the latter has fragmented in several key respects. The turning of the integrationist tide in LAC has reinforced the tendency of individual countries to cooperate with the EU on a bilateral basis, thereby weakening the broader multilateral framework.

The combination of global power shifts and evolving trade patterns with emerging markets has also transformed EU-LAC economic ties. In the wake of the global financial crisis, the EU has entered a period of relative economic stagnation while many LAC countries have witnessed a gradual economic upturn. These countervailing trends have prompted LAC countries to pivot towards the Asia-Pacific region, most notably to China, with which they held their first ever ministerial forum at the start of 2015.

With the EU-CELAC summit fast approaching, the need to reinvigorate the strategic partnership at the inter-regional level will be a central subject of debate. Given the discrepancies between the levels of integration and economic development between the two regions, trade and crisis management cooperation will no doubt continue to prosper at a bilateral level, with multilateralism possibly suffering as a result.

### Bilateralism redux

At the 1999 Rio summit, EU and LAC countries endorsed the establishment of a bi-regional strategic partnership. This first became visible with the creation of a 'presidential forum of diplomacy' whereby relations between the two regions would be fostered through summits involving heads of state and government.

The summit-driven format has, however, only had a modest impact on the advancement of inter-regional relations. Although summits generate additional visibility, they have produced little by way of concrete policies. Though often rich in political imagery, these summits often led to disappointment when words were not followed up by deeds.

This is exemplified by the slow progress in establishing inter-regional free-trade agreements, most notably with the sub-regional bloc MERCOSUR. The trend over the past two decades has therefore

been to rely primarily on bilateral cooperation between the EU as a whole and individual Latin American countries. Since the first Association Agreements with Mexico in 2000 and Chile in 2002, Peru and Colombia have signed free-trade agreements with the EU, while Brazil and Mexico have entered into strategic partnerships. Cooperation has thus evolved mainly on a bilateral basis, with the exception of the inter-regional agreements with Central America and the Caribbean.

This is due, in part, to the changing external approaches of both regions. On the LAC side, differences have emerged within the different sub-regional blocs, creating obstacles on the road to greater cooperation at the inter-regional level. On the EU side, the desire to quickly strengthen ties with LAC partners has encouraged *ad hoc* bilateral cooperation, mainly for pragmatic reasons.

### Diverging dynamics

Since 1999, both regions have undergone significant transformations. Whilst the EU has deepened its integration with its continued process of enlargement and the harmonisation of monetary policy, LAC countries have experienced significant setbacks in furthering regional integration. From the failure of the Latin American

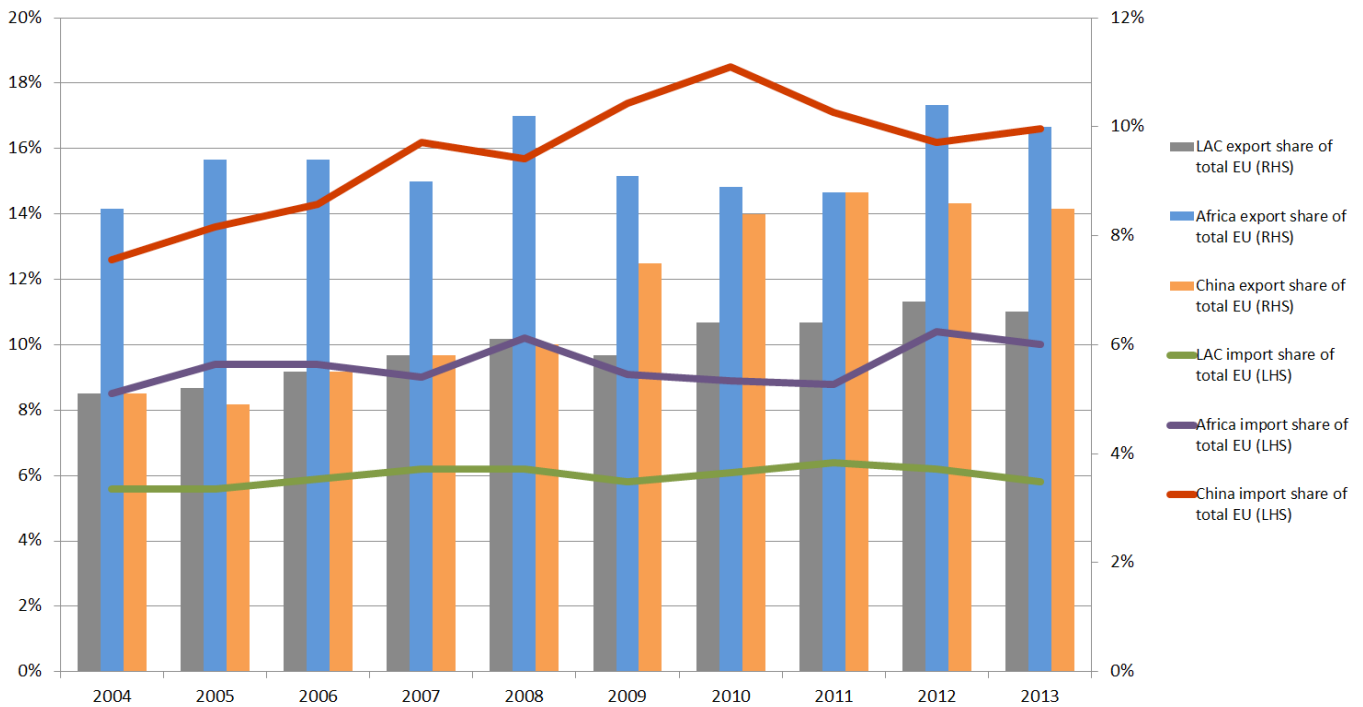
Free-Trade Association (LAFTA) to the sluggish pace of economic integration inside MERCOSUR and the Community of Andean Nations (CAN), political frictions between leaders of LAC nations have slowed down the region's integration

process.

Bilateral bottlenecks may therefore have sped up the creation of the Community of Latin American and Caribbean States (CELAC) in December 2011. The creation of a single interlocutor for the whole region sprang from the need to foster a more cohesive external strategy *vis-à-vis* its partners, most notably the EU. Though this body has the potential to revitalise the partnership at the inter-regional level, it will take time and additional engagement before any tangible results are seen. Success will largely depend on the ability of CELAC countries to agree on common cooperation strategies and the EU's readiness to shift its existing bilateral agreements to a multilateral level.



## EU trade: sharing less with LAC



Data source: Eurostat

For now, however, cooperation in areas like trade and crisis management will continue to be conducted mainly bilaterally, while the emergence of alternative global partners could undermine the importance of the EU-LAC partnership.

### Pulling ahead or falling behind?

Although the EU is currently the LAC countries' main foreign investor and second trading partner, this is likely to change due to the emergence of competing economic interlocutors. Unsurprisingly, China has become an important trading partner and investor for LAC countries. And following a recent contraction in trade and capital flows originating from the European bloc, Beijing's alternative avenues of commerce and foreign direct investment are increasingly attractive. Having already signed free trade agreements with Chile and Costa Rica, China has continued to gain ground in the region, most notably by becoming Brazil's largest export market and primary foreign investor.

The increased focus of countries like Chile, Peru and Mexico on their Asia-Pacific allies and the growing dependence of Caribbean countries on the US (including, in prospect, Cuba) will further erode the economic links tying the EU to LAC countries. In tandem, the EU's external trade continues to be increasingly oriented towards other partners, most notably African countries

and China, whose percentage share of the EU's total imports and exports exceed those of Latin America and the Caribbean.

As a result, the EU is currently faced with the prospect of losing its status as LAC's second trading partner after the US. Indeed, in the event that both the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP) are signed, the likelihood is that these would reduce EU-LAC trade volumes. While the TTIP will bolster trade between the EU and the US (to the detriment of LAC), the TPP will bolster trade between some Latin American countries and members of the Asia Pacific Economic Cooperation (APEC) forum.

Therefore, one of the greatest challenges ahead of the EU-CELAC summit in Brussels will be for the EU to agree on how to reinvigorate trade with its other transatlantic partners – possibly through the tabling of more favourable terms of trade – lest it risk losing its market share in an economically dynamic region with over 600 million consumers. This already prompted calls, for example, to speed up negotiations on an EU-Mercosur free trade agreement during the last EU-CELAC summit in Santiago de Chile in January 2013.

In the area of crisis management, on the other hand, the EU is likely to remain the principal regional partner. Some states like Argentina, Brazil



and the Dominican Republic have already participated in EU crisis management operations (and in places as diverse as the Democratic Republic of Congo, Haiti or Bosnia and Herzegovina), while Chile and Colombia have formalised their contributions to CSDP missions and operations by signing Framework Participation Agreements (FPA). If the mooted FPA is signed with Brazil, the EU will be able to further strengthen its interoperability and boost its legitimacy as a security provider in the eyes of Latin American leaders.

## Great expectations?

Given the ongoing developments specific to the LAC region in which the EU is actively involved, the summit will most likely address critical issues ranging from the normalisation of ties with Cuba to Venezuela's internal crisis and the peace process in Colombia. If these topics are dealt with in an effective manner, it is likely to be a boon for both sub-regional (intra-LAC) and inter-regional relations.

The visit of HR/VP Mogherini to Havana last month marked the EU's first high-level meeting with Cuban representatives since the December 2014 announcement of a US-Cuban rapprochement. In view of encouraging its leaders to implement reforms allowing for private initiatives, political participation and freedom of expression (as per the stipulations of the 1996 Common Position), the principle aim was to spur talks to finalise a possible agreement on political dialogue and cooperation. In order not to lose out to the US, Spain and other member states urged the EU in early January to accelerate the negotiation process, particularly with regard to trade. The outcome of these negotiations will matter for both blocs as it could allow for greater interaction with a key player in the Caribbean, not to mention that the normalisation of ties with Havana could also help entice Caracas to adopt a more moderate stance on the international stage, albeit tentatively.

The protracted domestic crisis in Venezuela under President Maduro should also be high up on the summit's agenda. Continued tensions between Caracas and its regional peers, as well as the EU are preventing the strengthening of inter-regional cooperation. Moreover, instability in Venezuela undermines the integrity of sub-regional LAC blocs, particularly MERCOSUR. As a result, EU and CELAC representatives will no doubt call upon the members of the Union of South American Nations (UNASUR) to continue to mediate with the Venezuelan authorities so as

to devise measures to address the country's deep-rooted political and economic woes.

Finally, with the ongoing peace talks in Havana, there are increasingly positive signs – despite the recent setback in Cauca – of a progressive de-escalation of the armed conflict in Colombia. In the wake of the FARC's announcement of an indefinite unilateral ceasefire and the government's pledge to temporarily halt bombing raids against the armed group, the EU has reiterated its commitment to the Havana negotiations. The end of a conflict that has caused large-scale displacement and chronic instability in a strategic partner country like Colombia could allow for the South American nation to refocus its energies on combating drug trafficking in the region and deepening its crisis management cooperation with the EU.

Over the course of the two-day June summit, EU-CELAC representatives will focus their attention on revitalising the inter-regional dimension of their partnership. Notwithstanding the challenges of this endeavour, much of the work will be centred on how the EU can convince its CELAC counterparts to reinvigorate their privileged partnership at a time when other global partners are presenting increasingly appealing alternatives.

The proposal of the European External Action Service (EEAS) to strengthen political relations, explore ways to further economic and trade cooperation, as well as tackling global issues together with CELAC partners will serve as an important roadmap ahead of the summit. A significant first step would be to follow-up on the EEAS proposal to hold regular meetings with the foreign ministries of CELAC countries in the year inbetween summits.

Moreover, with EU and CELAC countries constituting over one-third of UN members, the convergence of views on important transnational issues like climate change and the post-2015 development agenda could have a major impact on policy decisions at the global level. Expectations are therefore great and high: the question remains whether the partners will be able to deliver.

*José Luengo-Cabrera is a Junior Analyst at the EUISS.*

