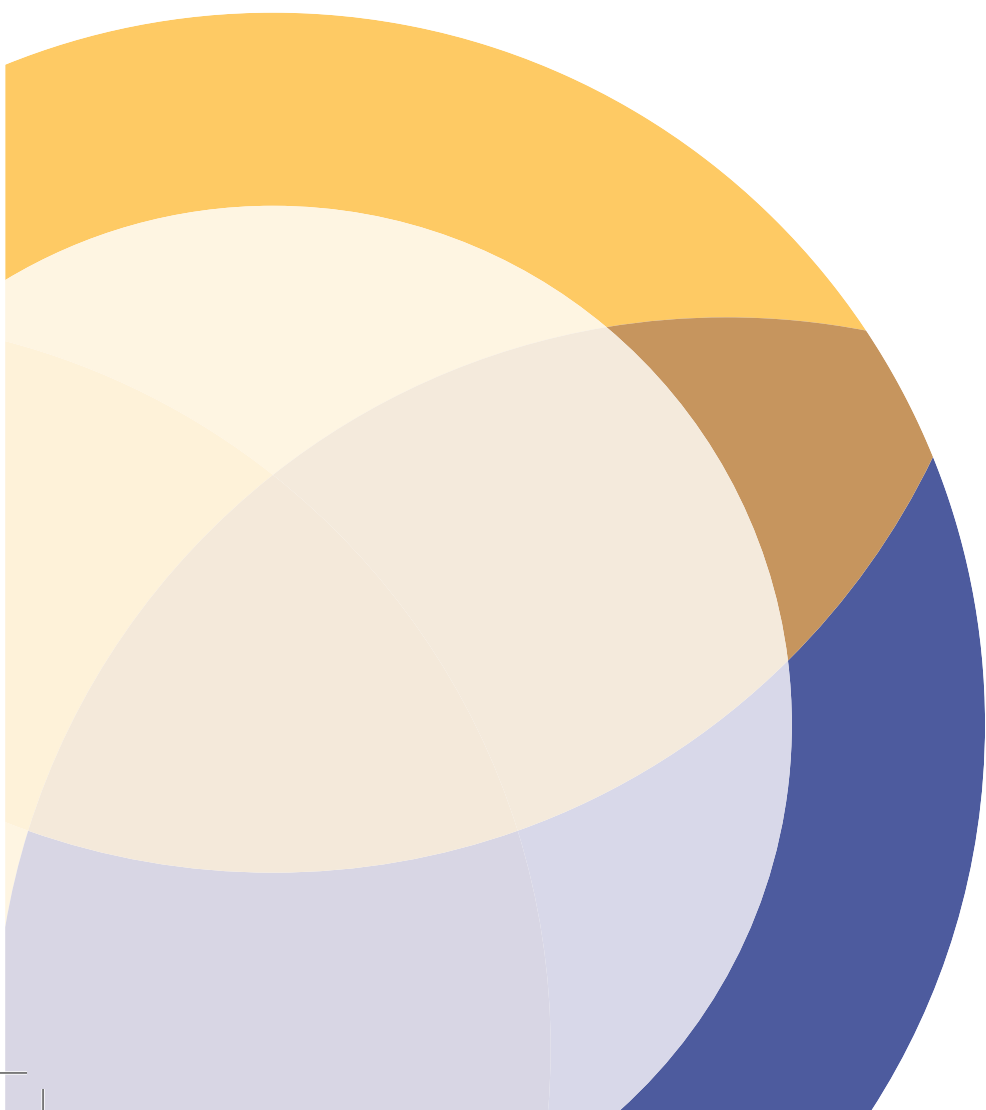


Bi-regional Relations



JOSÉ ANTONIO SANAHUJA

TOWARDS A NEW FRAMEWORK OF RELATIONS BETWEEN THE EUROPEAN UNION AND LATIN AMERICA AND THE CARIBBEAN



EU-LAC FOUNDATION, 2013

Hagedornstraße 22
20149 Hamburg, Germany
www.eulacfoundation.org

TRANSLATION: Marisol Jiménez B., Paul Janssens S.A.

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PRESENTATION

Jorge Valdez, *Executive Director of the EU-LAC Foundation.*

This publication reproduces the substance of a consultancy report requested by the EU-LAC Foundation and prepared by Professor José Antonio Sanahuja, from the Universidad Complutense de Madrid. Opinions herein expressed are therefore those of the Author and do not commit the Foundation or its Members.

Nevertheless, Professor Sanahuja's thorough analysis and the lines of action suggested by him, have been significantly present in the EU-LAC Foundation's considerations when preparing its Work Programme 2012 – 2014, and are part of the Foundation's *acquis* of working materials.

Furthermore, due to the nature and reach of its contents, it seems to us that Professor Sanahuja's essay is an important contribution to the needed thought and debate on the challenges and opportunities faced by the bi-regional strategic partnership.

The European Union and Latin America and the Caribbean are set to converge on this association in a global context of uncertainty and paradigm changes. Simultaneously these two regions are seeing a relative attenuation of the historical asymmetries in their relations, coinciding, on the other hand, with previously unseen differences within each region. This is, in short, the framework within which it is necessary to promote this linkage.

That is why, consistent with its mandate to trigger debate on common strategies and actions to strengthen the bi-regional partnership, the EU-LAC Foundation has considered useful and timely the publication of this essay.

Hamburg, December 2012

TOWARDS A NEW FRAMEWORK OF RELATIONS BETWEEN THE EUROPEAN UNION AND LATIN AMERICA AND THE CARIBBEAN¹

Reflection document, José Antonio Sanahuja²

FOUR DECADES OF BI-REGIONAL RELATIONS, NEW CHALLENGES

Relations between Latin American and the Caribbean and the European Union (EU) stretch back over several centuries of shared history, through good times and bad, and are characterised by an intricate network of economic links and social and cultural ties. All of this has important consequences. In many areas that affect their circumstances and their identity, values and interests as players in the international system, neither Latin America nor the Caribbean can understand each other without referring to Europe nor Europe without considering Latin America and the Caribbean.

Along with this shared history, both regions have now enjoyed at least four decades of institutionalised relations and, since 1999, with the Rio Summit, have set up a „Strategic Partnership“ to channel bi-regional relations and also to help shape the active bilateral relations that have been established between the 60 countries - 27 from the EU and 33 from Latin America and the Caribbean - that make up this Partnership.

However, these relations are taking place in the context of a changing international system, which affects their rationality and objectives as well as their agendas and priorities, and which also requires a significant re-balancing in terms of relations between the parties. Bi-regional relations started out their journey against the international backdrop of the cold war, conflicts in Central America and the processes of democratic transition of the 1980s. They adapted to the post-cold war era, in which, as democracies become consolidated, new economic interests arose and both regions tried to set out their respective projects for regional integration. Nowadays, they are faced with profound

¹ Document prepared for the EU-LAC Foundation. The author wishes to thank Ambassador Jorge Valdez and Bettina Trueb for their contributions and is grateful for the contributions made by other stakeholders in the Member States and institutions in the EU and Latin America and the Caribbean as well as academic institutions and civil society with which some of the reflections included on these pages have been exchanged. The opinions expressed herein are those of the author alone.

² Professor of International Relations at Complutense University of Madrid and Researcher at the Complutense Institute of International Studies (ICEI).

changes in the nature, sources and patterns of distribution of power and wealth, where less importance is attached to the North Atlantic area and a “shifting wealth” process has begun with the centre of economic and political gravity moving towards the Asia/Pacific area. As a result, new important international players are emerging and new options for diversifying relations became available. This is important not only for Latin America and the Caribbean but also for the EU when it comes to reconsidering their respective regional integration strategies, their international insertion and their global alliances.

In this changing context, the bi-regional relationship needs to redefine its rationality, objectives and instruments of cooperation in order to establish a fluid and dynamic relationship capable of meeting the challenges and opportunities that both regions jointly face. As stated in this document, the Bi-regional Strategic Partnership continues to be an important instrument for both regions in updating and reaffirming those shared values that cause them to stand out in the international system, an instrument for better governance of globalisation in a world of more intense interdependencies and increasingly important global risks; an instrument for developing and enhancing the international insertion of both regions in response to a rapid shift in power and wealth; and an instrument for advanced cooperation in areas where they hold common interests and values. In all of these areas, as specified further below, the EU-LAC Foundation has an important role to play, helping to revitalise the bi-regional relationship on the basis of its unique mandate and nature.

LATIN AMERICA AND THE CARIBBEAN: RISE AND DIFFERENTIATION

In Latin America and the Caribbean, these change processes are revealed in a dual trend of rise and growing differentiation. Rise of the region as a whole, driven by strong economic growth, and of certain countries in particular, which have taken on the role of regional leaders. By greater global influence and increased presence within international organisations and the emerging global governance structures such as the G-20. At the same time, the considerable heterogeneity that has historically characterised Latin America and the Caribbean has become more pronounced. The traditional disparities of economic performance and social structures have been joined by other differentiating factors associated with political models, development strategies and choices in relation to foreign policy and international insertion.

An intense expansionary cycle largely unaffected by the global crisis.

The strong economic growth that began in the 2000s, and which can also be observed in other emerging and developing economies, is one of the key factors behind the rise of Latin America and the Caribbean. After suffering the „dual crisis“ of 1998-2002, the region started a major expansionary cycle, which was only interrupted briefly in 2009 by the global economic crisis. Good macroeconomic management, balanced public finances, strong domestic demand and export dynamism to the emerging countries in Asia, which have maintained growth-conducive policies despite the global crisis, are key factors behind this expansionary cycle and help to explain the lesser impact of the crisis on the region and its rapid recovery. However, the crisis has had a greater impact and offers

less optimistic prospects for recovery as regards certain Caribbean economies, which are more vulnerable to the fall in demand from OECD countries, to the decline in tourism and to changes in oil prices, and which face greater difficulties in securing external financing.

The profound changes that the world economy is experiencing create risks and opportunities to continue this growth cycle. There are several factors that may, as in previous periods, lead to certain countries in the region seeing that its progress stall and finding themselves caught in a middle-income preventing them to achieve self-sustained growth. In view of these risks, the region will need to reconsider its international insertion and its schemes of partnership with other countries and regions. The region enjoys significant assets with which it can face this challenge, such as the quality of its macroeconomic policies, the expansion of its domestic markets and its wealth of natural resources - energy, minerals and food - in a global context of increased demand for these resources. However, there are risks associated with a relapse of the crisis (double-dip recession) and the unfavourable economic performance of developed countries and other emerging economies in Asia and with the „reprimarisation“ of the region’s productive structure and exports. In order to improve the quality of the region’s international insertion, it will be necessary to ensure that Latin America and the Caribbean have a greater presence in regional and global value chains, to move towards activities that offer greater added value and are more knowledge-intensive and to improve conditions of access to regional and international markets, through regional integration and balanced trade agreements with developed countries, whether in bilateral, subregional or multilateral frameworks. To improve its competitiveness, the region must, in particular, be capable of achieving significant improvements in total factor productivity, because, although it has managed to narrow the productivity gap with OECD countries since the mid-2000s, the same has not happened with the emerging markets in Asia. It would also be necessary to have a „systemic“ focus on competitiveness, based on public/private alliances, on suitable regulatory frameworks and on national and regional RDI and physical infrastructure policies, as well as on a greater degree of internationalisation of their companies, both the large emerging „multilatinas“ and small and medium-sized enterprises.

THE CARIBBEAN: A SUB REGIONAL LOOK

The heterogeneity that characterises Latin America and the Caribbean makes any attempt at generalisation difficult and even more so in the latter subregion. With 38 States and territories, some of them still dependent territories of EU Member States and of the United States, the Caribbean has even more pronounced socio-economic disparities than those that can be found in Latin America, as well as significant sociocultural and linguistic differences.

Given its size and economic characteristics, Caribbean countries can be classified into three groups: firstly, the larger economies of Cuba, Haiti and Dominican Republic, which represent 83% of the Caribbean’s population and two thirds of its GDP. Despite similarities in terms of productive structure, they have significant differences between them in terms of levels of development and forms of government and in their recent economic performance. Dominican Republic has managed to weather the global crises, whereas Cuba and Haiti are in recovery, in the latter case following the

earthquake in January 2010. A second group is made up of Guyana, Surinam and Trinidad and Tobago, which account for 7% of the population and 14% of regional GDP and which, as exporters of primary products, have had an economic performance quite similar to that of other South American countries. Finally, a third group would include the small island economies, which make up 10% of the population and 17% of GDP. These have been hit the hardest by the crisis. They are the most vulnerable due to their heavy dependence on tourism, remittances, energy imports and a relatively undiversified export „basket“, which is also affected by the erosion of trade preferences for products such as sugar and bananas. This group is also far behind in terms of productivity and faces significant external imbalances and very high levels of debt.

The region also faces problems which, although present in other areas of Latin America, are more prominent in the Caribbean, such as the high rate of migration and HIV and AIDS and its particular position in the chain with respect to the production, distribution and consumption of illegal drugs, which can be connected with public safety and an intense level of transnational organised crime in certain countries in the region. In addition, there is a very high risk of disasters caused by a combination of institutional fragility, economic, social and environmental vulnerability and the threats posed by the earthquakes, volcanoes and, especially, the hurricanes that pass through the Caribbean year after year. Given their insular nature, the consequences of climate change - rise of the sea level, extreme meteorological phenomena, loss of biodiversity - will, in the long run, also represent a particular threat to cope with.

All of which means that a different agenda is required, in which the following aspects should be highlighted:

- Macroeconomic stability and development financing, tackling the debt and fiscal fragility problems that a large number of Caribbean island countries face.
- Productive transformation, through improvement of productivity and international competitiveness, and diversification of economic activity.
- Environment and climate change challenges, through adaptation policies.
- Diversification of the energy matrix, with the promotion of renewable energies.
- Improvement of public safety and the need for new focus and policies to tackle crime related to illegal drugs.
- Broadening and deepening regional integration and cooperation, through the Caribbean Community (CARICOM) as well as the Organization of Eastern Caribbean States (OECS), to extend beyond widening markets to include higher education or, in the latter case, monetary cooperation.

Reduction of poverty and inequality and broadening of the middle classes.

The expansionary cycle of the economy and the resulting improvement in employment, together with the greater focus on social policies and the corresponding allocation of fiscal resources, has led to a visible improvement in the long-standing problems of poverty and inequality in the region. According to figures from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), between 1999 and 2011 the rate of regional poverty fell from 43.8% to 30.4% and

the rate of extreme poverty or destitution from 18.6% to 12.8%, which puts the region on track to meet by 2015 the extreme poverty targets set in the Millennium Development Goals (MDGs). Similarly, the years 2002-2003 represent a clear turning point in inequality indices, which have improved in the majority of countries. This does not mean that poverty and inequality do not continue to be key issues in the reality of the region, since Latin America and the Caribbean still have 177 million poor people, 70 million destitute and the worst inequality indicators in the world. However, the middle classes (although this term does not have the same meaning in terms of income or access to social services as it does in the OECD) are widening and their social and political rise is one of the main indicators of change in the region. This creates new social and political demands and, in particular, in terms of access to and quality of healthcare, education, social protection, law and order and, in general, the rights and duties associated with effective citizenship, and the regulatory frameworks, public policies and government action supporting them.

Open agendas of democracy, citizenship and good governance.

Nowadays, Latin America and the Caribbean have an almost full sweep of democratic regimes and regular elections. However, there is an extensive debate in the region about the scope and meaning of democracy and human rights, between the classic liberal/western conceptions and the proposals for change on which the processes that various countries in the region have experienced are based.

The concept and content of citizenship is also the subject of review and debate. As indicated by various studies by the United Nations Development Programme (UNDP), the main democratic challenge for the region is to materialise the rights associated with civil and social citizenship and to give adequate recognition to the diversity that characterises Latin American and Caribbean societies. As stated previously, the processes of social change taking place in the region in terms of the rise of the middle classes, the agenda of socio-economic, gender and ethnic equality and the assertion of rights associated with disability and sexual condition require a significant broadening of the democratic agenda and the need for wider and more inclusive public policies. In addition, the democratic future of the region will be shaped by the current debates on the mechanisms of representation, control and accountability, on the independence and equilibrium of the various public authorities, on the role in democracy of political parties and other players, such as the media, civil society, churches, businesses, unions and other civil society organisations. A no less important role will be played by the regional and international mechanisms relating to democratic legitimacy and respect for human rights.

Finally, in quite a few countries in the region, the future of democracy is linked to problems of institutional fragility, whereby the government shows its weakness in its ability to supply public goods, to manage distribution conflicts, to deal with external shocks, to regulate markets, to manage public services, to ensure social cohesion and to tackle problems of poverty and inequality. All of this contributes to undermine the legitimacy of institutions. A key aspect that shows both institutional fragility and lack of social cohesion is the State's fiscal weakness. In many countries in the region, this would require extensive fiscal reforms based on a broader tax base, reducing the big share of the informal economy, greater progressivity of tax revenues and greater effectiveness on the part

of the tax authority. However, these reforms will not be viable if they do not bring about a better use of resources, stopping corruption, an improvement in public services to meet social demands and, among these, the demands sought by the middle classes, without whose support these reforms will lack legitimacy, and a better distributive impact of social expenditure. For all of the above reasons, improving public policies through institutional reform is an absolute democratic obligation to improve social cohesion.

**Latin America on the global stage:
more assertive foreign policies and greater international presence.**

The rise of the region and, in particular, the rise of certain countries with an eye on becoming global leaders has also been reflected in more active and assertive foreign policies. These have been focussed, amongst other aims, on redefining the region's position and that of certain specific countries in a world that is perceived as multipolar, on seeking greater autonomy, on redefining external ties and, in particular, on redesigning regional integration and regionalism as international insertion strategies.

This search for autonomy, facilitated by the lesser importance of Latin America in the United States foreign and security policy, has resulted in certain countries in the region playing a more prominent international role and in the assertion of regional projects such as the Union of South American Nations (UNASUR) and, above all, the creation of the Community of Latin American and Caribbean States (CELAC), absorbing and broadening the regional consultation functions of the Rio Group. These processes are not always harmonious, since, on occasions, the global and regional agendas of some of the region's leaders are not well articulated and there are very different perceptions about the role that these organisations have to play. However, their recent emergence and development seem to indicate that despite the differences present in Latin America and the Caribbean in terms of political preferences and international insertion strategies, the region has, via the CELAC, reached a basic consensus on the need for political coordination, and is forging agreements on relations with external players, certain territorial disputes and the matter of illicit drugs.

The rise of the region and of certain countries in particular can also be observed in its growing involvement in South-South Cooperation (SSC) mechanisms, with which a large number of countries are leaving behind their traditional status of recipients of ODA and mobilising their own capabilities and resources to promote international development goals. This is also noticeable in terms of its greater presence and influence in international organisations and in the emerging international economic governance structures. Mexico and Chile are members of the OECD, a status to which Colombia also aspires, and Brazil is part of the „broadened partnership“ that this organisation has established with key emerging countries. Argentina, Brazil and Mexico form part of the G-20, which, since the unravelling of the economic crisis in 2008-09, has become the main authority for global economic governance displacing the G-7. The reform of International Monetary Fund (IMF) and World Bank quotas will give certain countries in the region greater political weight in these organisations, and within the World Trade Organization (WTO), some of the region's countries have been key players in multilateral trade negotiations.

More differentiated and heterogeneous political views.

Global changes, and those which have taken place in Latin America and the Caribbean, have given way to a more heterogeneous and differentiated region than in the past. Unlike the 90s, there are very different visions about the economic and development strategies and policies to be implemented, with a wide range of options that include an orthodox approach close to the „Washington Consensus“, the alternative proposals of „21st Century Socialism“ and the policies combining macroeconomic stability, social inclusion and industrial development in the so-called „Brasilia Consensus“. As will be shown, these options are also significant in terms of regionalism and regional integration, and the different foreign policy and international insertion strategies that co-exist in the region.

In any case, besides political and ideological factors, significant differences can be observed in terms of rate and intensity of economic growth, job creation, and the progress recorded in reducing poverty and inequality. Almost all countries in the region, based on their per capita income, are situated in a wide band of middle incomes, but there are major differences in terms of situation, needs and access to external financing, and development policies to be implemented between those that are still located in the low income category, lower-middle income countries (LMICs) and upper-middle income countries (UMICs). To the extent that economic growth has enabled a greater number of countries in the region to access this latter category, traditional external cooperation - based on the transfer of Official Development Assistance to support social programmes or finance investments in basic social sectors - has gradually become less important. What is becoming more important is advanced economic cooperation, aimed at promoting foreign direct investment (FDI); policies to ensure macroeconomic stability; technology transfers and support for RDI policies, infrastructure improvement and, in broader terms, policies to improve international competitiveness and access to external markets. In this context, integration and trade agreements regain importance, whether within a multilateral framework or through regional agreements, such as the Partnership Agreements signed or currently being negotiated between Latin American and Caribbean countries and regional groups and the EU.

Finally, it is important to point out that there are significant differences in the way in which Latin America and the Caribbean sees itself to be affected by, and comes to terms politically with, global problems and risks such as transnational organised crime, climate change and its consequences, and international economic turmoils. Although a problem that affects the whole of the region, Mexico, Central America and the Caribbean as well as certain Andean countries experience to a greater extent and in different ways the problem of crime and violence associated with illicit drugs and arms trafficking. Adaptation to climate change also poses different challenges for the Andean ecosystems, for the Central American isthmus and for Caribbean island countries. But in all of these cases, since it is beyond the ability of each country to tackle these problems separately, a greater commitment would be required towards regionalism and multilateralism, with respect to which there are also very different stances in the region.

Different international insertion strategies, regionalism and integration.

The creation of the CELAC reveals the political will of Latin America and the Caribbean to form a regional reality based on foreign policies concertation, policy coordination in various areas and dialogue with other players, such as the EU. One should not forget, however, the significant differences existing in terms of strategies for insertion into the international political economy and the different regional cooperation and integration projects now present in the region. Between 1990 until the mid-2000s, Latin America drew up a „roadmap“ for integration based on „open regionalism“, with four subregional groups - Mercosur, the Andean Community of Nations (CAN), the Central American Integration System (SICA) and the Caribbean Community (CARICOM) - with two countries (Chile and Mexico) that opted to follow separate paths, as pioneers of a „south-north“ model of integration and subsequent hub and spoke strategies based on multiple free trade agreements. That cycle of regionalism and integration, based primarily on trade liberalisation, has left an important legacy in terms of economic growth sustained by the increase in interregional trade and, in some cases, by external ties. Similarly, there is a significant wealth of experience in coordinating and establishing common policies in various areas, such as infrastructures, energy, mobility of people and higher education.

However, since the middle of that decade, different trends have come to light with respect to regionalism and regional integration, pointing to the devising of new roadmaps and strategies in regionalism and international insertion of the region. Firstly, one can observe the gradual emergence of a North American economic area based on the trade preferences and agreements that link United States, Mexico, Central America and certain countries in the Caribbean and the northern part of South America. Secondly, the convergence of the CAN and Mercosur will, thanks to a wide network of ALADI agreements, form a large South American free trade area. But perhaps more significant is the co-existence in the region of two major visions of regionalism: one that refreshes the strategies of open regionalism through the „Pacific Arc Alliance“, with a major focus on Asia, although all of its members have partnership agreements with the EU, which could, in turn, represent an opportunity for ties between the two regions; and another that focuses to a greater extent on its political dimension and on the pursuit of regional autonomy, with a more pronounced role for state players in development, and a broad agenda of regional infrastructure and energy policies. Its institutional bodies would be an enlarged Mercosur, with the inclusion of Venezuela and a more political profile, as well as UNASUR and ALBA-TCP. Bearing all of this in mind, the outlook for the region is fluid and dynamic, with different constellations and „variable geometries“ of regional fora and organisations that serve different objectives and tackle different agendas. This poses difficulty in terms of the region's external dialogue and affects, among other partners, the interregional relationship with the EU.

Substantial differences are also observed in the region's SSC objectives and strategies. For some countries, development cooperation is an international endorsement and means of alignment with the OECD's policies, whereas others view it as an instrument for political solidarity and for more autonomous and assertive foreign policies towards developed countries.

Finally, instead of institutionalised regionalism, it is necessary to point out the growing importance of regionalisation trends driven by private entities and, in particular, by the increasingly influential „multi-

latinas“, which, together with other extraregional corporations - and, in particular, those from the EU, in sectors such as banking, communications, manufacturing and, especially, the automotive sector - are generating significant flows of trade and intraregional investment, and are starting to play an important role in the emergence of regional and global value chains and, in so doing, in the transformation of the region’s model of international insertion, leaving behind its traditional export specialisation.

THE EUROPEAN UNION: A GLOBAL PLAYER UNDERGOING REDEFINITION

On the other side of the bi-regional relationship is a EU which is experiencing itself a paradoxical situation. On the one hand, it continues to be the world’s most advanced integration experiment and, with the signing of the Lisbon Treaty, the EU has made major steps in its process of integration and, in particular, in the shaping of the Union as a more relevant global player. On the other hand, the EU has not finished devising an integrated vision of its role in the world or a well-structured common foreign policy, which reduces its ability to act as an international player. In addition, the processes of power change on a global scale and, in particular, the economic crisis and the serious problems that the eurozone is experiencing are reducing its appeal and influence as a partner to Latin America and the Caribbean, which will require, as stated in the following section, a visible rebalancing of birregional relations.

The Lisbon Treaty and the shaping of the EU as a global player.

Since the emergence of European Political Cooperation in foreign policy, until the Maastricht Treaty and the Lisbon Treaty, the EU has been increasing both its presence and its abilities as an international player, helping to define the rules of the current international system. In so doing, it has developed the external action and unique European identity that distinguishes the EU from other global players, based to a large extent on common values and interests that go beyond what Member States may individually have. The EU is a unitary player in relation to international trade. In its political dialogues with third parties it tends to speak with a single voice, supported by common procedures between national foreign ministries and the Union’s institutions responsible for the everyday management of international relations. It supplies more than half of the world ODA. It has established a common security strategy. It has already acquired significant experience in military and civil peacekeeping and crisis management missions. It promotes broad cooperation in defence matters. It has the ability to shape the interests, values and policies of Member States through an intense process of „Europeanisation“ of its internal and international policies in a wide variety of matters in which the EU is a world leader, whether this be climate change, international development or strengthening multilateralism. The Lisbon Treaty represents major progress in strengthening the EU’s international actions: it grants legal personality to the Union; different policies and relations with other countries are integrated into a common framework for external action; and the principles and values that characterise the EU’s international actions are expressly defined and detailed as well as its objectives, including, inter alia, those relating to international peace and security, democracy and human rights, environmental protection and the fight against world poverty. This can help to achieve a more coherent and effective external action, strengthening the EU’s role as an international value-based player. In addition, the institutional framework of that external action is strengthened

with the setting-up of the Permanent Presidency of the European Council, the figure of High Representative for Common Foreign and Security Policy (CFSP) and the European External Action Service (EEAS). Finally, in various areas related to external action, some competences, which still were placed in the national level, for example those relating to trade in services and investment protection, have been relocated in the Union.

EU, global recession and eurozone crisis: redefinition of a model of integration.

The slow nature of economic recovery in Europe following the global economic crisis and the eurozone crisis have highlighted the difficulties that the EU faces in adapting to globalisation processes and that it is an unfinished project, with major institutional deficiencies concerning its economic governance, and as a political project. This crisis affects the most important aspects of the EU as an integration project: as a model of economic efficiency and competitiveness; as a political model of cosmopolitan democratic governance; as a mechanism of solidarity, through economic, social and territorial cohesion; and as a global player in an international system that is no longer unipolar. Therefore, this affects its appeal and influence as a global player and as a partner to Latin America and the Caribbean.

Firstly, from an economic perspective, the EU crisis is not limited to sovereign debt problems or adjustment needs in the most imbalanced countries. No doubt that the Union has to ensure the viability of the eurozone, overcoming problems of overindebtedness, the recession cycle brought about by the adjustment and, above all, the visible institutional shortcomings of the euro, improving its economic governance through greater fiscal and financial integration. But, besides the pressing requirements of the crisis, the EU will need to develop a new long-term growth strategy, as was the case of the internal market in 1992, in response to the competitive pressures and growth opportunities presented by the emerging markets. To do this, it will need to improve its international competitiveness, especially in those countries that lag furthest behind, through internal measures and more proactive policies with the emerging markets, including Latin America and the Caribbean.

Secondly, the crisis places strain on the advanced European experiment of transnational democracy, multi-level governance and redefinition of citizenship in the European realm. The EU crisis poses the problem of democratic legitimacy, to the extent that more and more national powers are being transferred to common institutions, for example, in taxation matters, and the perception is that decisions are being taken further away from citizens and from the necessary mechanisms of democratic control. In this sense, the European crisis would appear to be, first and foremost, a political crisis revealing the increasing disaffection of the people and the elites with a long-term European construction project that lacks a convincing narrative and yields to the „renationalisation“ of the policy as well as a growing lack of trust among its stakeholders.

Thirdly, the European concept of social market economy and, in particular, the European model of social and territorial cohesion - another key concept in relations between the EU and Latin America and the Caribbean - is faced with new challenges and risks. This model, which has historically served as a reference for the EU's external partners, has been based both on the development of the Welfare State in each of the Member States and on the intra-European transfers of a number of

structural funds to modernise the more backward economies of the EU and promote a „real“ convergence of incomes and welfare levels. However, European welfare states now have to deal with the competitive pressures of globalisation, which are threatening their viability, and the crisis and adjustment policies are reversing many of the achievements made within the Union over previous decades in terms of convergence of income, welfare and rights. As regards the EU's own cohesion policy, resources are less readily available despite the greater asymmetries that enlargement entails. And, what is perhaps more important, the whole of the EU needs to face the significant challenge that immigration poses in terms of cohesion. This is perhaps one of the most important issues in relation to social inclusion, for which there is no common European response, and none of the national policies applied in Member States seems to mark out clear paths.

Finally, the legitimacy and rationality of the European project would also lie in its external aspect and its role as global player as well as, in particular, in its ability to be an effective international player when it comes to articulating and guaranteeing European interests whilst at the same time being a value-based „civil power“. Values which, as well as representing its international identity, would also be the source of its „soft power“ and its influence as a global player. In this area, the EU is also experiencing something of a paradox. As stated, the Lisbon Treaty strengthens both its capabilities and its values, but the EU seems to lack a shared vision about the changes that the international system is undergoing and its role in the world. As its actions in various international crises reveal - just as is happening with the euro crisis itself - the EU does not always speak with the same voice. It can't even manage to articulate adequately its interests and values through coherent and effective external action, since this is no common framework for the foreign policies of its Member States, often constrained by the domestic political and electoral agendas of each Member State. Finally, it is necessary to point out that the new institutional design of the Lisbon Treaty in relation to the EU's external action has not yet been consolidated and there are some who have doubts about the actual scope of these reforms.

EU-LAC RELATIONS IN THE FACE OF GLOBAL CHANGES

The positive balance of the bi-regional relationship and its results.

Over the course of several decades, bi-regional relations have constantly upheld objectives related to peace, democracy, human rights, rule of law, sustainable development, fighting poverty and strengthening multilateralism, as a common goal rooted in a set of values and interests shared by both regions. Furthermore, they have adapted to a changing international context. They originated in the 80s and successfully met the challenges of democratic transitions, and peace and negotiated solution for regional conflicts. In the 90s, in the more conducive environment of the post-cold war, the peak of Latin American regionalism, and the development of the CFSP, an interregional strategy was developed in the EU which responded differently to the new map of Latin American integration. This strategy gave rise to a high-level bi-regional political dialogue, in the form of Summits between the EU and Latin America and the Caribbean. It also included broader and more diversified development cooperation and the proposal of a network of bilateral or multilateral Partnership Agreements covering the whole of Latin America and the Caribbean.

Throughout the 2000s, these objectives have come across various difficulties in their achievement. The development priorities reflected in the MDGs, the security agendas imposed by the 9/11 attacks and the wars in Afghanistan and Iraq, the enlargement of the EU towards the east, the rise of emerging countries in Asia, the start of the WTO's „Doha Round“ of multilateral negotiations and political differences within Latin America explain the difficulties that have arisen in the negotiation of Partnership Agreements, particularly in the case of EU-Mercosur negotiation, which initially seemed to be the most promising, and the „group to group“ negotiation between the EU and the Andean Community, which in the face of the latter's internal differences, in a situation of great fluidity in Latin American regionalism, gave rise to a „Multi-party Agreement“ with trade negotiations confined to Colombia and Peru.

Retrospectively, and bearing in mind the major push that bi-regional relations received at the Madrid Summit in 2010 (See Box 2), the results of this strategy have been noteworthy. Via the Bi-regional Summits, the preparatory process and the events prior to these, both regions maintain a regular political dialogue that serves to boost the bi-regional relationship and also to agree upon stances in international fora, and highlights the role of both parties as global players. This dialogue is not limited to Heads of State and Government and various ministerial fora, since there are other mechanisms open to civil society and business sectors. In particular, the European Economic and Social Committee (EESC) is engaged, in parallel with the summits, in dialogue with organised civil society. Parliamentary debate has also been institutionalised through the Eurolat Assembly, formed in 2006. Wide-ranging Partnership Agreements have also been signed between the EU and Mexico (2000), Chile (2002) and Central America (2010), and similar free trade agreements with Peru and Colombia (2010), with negotiations having recommenced for an EU-Mercosur Partnership Agreement during 2010. With the 13 Cariforum countries, the EU also signed a wide-ranging Economic Partnership Agreement. All of these include reciprocal free trade agreements, as well as bodies through which to channel political dialogue with Governments, parliaments and civil society - in this case, with the support of the EESC - and, where applicable, with regional institutions. In terms of development cooperation, the Union and its Member States provide more than 60% of the ODA that the region receives, with EU institutions being the third largest donor, with 12% of the total in 2011. It is also necessary to mention the financing provided by the European Investment Bank (EIB) and the active involvement of the region's countries of greater relative development in joint science and technology research programmes, via the EU's VII Framework Programme, and scientific/technological cooperation agreements signed with these countries, which represent a form of advanced cooperation which is of great importance to the region's middle/high-income countries.

MADRID SUMMIT PRIORITIES AND ACTION PLAN 2010-2012

Among the major contributions of the Madrid Summit is the adoption of the Action Plan 2010-2012, which includes concrete results-oriented initiatives and capacity building capacities in the following areas:

1. Science, research, innovation and technology, with the objective of developing the „EU-LAC Knowledge Area“, through improving cooperation and strengthening capacities in this area, including ancestral knowledge, technology transfer to the production sector and, in particular, to SMEs, and reduction of the digital divide. Other initiatives include an „EU-LAC Joint Initiative for Research and Innovation“.

2. Sustainable development, environment, climate change, biodiversity and energy. In support of the achievement of the MDGs and the Kyoto Protocol targets, the objectives in this area are to develop policies and instruments for climate change adaptation and mitigation, including exchanges around renewable energies, energy efficiency and diversification of the energy matrix, and disaster risk reduction.

3. Regional integration and interconnectivity to promote social inclusion and cohesion. The objectives in this area are to contribute to socio-economic development and to reduce poverty through investment in infrastructures favouring interconnectivity and the development of social and economic networks, making use of different public and private development financing instruments (EDF, LAIF), and through the establishment of an EU-Caribbean Infrastructure Fund.

4. Migration. The objectives are to enhance bi-regional cooperation, through better understanding of its realities and addressing the positive synergies between migration and development, as well as promoting full respect of migrants' human rights, through strengthening the EU-LAC structured dialogue on migration, facilitating remittances and greater technical cooperation.

5. Education and employment to promote social inclusion and cohesion. The objectives are to promote higher education, life-long learning and training (including vocational training) with a view to achieving easier access to employment and increased social cohesion. To do this, a regular bi-regional dialogue will be established on education and employment, as well as initiatives to promote mobility and exchanges in higher education, improve vocational training and enhance access to employment.

6. The world drug problem. The objective is to strengthen bi-regional dialogue and cooperation in the framework of the EU-LAC Cooperation and Co-ordination Mechanism on Drugs, and in the framework of the United Nations. To this, it will be necessary to promote an exchange of knowledge, experiences and best practices to tackle illicit drugs and associated crime and money-laundering, alternative development, treatment of drugs as a public health problem, and the environmental consequences of the world drug problem.

**Crisis and shift in global power:
rebalancing of relations between the EU and Latin America and the Caribbean.**

The rise of Latin America and the Caribbean, and the EU crisis have signified a major rebalancing of bi-regional relations, reducing some of their traditional asymmetries. As it has been stated, the EU is going through a crisis, the most serious since its creation, which casts doubt over its most important economic, political and social dimensions and the very idea and „model“ of European integration as a reference for other players, all of which is requiring a major redefinition of its institutional construction. The contrast could not be greater with what is happening on the other side of the Atlantic. Despite the crisis, Latin America and the Caribbean have maintained strong economic growth, driven by the boom in exports to Asia and the growth in domestic demand, in societies where the middle classes are expanding and poverty and inequality is falling. With positive results in their external accounts and a healthy fiscal balance, the most immediate economic problems are those specific to expansionary cycles, such as the reheating of the economy and the flood of external capital. This greater confidence in itself is also visible in foreign policy, which a more autonomous and assertive approach on the part of certain countries that aspire to be regional and global leaders, and which is also evident in the creation and consolidation of regional organisations such as UNASUR and CELAC.

In this context, the expectations and assessment of the bi-regional relationship and of each of its parties has undergone significant changes. For many years, Latin America and the Caribbean saw the EU as a political reference and a provider of tangible support to help them tackle their agendas of peace, democratisation and development. However, because of the crisis, the EU is also starting to be seen as a model of integration in crisis and as the source and cause of problems, in particular the possible contagion of the economic recession and the financial turmoils originating in Europe.

This change seems to have altered the balance and the traditional asymmetry that characterised the bi-regional relationship for several decades. The EU seems to be a less important option for the diversification of Latin American and Caribbean external relations, compared with the opportunities that are being seen in the Asia/Pacific region. There also appears to be a weakening of the EU's role as a political reference for regional integration, social market economy model, social cohesion and the balance between State, society and market, for example in regulatory or fiscal matters. No less important is the rise of Asia and, in particular, of China. It is not so much the seduction of the model of State capitalism that is behind this country's economic success as the fact that in a short space of time China, a less demanding player than the EU in terms of its foreign policy and model of external relationship-building, has become the leading trading partner of a number of Latin America and Caribbean countries. Although the EU remains important as a source of FDI, according to various economic forecasts, China may, in a few years' time, oust the EU from the second position that it holds, behind the United States, as destination market for the region's exports.

End of the interregionalist cycle and future challenges of the bi-regional relationship.

This brief review of the situation and achievements of the relationship between the EU and Latin America and the Caribbean must not neglect the challenges that the relationship faces in order to continue being important to both regions and their respective international insertion strategies.

It should be remembered that since the mid-90s, relations between the EU and Latin America and the Caribbean have been shaped by an interregionalist strategy devised by the Commission and the Council, under the leadership of the former Vice-President of the European Commission in charge of relations with Latin America, Manuel Marín, and the German Presidency of the Council. This strategy was based on the „cartography“ of Latin American regionalism and on the redefinition of European regionalism from the mid-90s, and for at least a decade and a half, it has defined a relationship model to be achieved, while providing a narrative, a story and ambitious, long-term and strategic goals for the bi-regional relationship. As has been stated, the aim was to establish a framework of high-level political dialogue and to create a network of partnership agreements, including free trade agreements, which would go beyond the traditional model of „north/south“ economic relations between both regions. Although the strategy started with a more limited proposal —the trade agreements would be limited to Mexico, Chile and Mercosur—, the proposal of signing partnership agreements was subsequently broadened, not without resistance from the EU, to the Andean Community of Nations (CAN) and Central American countries. And the Cotonú Agreement in 2000 included, as part of the redefinition of the EU's relations with the ACP countries, a possible economic partnership agreement with Caribbean countries.

Given the major progress achieved at the Madrid Summit in 2010 and looking towards the Santiago de Chile Summit in 2013, it should be assumed, firstly, that the cycle of interregionalism as a strategy is now exhausted, largely because its main objectives have been achieved. In particular, the interregional political dialogue has been fully institutionalised and this „network“ of partnership agreements has materialised.

The fact that interregionalism as a strategy is exhausted and that its goals have been accomplished from a medium and long-term perspective does not mean that this cycle has completely ended because it is an unfinished model. Firstly, it is necessary to strengthen the network of partnership agreements on which the bi-regional Strategic Partnership designed in the mid-90s is partly based. Events on the horizon include, firstly, the EU-Mercosur negotiations, which, with the incorporation of Venezuela into this group, are entering into a new phase, but without having overcome the obstacles on agricultural and trade issues and in other chapters that have prevented the conclusion of this agreement. Secondly, the possible incorporation of Ecuador and Bolivia into the „Multi-party Agreement“ already signed with Peru and Colombia; and, thirdly, the establishment of some form of partnership between the EU and Cuba, once the circumstances so allow, in view of the admission of Cuba into the ACP group.

Secondly, the signing of Partnership Agreements entails a wide-reaching change in the model of relations between the EU and the countries and groups concerned. They represent major oppor-

tunities and challenges in terms of political dialogue and cooperation, developing the mechanisms stipulated in their articles to involve governments and civil society. As regards trade and investment, they are opening up a broad agenda of supplementary and accompanying policies in terms of competitiveness, market access, and treatment of asymmetries and adjustment costs. These, in turn, require new focuses and cooperation instruments, often more akin to cooperation strategies with middle-income countries than traditional development aid to poorer countries.

Thirdly, whether or not the network of Partnership Agreements is strengthened, this objective formed part of the strategy and international context of previous decades, and although it continues to be important, the bi-regional relationships require a renewed rationality and a fresh strategy to meet modern day challenges and, in particular, the challenges of the rapid shift in power characterising the contemporary international system, the new realities present in both regions, the changes observed in Latin American regionalism –as much in its cartography as in its orientation and contents– and the visible rebalancing of the relationship between the EU, Latin America and the Caribbean.

NEW FOUNDATIONS FOR THE BI-REGIONAL ASSOCIATION: FOUR PROPOSALS

What, therefore, should the foundations, rationality and functions of the present day bi-regional relationship look like? This question, on which the continuity and importance of this relationship will obviously depend, prompts four major interconnected responses or proposals. These come from the actual Summit Declarations and from various remarks made by other players in the bi-regional relationship. These four responses concern the relaunching of the bi-regional partnership on the basis of shared values; consultation and common action for governance of globalisation and better management of global risks; joint action to develop and enhance the international insertion of both regions in response to the shift in world economic power; and development of advanced thematic cooperation in areas of common interest.

First proposal: A partnership based on shared values.

Since their beginnings, bi-regional relations have expressed their adherence to a set of values rooted in the Western tradition as well as in history and identity of Europe and Latin America, based, inter alia, on democracy, human rights, rule of law, social cohesion, defence of multilateralism and peace and international cooperation. Summarizing, these values are no others than those of liberal internationalism, but clear Latin American and European accents have been added. These values have been reaffirmed in all Summits and, in particular, in the document „Common values and positions“ adopted at the II Bi-regional Summit (Madrid 2002). Likewise, political declarations and the practice of regional organisations have gradually been expressly incorporated into founding treaties, as shown by the recent examples of the EU through the Lisbon Treaty, and UNASUR and CELAC.

In an international context with emerging players that do not always share these values, and with a growing „post-western“ appearance, the shaping and identity of the Bi-regional Strategic Partnership as a community based on Western values represents a unique feature of its true self and

political practice, and can also be a source of international legitimacy and influence. This is especially important in view of the redefinition of the principles, rules and institutions on which the future international order will be based.

Basing this relationship on common identity and values does, however, raise an unavoidable question: identity is always defined in relation to third parties, to the „otherness“ concerning this bi-regional community of values. On occasions it has been argued that bi-regional relations only make sense in an „Atlantic triangle“ with the United States, since the latter is also part of the „West“ and the values underpinning the bi-regional partnership are also the same that the United States promotes with respect to non-Western players and world views. Therefore, this would be its natural destination.

However, historical and present relations between the EU and Latin America and the Caribbean seem to show that, at least in part, the United States represented the „otherness“ that would justify the very existence and action of the bi-regional partnership. Not because the latter has clashed with the United States but as a statement of a different or qualified way of understanding what the West is and what its international role should be. The bi-regional relationship and, especially, the relationship between the EU and its Latin American counterpart, has sought to be an alternative to the United States by offering a different social and economic model from the neoliberal model of the United States. Or, in terms of realpolitik, it offered itself as an option for diversifying external relations, for accessing other markets and, therefore, for gaining international autonomy through an obvious diversification strategy. At this point, it should be recalled that the bi-regional relationship was created, at least from the European perspective, as a strategic response to the FTAA project.

It has been alleged on some instances that relations between the EU and Latin America and the Caribbean, on the one hand, and hemispheric relations with the United States, on the other hand, are increasingly alike and present a growing degree of convergence. This may be true with regard to free trade —in reality, the need to ensure compatibility of free trade agreements with WTO regulations leaves little room for differences— or with regard to migration, given the impact of this matter on electoral processes and on domestic policy both for Member States of the EU and for the United States. However, in other aspects, these players are still following very different approaches, for example, in terms of the approach to fighting illicit drugs.

The key question is whether this role of third party, on which to build an identity based on differentiated values, will now be assumed by a non-Western player such as China or other Asian countries. A harmonious and mutually beneficial triangular relationship between China, the EU and Latin America and the Caribbean, for example, could be proposed if this were limited to an economic sphere and, in particular, to trade and investment. However, in the area of political dialogue, it is perhaps not feasible given the obvious differences that exist in relation to democracy and human rights.

If shared values are going to continue to be one of the foundations on which the bi-regional relationship is built, as they have been in the past, they can no longer be taken for granted. (Re)building the bi-regional strategic partnership as a community of values requires something more than a generic invocation to this, for a number of reasons. Firstly, democratic values and the very concept

of democracy, regional integration and the balance between State, market and society are matters currently being debated in both regions. Secondly, the complex and - at times - contradictory relationship between interests and values underpinning foreign policies and international alignments on both sides is changing to adapt to an evolving world. Thirdly, because many of the shared values on which the bi-regional relationship was built in previous decades are now fully spent, in the sense that they have now been assumed by the majority of the international community and they no longer hold a distinctive value. For all of these reasons, a renewed dialogue and a constant effort to update is required in those areas where a difference can be made and where we can go beyond the principles that have already been fully adopted. In all this, civil society has a key role to play and it is hoped that the EU-LAC Foundation can play a role in pushing forward this renewed and broadened political dialogue.

Second proposal: A partnership for the governance of globalisation.

Since the Rio Summit, one of the express objectives of the Bi-regional Strategic Partnership has been the harmonisation of positions in international fora. This entailed the mutual recognition of the growing political stature as global players of a more integrated Latin America and Caribbean with greater international autonomy, and a EU, which, more than having just economic integration, had set up a fledging CFSP. At the same time, it reflected the political desire of both parties to use the interregional relationship and interregionalism as a foreign policy mechanism and strategy to influence globalisation processes and to have a bearing on the rules, institutions and international regimes on which its regulation and governance would depend; to promote effective multilateralism; to ensure an adequate provision of global public goods - and in direct connection with this, to tackle the negative externalities of a greater interdependence, considered „global public bads“ -; and to improve the management of the global risks generated by the transnational trends and processes which are increasingly affecting the States, societies and markets of both regions.

The greatest difficulty in achieving these aims has been the lack of a global vision shared by both regions with respect to the results to be achieved when it comes to determining the shape of the international system. There are different points of view on the multilateral agenda on both sides: on Security Council reform, on disarmament and arms control, on international financial architecture, on crisis management and on responsibility to protect or responsibility while protecting, to mention a few examples of recent debates. Difficulties emerge from the preference of certain countries to act individually rather than coordinating positions in their respective regional groupings. The EU and its common foreign and security policy does not always achieve concerted action among member states and we know, for example, that CELAC and UNASUR, although very effective coordination platforms with respect to regional issues, are less so when it comes to global issues. There is no „ABM group“ because Argentina, Brazil and Mexico, the Latin American countries in the G20, do not even agree among each other on their positions in that Group, and even less so with other Latin American countries. When it comes to global macroeconomic problems, crisis management or the global „currency war“, these countries often hold very different positions on account of their very different export structure. For this reason, a key issue such as the Chinese yuan/renminbi exchange rate is not perceived in the same way by Mexico or by Argentina or Brazil. Therefore,

the coordination of positions at a bi-regional level will probably require greater effort within each of the regions.

However, in this area, the bi-regional Partnership continues to have an important role to perform. There are significant incentives for a more coordinated and effective action, giving both parties a more prominent role as joint rulemakers of the international system, such as the strengthening of the EU's common external action, the rise of Latin America, the emergence of bodies such as UNASUR and CELAC, and the presence of both parties in emerging global governance structures, like the G-20, at a time when global interdependencies and risks are increasing and the rules of the international system are being redefined. Hence the importance of an institutionalised and more structured political dialogue to represent a forum for socialisation and joint learning that is capable of generating greater confidence. This dialogue must help to define a shared global vision, progressively and based on existing agreements and to give rise to a more systematic process of consultation and more predictable action by the parties. It should also serve to monitor and assess the actions of both parties in multilateral fora - General Assembly and other United Nations bodies, WTO, etc. - and in thematic agendas of mutual interest, stimulating greater degrees of consultation and a more substantive debate; and, finally, to give the bi-regional Partnership a more important role as a platform for political action which enhances the joint global influence of both regions.

Third proposal: A partnership for development and to enhance international insertion in light of the shift in world economic power.

It has been reiterated that one of the first processes of change on the international system is the rapid shift in world economic power towards Asia, and the outbreaking in a few years of about one thousand five hundred million people in the global labour force. This is a process meaning profound transformations in export patterns and economic ties with abroad, raising significant challenges in terms of international competitiveness and, through this, substantially affecting employment conditions and social protection systems. It calls for a great repositioning effort of both regions and supposes, in short, an scenario of risks and opportunities that require a major reconsideration of the rationality and purposes of the bi-regional relationship, without prejudice to the important direct ties that both regions are developing and can develop with Asia.

In this attempt to improve the international insertion, as much of the EU as of Latin America and the Caribbean, the bi-regional partnership plays an important role. Firstly, for Latin America and the Caribbean, the EU, although it may be a destination in decline when compared with the rapid rise of Asia, continues to be the second largest market for its exports, with the derived potential to become the largest integrated market in the world, given its high per capita income. The EU is also the main source of FDI, particularly in the manufacturing and services sectors, renewable energies and the environment and in many other activities generally associated with greater technological content and significant export potential. In these areas, one can already observe the emergence of intra and interregional value chains which have significant growth potential, given the complementarity of the economies of both regions, with a view to including their respective business players in this global process of shifting economic power. It is, therefore, a very

important partner for promoting investments and quality employment through technology transfer. Something similar can arise in relation to advanced economic cooperation and in specific areas of major importance to the competitiveness agendas that the region needs to promote, such as higher education and national RDI programmes. Finally, the EU is also the region that has the most advanced experience of the procedures and policies required for profound regional integration, which is once again important as an instrument for achieving economics of scale and learning, regional productive chains and other dynamic effects, and to develop, at lower cost, common policies that help to improve the international competitiveness of each member country. The EU is also a unique partner in terms of its experience in the connection between territorial development and regional clusters based on export SMEs, all of which is very important for promoting the agendas of competitiveness and productive structure diversification which Latin America and the Caribbean requires.

Secondly, for the EU, the rise of Latin America and the Caribbean, in the light of a European market with lower growth expectations, is even more attractive as an export market and destination for flows of FDI from the EU, especially for European SMEs, which, before the recession, can step up their process of internationalisation. The rise of the „multilatinas“ has also resulted in a significant increase in flows of FDI from Europe, which can help to bring about a quicker recovery from the crisis.

Thirdly, in relation to the emerging markets in Asia, there is a significant potential for economic triangulation for both regions, especially via the countries that have signed Partnership Agreements with the EU, as part of hub and spoke strategies. The growing connection between Asian markets and Latin America and the Caribbean through intraregional trade offers excellent opportunities for both regions, beyond the traditional trade flows between the EU and Latin America and the Caribbean, in particular for SMEs, and one can also observe a strong potential to develop services where there are already a number of well-positioned businesses.

However, in that scenario, there are risks that must not be ignored. If the agenda starts to be dominated by the economic interests described above, what can be clearly observed - at least in the EU - is the rise of policies to support the expansion of businesses abroad in a neo-Colbertist approach, focussed on the „country brand“ and characterised by economic nationalism. These policies encourage individual action as opposed to joint EU action, in a competitive trend between governments that serves to fragment and divide the bi-regional relationship and its assumptions of collective action. EU action could, from this perspective, even be dysfunctional.

An additional risk is the priority given to economic agendas and interests over the democratic values that have characterised the bi-regional relationship. This would entail a shift in the bi-regional relationship towards a familiar model, namely the model that the EU already operates with certain Asian countries. It is, for example, the model of relationship that the EU holds with China, with which there are major trade and investment links ... but few questions about democracy or human rights. Is this the type of relationship that the EU would like to have with Latin America and the Caribbean?

Fourth proposal: A partnership for flexible and advanced thematic cooperation.

All of the above should encourage an extensive agenda of advanced thematic cooperation, in accordance with the new demands for cooperation from MICs, characterised by a flexibility to adapt to different national circumstances and which, at the same time, achieves the significant goal set by both regions in terms of cooperation and development assistance. The definition of that renovated bi-regional co-operation agenda is facing an important “window of opportunities”: the definition of the multiannual indicative budget of the EU –the so-called financial perspectives– for the period 2014 – 2020. Some of the aspects of this renovated cooperation agenda would be as follows:

- The economic and social agenda that emerges from the Partnership Agreements, in a context of global economic changes, in terms of trade promotion and investment of social and environmental quality; competitiveness policies, especially in relation to SMEs and to the role of territorial development; measures to tackle asymmetries and adjustment costs; and support for institutional reform and improvement of the regulatory frameworks.
- Policies of social cohesion, inclusion, civil and social citizenship, with an emphasis on decent work, social policies, human rights and actions to promote equality of gender, ethnicity or any other discrimination factor.
- Support for regional integration, which, as stated, is an important instrument for enhancing international competitiveness and for developing the domestic markets of member countries, through support for the adoption of common standards and policies, improving physical infrastructure and connectivity, as well as for co-ordinating policies and/or adopting common policies in other areas, and supplying regional public goods.
- Cooperation in relation to knowledge and the setting-up of an „EU-LAC Knowledge Area“, covering areas of science and technology; innovation and technology transfer to the production sector; the shaping of a common space for higher education and vocational training.
- Environmental conservation, sustainability, fighting climate change - cutting of emission, mitigation and adaptation -, energy efficiency and improvement of the energy matrix through the development of renewable energies.
- Cooperation to tackle jointly transnational phenomena that affect security and welfare of societies in both regions, such as trafficking of illicit drugs, international organised crime and international migration.
- Cooperation to promote international development goals that go beyond the MDGs, based on the reform of the European development policy and the specificity and potential of MICs and their growing involvement in South-South Cooperation. To achieve

this, progress must be made on achieving a more effective European cooperation and, in particular, on seeking out innovative forms of triangular cooperation with the Latin American and Caribbean countries active in this field.

The EU has suggested the need for a cooperation policy based on the principle of „differentiation“, which would involve the withdrawal of EU cooperation from a large number of higher-income-per-capita countries in Latin America, and focussing aid on poorer countries. In fact, as highlighted previously, as a rising middle-income region, „classic“ development cooperation is no longer relevant for many Latin American countries. However, „differentiation“ can also be about moving towards another kind of more advanced cooperation, which serves to consolidate the progress made in terms of development, poverty reduction and social cohesion, and to meet the usual challenges of MICs, in areas such as democratic governance and institutional strengthening, knowledge and technology transfer, and joint management of global risks.

The proposals for EU development cooperation cannot be separated from the wider debate on the future of international cooperation and development aid after 2015, once the period of validity of the MDGs has expired. In this debate, three major approaches can be observed:

- The minimalist approach, which could be named „MDG-redux“:
this approach would continue the MDGs and therefore it would be limited to cutting extreme poverty and famine and providing basic social needs — nutrition, drinking water and sanitation, primary education, immunisation, etc. —, with priority given to the poorest countries in sub-Saharan Africa and South and Southeast Asia. Although this approach serves to inescapable requirements of human dignity, it is a limited agenda, unsuitable for the MICs of Latin America, both as developing countries and in their potential role as donors.
- A „securitised“ aid approach focussed on fragile States. This approach would focus on the problems of state fragility as part of a „securitised“ vision that would make external aid conditional on the requirement of fighting organised transnational crime or transnational terrorism. Although this approach satisfies important security requirements, it is also the outcome of a partial and limited vision and would only give priority to certain countries in the region, such as Haití, Guatemala or Honduras, those most affected by these problems, leaving aside a broader vision of development.
- A broad agenda of effective development, following in the wake of the Busan Declaration (2011), together with other United Nations proposals, and the G-20 development agenda. This agenda, which could be called a „global partnership for development“, would cover not only aid but also better trade regulation, investments, migration and technology transfer; global risk management; adequate supply of international public goods, and more inclusive, representative and legitimate governance of international development cooperation. Together with extreme poverty, this agenda would also tackle the persistent problems of non-extreme poverty, inequality and exclusion, with social cohesion approaches in which the agendas of social policy, on the one hand, and citizenship and democratic governance, on the other hand, converge.

This latter approach does not exclude but places the previous two approaches within a broader approach. It assumes that development aid, which in any case tends to diminish as a result of the crisis, will be concentrated more on the poorest countries. However, it places greater emphasis on other more important policy areas, both for the poorest countries and for the development of MICs. This is an agenda in which Latin America and its growing South/South cooperation have more at stake and can also offer significant contributions. In this agenda, the opportunities for political dialogue and cooperation between the EU and Latin America and the Caribbean are much greater, not only because of the opportunities offered by the recent „triangular cooperation“ between both regions.

FINAL REFLECTIONS

The aim of this essay is simply to instigate the analysis and open debate on the meaning, rationality, goals and long-term strategies of the bi-regional partnership. The need for this analysis seems clear. Bi-regional relations are now facing a moment of change, which to a large extent is imposed by the rebalancing of the bi-regional relationship, the changes that European and Latin American regionalism are undergoing, and the exhaustion of the long-term strategies and objectives of the relationship, which although still relevant, can no longer provide a sense of purpose and a convincing „narrative“ to mobilise political, economic and social players in both regions. Although there is some „fatigue“ in the relationship between the EU and Latin America and the Caribbean, there seems no doubt that this is still a necessary and desirable relationship. And there is no shortage of reasons to promote the relationship, including the four proposals or arguments for cooperation and dialogue between the EU and Latin America and the Caribbean that have been suggested on these pages, as factors that create a „strong“ political rationality for a renewed bi-regional relationship.

GLOSSARY

ACP	Africa-Caribbean-Pacific
ALBA-TCP	Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Treaty
CABEI	Central American Bank for Economic Integration
CAF	Corporación Andina de Fomento – Development Bank of Latin America
CELAC	Community of Latin American and Caribbean States
CFSP	Common Foreign and Security Policy
CSS	South-South Cooperation
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EDF	European Development Fund
EU	European Union
FDI	Foreign Direct Investment
ICT	Information and Communications Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LMIC	Lower-middle Income Countries
MDG	Millennium Development Goals
MIC	Middle Income Countries
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECS	Organization of Eastern Caribbean States
SME	Small and Medium Enterprise
UMIC	Upper-middle Income Countries
UNASUR	Union of South American Nations
UNDP	United Nations Development Programme
WTO	World Trade Organization

EU-LAC FOUNDATION 2013

