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EU-LA relations: from interregionalism to bilateralism?

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EU-LA relations: from interregionalism to bilateralism?

This conference focus on the EU-Latin America relationship and in particular on the issue of interregional relations.

The main question this paper is dealing with is the following: are the EU relations with Latin America moving from an interregional approach to a bilateral one?¹

1. Regionalism and interregionalism as key elements in the EU-Latin American relationship

a. The 1990s: a new start

Relations between the EU and Latin America, as they now stand, date back to the early 1990s.

There are several elements that helped to institutionalize relations between the EU and the whole Latin America continent the collapse of the bipolar world, the spread of economic and political liberalism, the re-launch of regional integration projects in Latin America and the EU's ambitions to play a stronger role on the international stage.

¹ This conference is an updating of some elements which have been treated in the following article : Sebastian Santander, « EU-LAC relations: from interregionalism to selective bilateralism? », in Christian Franck, Jean-Christophe Defraigne et Virginie de Monriamé, *The European Union and the Rise of Regionalism : source of Inspiration and Active Promoter*, Bruylant, Brussels, 2009, pp. 263-272.

According to the official commitment, both sides decided to form a transatlantic relationship based on common values and on principles such as democracy and human rights, as well as multilateralism and regionalism.

Several Latin America regional blocs (Mercosur, Andean Community and Central America) and countries (Mexico, Chile, Colombia, Peru) have engaged with the European Union to negotiate ambitious association agreements covering a wide range of areas such as trade, politics and cooperation.

Over a short space of time, the EU has become a relatively important economic partner for Latin America.

The EU is now the leading donor in the region (it has spend more than 4.5 billion euros and financed about 450 programs and projects), the first foreign investor (the total stock of European investment in Latin America is about 220 billion euro), and the second-most important trading partner after the US.

b. The importance of regionalism and interregional relations

The revival of the regional processes in Europe and Latin America in the early nineties created a common interest in outward-looking regionalism and interregional relations.

For the first time, the Europe-Latin America interregional agreements could foresee a gradual and mutual liberalisation of trade (interregional free trade areas).

Regionalism has been fundamental to an understanding of EU-Latin American relations: technical, financial and institutional support for regional integration in Latin America has become a pillar of EU policy in the continent.

Efforts in this area advance broad goals, such as the promotion of economic and political stability and the creation of new opportunities for trade and investment.

EU's support for regional integration has encouraged the creation of regional free trade areas, custom unions and common markets.

It also has promoted common policies and institutions as well as the creation of supranational frameworks.

This strategy has proved to be important for the development of integration within Latin America regionalism, particularly during periods of uncertainty.

Moreover, the interregional agreements negotiations have been an incentive for some Latin America regional groups to coordinate their positions and act together in external trade negotiations. Especially because the EU stated that association agreements with regional groups would have to be based on a "sufficient level" of integration.

So the EU has been playing a role of « external federator » for regional projects in Latin America.

For the EU, interregionalism has been considered as a mean to export its regional governance model and to increase its reputation and legitimacy as an international actor.

However, in these last years the relationship between the EU and Latin America has stagnated and the enthusiasm for the interregional relations has decreased for the benefit of bilateral relations.

How can we explain this shift?

In fact, since the beginning of the 21st century, the relationship has been affected by external and internal factors.

2. EU-LA interregionalism affected by the international and internal factors

2.1. External factors

We can point out two external factors:

a. The post 9/11 international context

The first is related to the post-9/11 global context.

After 9/11 and the emergence of the so-called new international security agenda, the EU significantly downgraded Latin America in its external agenda.

The EU has focused more on security issues, whereas an important amount of LA countries remains more interested in trade and economic issues.

b. How the failed FTAA has affected the EU-LAC relationship?

The second systemic explanation relates to the evolution of the FTAA project.

While the Americas negotiations were moving forward, EU-LA relations continued to expand.

For more than a decade, the EU had feared the emergence of a pan-American regional bloc led by the US, a bloc that could shape the rules of the worldwide economy.

To ensure that it would not be excluded from the shaping of these new rules, the EU wanted to maintain and increase its presence in LA.

But the Miami consensus of 2003 put an end to the Single Undertaking principle, affecting forever the FTAA project.

The collapse of the FTAA affected, in turn, the EU's political will to establish closer relations with LA. This confirms our former analysis², which stated that the EU has always had a reactive stance towards Latin America.

2.2. Internal factors

Internal factors related to the European and the Latin America politics have also affected the EU-Latin America relationship.

We can point out two internal factors:

a. The “easternisation” of the EU’s external agenda

For instance, the eastern enlargement has had a political impact on the EU's external strategy, which is increasingly oriented to the East.

Most East European countries have little or no political interest in Latin America.

The EU's enlargement has also resulted in agricultural subsidies being extended to many East European countries.

This situation has contributed to reinforcing any existing internal opposition (countries as France, Ireland, Austria, Finland, Luxembourg Poland, Romania, Hungary, Cyprus are reluctant to make important agricultural concessions) in the EU to negotiating free trade agreements with LA and in particular with Mercosur, which represent the most important threat for the competition of European agriculture.

Furthermore, the EU has put more emphasis on its external priorities toward Asia and China in particular.

² See Sebastian Santander, « EU-Mercosur Interregionalism: Facing Up to the South American Crisis and the Emerging FTAA », *European Foreign Affairs Review*, 7, 4, 2002, pp. 491-505.

b. Political evolution of Latin America: a double political effect

Latin America's political developments are also affecting the EU-LA relationship.

It is having a double effect as one could catch during the last EU-LAC summits.

First of all:

- i. The consolidation of the political radicalization and the return of economic nationalism in LA have made the relations between the continent and the EU tense.

Secondly:

- ii. These trends have created some divisions within Latin America itself.

We have an increasing ideological struggle and political rivalry between Latin America States (Colombia/Venezuela; Brazil/Paraguay; Argentina/Uruguay; Brazil/Venezuela...).

Moreover, current governments are reinforcing autonomous external strategies and developing opposite visions of regionalism, which are affecting the regional integration projects.

3. Towards bilateral relations?

a. Bilateral association agreements with Colombia and Peru

All those elements are having an impact on EU-Latin America group-to-group relationship.

In fact, the European authorities are now questioning the relevance of interregional strategy.

Like we said before, the EU has constantly provided technical aid to regionalism and supported centripetal forces in LA in order to reach interregional Associations agreements.

But now, the EU is developing closer relations with States that she considers as “serious” and “key” countries in LA, as was encouraged in the 2005 communication of the European Commission.

She is promoting the idea that the interregional trade strategy has failed in some cases and that it is time to negotiate bilateral trade agreements with certain countries, similar to those signed with Mexico (1999) and Chile (2002).

So, association agreements have been conclude recently with Colombia and with Peru in spite of the Andean Community.

b. EU- Brazil

Furthermore, the EU has been developing closer bilateral relations with Brazil.

She concluded, in 2007, a “strategic partnership” agreement with Brazil in order to have a special political dialogue with Brasilia³.

Although the EU has not abandoned the plan to conclude an interregional association agreement with Mercosur, it is looking to reduce the dialogue with the region to a single country.

Furthermore, the message the EU is sending is different from its traditional interregionalist doctrine and its usual preference for dialogue with regional groups.

³ See Sebastian Santander, “Le nouveau ‘partenariat stratégique’ avec le Brésil : point d’inflexion dans la stratégie latino-américaine de l’Union européenne ?”, *Europa & América Latina: Le partenariat stratégique Union européenne – Amérique latine dans un monde en mutation : quelles évolutions et perspectives ?*, 2, 2007, pp. 57-73.

This shift is creating competition between the interregional strategic approach and the bilateral one.

Moreover, the bilateral approach, which has not been received favorably in the rest of the Southern America, tends to increase the fragmentation and rivalry within LA.

Why?

Because some States – following the example of Argentina – are now asking Brussels for the same status as that granted to Brazil and because others are trying to go it alone (Paraguay & US; Uruguay & US).

Conclusions

So, continuing bilateralism will reinforce the current fragmentation and centrifugal tendency in the Latin America regional blocs.

Furthermore, this shift may deprive the EU of a foreign policy instrument (interregionalism) that she has called on over the last 20 years to build its international identity and increase its visibility, legitimacy and ability to project itself as an international actor.