

EU AND LATIN AMERICA A STRONGER PARTNERSHIP?

edited by **Antonella Mori**

introduction by **Paolo Magri**



ISPI

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Introduction

Back in the 19th century, the Monroe Doctrine made it clear that the United States would oppose European powers' interference in both North and South America. Since then, the influence of the Old Continent on Latin America has declined, but has not vanished. Historical, cultural and economic ties have endured over time and, until recently, Europe as a whole was Latin America's second trading partner after the United States.

With the end of the Cold War and during a period of "triumph" for liberal institutions, in 1994 the United States kicked off negotiations to establish a large Free Trade Area of the Americas (FTAA). As this could have further negatively affected European interests in the region, the European Union (EU) made its own move. Also thanks to Treaty of Amsterdam – and to the strengthened economic and political arrows in its quiver – in 1999 the EU launched a Strategic Partnership with Latin American and Caribbean (LAC) countries.

Conceived as a bi-regional platform for political and economic dialogue and cooperation, the Strategic Partnership favoured trade liberalization with twenty-five LAC countries, making the EU the extra-regional partner with the highest number of trade agreements, even higher than the United States.

However, when the FTAA was terminated in 2004, the European push toward a more structured integration with Latin America came to a standstill as well. More recently, also due to the creeping and longstanding effects of the 2007 global financial crisis and the double-dip recession that followed in

Europe, the Strategic Partnership appears increasingly unable to fully account for the new global balance of power and, in particular, for the emergence of new actors in the international arena – in particular, needless to say, China.

Almost non-existent until 2000, China-LAC trade increased from just US\$ 10 billion in 2000 to the impressive US\$ 244 billion in 2017. China has thus surpassed the EU as the second trading partner of Latin America and, more broadly, has become a growing strategic partner for the region and ultimately a valid alternative – if not the best one – to both the EU and the United States.

Squeezed between the United States and China, the EU reacted by including Latin America in its 2016 Global Strategy. Against the backdrop of an increasingly protectionist sentiment coming from Washington, today Brussels seems eager and willing to relaunch its relations with LAC countries.

In this context, 2019 will be the year of the twentieth anniversary of the EU-LAC bi-regional Strategic Partnership. But will it also be the year of the desired turning point for EU-LAC relations? Will Europe be able to re-launch political and economic dialogue with LAC countries, especially taking into account that its engagement combines different levels of relations: regional, through the EU-LAC Strategic Partnership, sub-regional, with different regional organizations such as Mercosur or the Pacific Alliance, and bilateral, with individual countries? And finally, will Europe and Latin American countries be able to navigate through today's choppy international waters, with rising tides of populism and protectionism mounting on both shores of the Atlantic?

These issues are at the core of this ISPI report. EU-LAC relations are a litmus test for Brussels to show that it still has the potential to scale up its influence in the region, notwithstanding the current divisions and lack of vision of the EU itself. Building upon a less ambitious but more pragmatic agenda, Europe may indeed re-launch a win-win partnership. All the more so as the EU does not run the risk of being perceived as

an “imperial power” like the United States or a “neo-colonial” one like China.

As highlighted in the introductory chapter by Antonella Mori, the editor of this report, the Strategic Partnership, set up almost twenty years ago, is now lagging behind and needs to be revised in order to strengthen bi-regional partnership while reaffirming the importance of multilateralism. In particular, there is a need for a stronger direction, which would assure coherent, relevant and monitored results. In turn, this would increase the benefits from existing trade agreements while avoiding the overlapping of various levels of cooperation.

Nevertheless, in the midst of this negotiation, it is key to recall, as Loris Zanatta points out in his chapter, that Latin America is mostly a divided continent, despite the myth of its geographical, historical, religious and cultural unity. The main attempts undertaken through history to find a common ground among Latin Americans after Simón Bolívar were mostly influenced by an ambivalent sentiment which tore the continent into two battlefields: the Pan-Americanists keen to establish stronger relations with their northern neighbour by developing liberal and multilateral institutions and the Pan-Latinists eager to unify Latin America by creating a clear-cut separation from the United States through alternative development paths. The divide between these two battlefields is blurred and changes both across time and across countries thus limiting the potential of any cooperation at the bi-regional level since any election might entail a permanent questioning of trade and economic agreements made by past governments.

EU-LAC cooperation at the bilateral level seems to have had better luck. In particular, due to its size, strong links with the US and historic relations with Europe, Mexico has been attracting strong interest from the European Union. Indeed, it was the first non-European country with which the EU established an Association Agreement. As Lorena Ruano puts it, this agreement is now under revision to make it more consistent with new international challenges, but it has served as a blueprint for cooperation with other Latin American countries. Its revision

may therefore have a strong impact at the regional level too. It remains to be seen if and to what extent the recent election of Andrés Manuel López Obrador can reshuffle the cards.

A very peculiar case among LAC countries is definitely Cuba. For decades, Havana had difficult, limited relations with the European Union hindered by the EU's commonly held position that prevented any advancement until democratic reforms were made in the Caribbean island. However, relations have gradually strengthened through the EU-LAC bi-regional Strategic Partnership, and culminated in 2016 with the signing of a Political Dialogue and Cooperation Agreement (PDCA) also favoured by constructive compromise and by a more open stance that came from the Obama administration. More recently, the European Union decided not to follow the closed stance towards Havana of the new American President and, as Anna Ayuso puts it in her chapter, the PDCA is still considered the best instrument to strengthen Cuba's reform process while the EU-LAC Strategic Partnership is the right platform to integrate bilateral dialogue at the regional level.

Shifting the spotlight to the sub-regional level, 2019 could herald the ratification of the Association Agreement between the EU and Mercosur, after almost twenty years. A lengthy and toilsome negotiation process, however, invites caution, as Felix Peña underlines in the fifth chapter. In particular, uncertainties may arise from several factors. Firstly, EU and Mercosur are nowadays facing internal crises of identity. Secondly and more important, the scope of the agreement is so broad that it cannot be conceived without endangering the interests of the United States. Setting common rules, harmonizing laws and procedures linked with the creation of a greater free trade area would indeed phase out American multinationals, which would be obliged to abide by this new rule-setting. This is one of the major reasons why the negotiation has been in the pipeline for so long. However, also due to the new protectionist stance from Washington, the negotiation has gained momentum over the last two years.

Finally, worth mentioning is the historic relationship between the EU and the Caribbean countries. The region stands out because of their historic links dating back to the ACP-EU Cotonou Partnership Agreement, and also due to the fact that a large number of EU overseas territories are located within the region. Jessica Byron and Jaquelin Laguardia underline that the years 2018-2019 should mark a new milestone in the post-Cotonou talks, also in view of the phasing out of the original agreement by 2020 and in the context of Brexit, which will inevitably affect British Overseas Territories in the Caribbean.

Building upon the insights and results of these chapters, heterogeneity seems to emerge as a key feature among Latin American countries. It comes as no surprise that the EU finds it difficult to strike a deal with a sub-continent which lacks unity; all the more so at a time when lack of unity is emerging as a major feature of the EU too. Still, this is a key test for Brussels to prove that ambitious agreements are still possible for the EU, if only to counterbalance both traditional US influence and China's growing presence in the region.

Paolo Magri
ISPI Executive Vice-President and Director

1. Towards the Completion of a Stronger Bi-Regional Partnership?

Antonella Mori

“The European Union and Latin America and the Caribbean enjoy privileged relations and are natural partners, linked by strong historical, cultural and economic ties. They share a strategic bi-regional partnership, which was launched in 1999 and stepped up significantly in recent years”. (European Union External Action, EU-Celac relations. Factsheets, 16/07/2018).

There is no doubt that the two regions share strong historical and cultural links, a consequence of lengthy European colonisation and migration in the last hundred years. Relationships are also strong from an economic point of view: European Union (EU) members make up the second commercial partner of the region and the first investor in the region. However, it is legitimate to have doubts about whether the bi-regional partnership has strengthened significantly in recent years, as claimed by European documents. The construction of the bi-regional partnership is twenty years old, but the most important concrete results were achieved in the first ten years. At the end of 2010, the EU had concluded negotiations for greater trade liberalisation with twenty-five Latin America and Caribbean (LAC) countries, while in the following years a trade agreement was signed only with Ecuador, as the negotiations with Mercosur have not yet ended. Important cooperation issues have been added over the last few years, but allocated resources have declined as most of the Latin American countries have reached per capita income

levels that are too high to continue to receive development aid on a bilateral basis.

In the European Union Global Strategy, stronger bonds with LAC countries were seen as a part of the EU strategy to strengthen the transatlantic partnership (Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy, June 2016). The document states that the EU will pursue a free trade agreement with Mercosur and indeed since 2016 the negotiation efforts have intensified (ten negotiation rounds since October 2016). However, after almost twenty years of negotiations, interrupted several times, the agreement has not yet been concluded. The signing of the Association Agreement between the EU and Mercosur would almost complete the bi-regional trade liberalisation, because only three countries in the thirty-three LAC countries would not have a free trade area with the EU, i.e. Bolivia, Cuba and Venezuela.

This could be a favourable moment to strengthen the bi-regional partnership and in this way reaffirm, in contrast with President Trump's policy, the importance of multilateralism, of the fight against climate change and of dialogue on the issue of migration. The year 2019 will be a crucial one to understand what the future direction of bi-regional relations will be. On the one hand, it is a turning point for the two largest countries Brazil and Mexico, which together account for about 60% of LAC's GDP, because it is the first year for two newly elected presidents, both planning radical changes in economic and foreign policy. On the other hand, many national-populist forces have emerged recently in Europe, this could lead to a result in the European elections less favourable to multilateralism.

The EU-LAC Political Dialogue

The strategic partnership between the EU and LAC countries was established in Rio de Janeiro in 1999. Since then eight EU–LAC Summits have taken place (Rio de Janeiro, 1999; Madrid,

2002; Guadalajara, 2004; Vienna, 2006; Lima, 2008; Madrid, 2010; Santiago, 2013; and Brussels, 2015), which provided opportunities for dialogue at the highest level between heads of state or government from both regions on strategic topics that are on the bi-regional and international agenda. Since its launch in 2011, the Celac (Comunidad de Estados Latinoamericanos y Caribeños) has been the EU's counterpart for the bi-regional partnership process, including at the summit level. The Celac is the first regional group for political dialogue and cooperation that includes all thirty-three LAC countries. Therefore, the Brussels Summit in 2015 was called the Second EU-Celac Summit, even if it was the eighth bi-regional summit. Since 2015 the only official bi-regional meetings were two EU-Celac ministerial meetings, because the 2017 summit was cancelled. The second EU-Celac ministerial meeting on 16-17 July 2018 in Brussels ended with the declaration "Building bridges and strengthening our partnership to face global challenges".

The EU-Celac strategic partnership is based on democratic values and the promotion and protection of all human rights and the fundamental freedoms of all persons. In official declarations EU and LAC countries emphasise their commitment to strengthen the multilateral system, centred on the United Nations, and to promote more effective and inclusive global governance and respect for international law. The importance given to multilateralism is particularly important in the current context in which there are many moves towards nationalism and protectionism. In the trade area, there is a strong commitment to strengthening a multilateral rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under the World Trade Organization (WTO). There is a strong bi-regional commitment to the 2030 Agenda for Sustainable Development, which brings together the economic, social and environmental dimensions of sustainable development.

The 2016 EU Global Strategy refers to the existence of a "wider Atlantic space", and declares that the EU will expand

cooperation and build stronger partnerships with LAC countries. “We will step up political dialogue and cooperation on migration, maritime security and ocean life protection, climate change and energy, disarmament, non-proliferation and arms control, and countering organised crime and terrorism. We will pursue a free trade agreement with Mercosur, build on the Political Dialogue and Cooperation Agreement with Cuba, and invest in deeper socio-economic connections with Latin American and Caribbean countries through visa facilitation, student exchanges, twinning, research cooperation and technical projects. We will also actively support the negotiation and implementation of peace agreements in the region, as we are doing in Colombia”. (Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union’s Foreign and Security Policy, June 2016, p. 37). The Association Agreement with the Mercosur is the most important unachieved goal of the EU strategy towards LAC.

At the bilateral level, the EU recently changed its position towards Cuba and Venezuela. The policy change towards Cuba was finalised in the EU-Cuba Political Dialogue and Cooperation Agreement (PDCA), which was signed in December 2016 and entered into provisional application on 1 November 2017 (see the chapter in this book). The agreement sets out an agenda of engagement with Cuba on its path of reform and modernisation. In May 2018, HRVP Mogherini and Cuban Foreign Minister Rodriguez decided to launch five political dialogues covering the topics of human rights, the 2030 Agenda for Sustainable Development, non-proliferation, the fight against illegal arms trade, and unilateral coercive measures. At the November 2018 UN General Assembly, EU member states voted unanimously in favour of a resolution calling for an end to the economic, commercial and financial embargo imposed by the USA against Cuba. This embargo has a damaging impact on the economic situation of the country and the living standards of the population.

Since 2016, the EU has been urgently asking the Maduro government to restore democratic legitimacy, including free and fair elections. The EU does not recognise the Constituent Assembly or its acts because of serious concerns about its legitimacy and representativeness, while it supports the respect of the National Assembly and the independence of the judiciary. The EU believe that the October 2017 gubernatorial and May 2018 presidential elections took place amidst reported irregularities. On several occasions the EU discussed the deepening political, economic, and social crisis in Venezuela and called on the Venezuelan government: to take the necessary steps to reinstate democracy, the rule of law and human rights; restore the full constitutional powers of the national assembly; release all political prisoners; and respect and promote fundamental freedoms. On 13 November 2017, the EU Foreign Affairs Council adopted restrictive measures, consisting of an embargo on arms and on related material that might be used for internal repression, as well as a legal framework for a travel ban and assets freeze. The restrictive measures, which have been renewed until 14 November 2019, include a travel ban and an asset freeze on 18 individuals holding official positions and responsible for human rights violations and for undermining democracy and the rule of law in Venezuela.

EU-LAC Cooperation

The EU's engagement with LAC countries combines different levels of relations: regional, i.e. with the Celac, sub-regional, e.g. with Mercosur, Caricom/Cariforum, Pacific Alliance, and SICA, and bilateral with individual countries. The joint programmes and actions are contained mainly in the EU-Celac Action Plan (from now on the "Action Plan"), an instrument which was originally adopted at the 2010 EU-LAC summit in Madrid, then reviewed and expanded in 2013 and again in 2015. The available funding instruments for EU cooperation include the Development Cooperation Instrument with

Latin America and the European Development Fund with the Caribbean States. Both instruments are due to expire in 2020. In addition, the Partnership Instrument provides for peer-to-peer cooperation with LAC countries in various areas.

The Action Plan includes a number of initiatives consistent with the priorities established by the summits, which have expanded over time, and are currently included in ten priority areas, namely:

Area 1. Science, research, innovation and technology. The bi-regional Joint Initiative for Research and Innovation (JIRI) was created in 2010. JIRI working groups have been working in the fields of energy, bio-economy, biotechnology, ICT, health, biodiversity, and climate change. The last bi-regional summit in 2015 gave the mandate to establish a EU-Celac common research area that was officially launched in March 2016. Senior officials agreed to build a strengthened cooperation area on: a) increased mobility of researchers, b) promoting access to research infrastructures and c) jointly addressing common challenges. Areas 1, 5, and 9 should be implemented in a coordinated way to avoid duplication. Horizon 2020, the world's biggest research and innovation programme with a budget of €80 billion, as well as Erasmus+ are both accessible to research institutions and individual researchers and scientists from LAC countries. In the last decade, EU framework programmes on research and innovation have mobilised around €190 million for cooperation with LAC countries through roughly 1,500 participations in European projects. Brazil, Mexico and Argentina rank within the top fifteen international cooperation partners in EU research programmes, while the LAC region has the highest success rate in participation in Horizon 2020 in comparison to the other emerging regions.

Area 2. Sustainable development; environment; climate change; biodiversity; energy. The two most important programmes are EUROCLIMA for the Latin American

countries and the Global Climate Change Alliance (GCCA) for the Caribbean countries. Most of the funding supports climate change and disaster risk management related actions. EUROCLIMA+ promotes environmentally sustainable and more climate-resilient development in eighteen Latin American countries, in particular for the benefit of most vulnerable populations. EUROCLIMA+ provides technical and financial support for the development and implementation of climate change adaptation and mitigation policies and facilitates regional policy dialogue and climate action. EUROCLIMA+ also supports the strategies of Latin American countries in the context of the 2015 Paris Climate Agreement and their nationally determined contributions. It was launched in 2010, entered a new phase in 2017, and is foreseen to continue until 2022 (with a budget of €88 million). In addition, the Partnership Instrument is very active with projects on low carbon emissions, sustainable urban development, energy efficiency, natural resources accounting and evaluation of ecosystems.

Area 3. Regional integration and interconnectivity to promote social inclusion and cohesion; EUROsociAL has contributed to different areas such as education, health, taxation, justice, social protection, decentralisation and employment policies. The Latin American and Caribbean Investment Facilities have contributed to developing sustainable infrastructure and networks supporting regional integration. A contract to launch an undersea fibre-optic cable linking Lisbon in Portugal to Fortaleza in Brazil was signed in August 2018. This would connect the two regional research and education networks, RedCLARA, in South America and GEANT in Europe, which form the BELLA (Building Europe Link to Latin America) consortium. With around €26.5 million invested, the EU is the main funder of the consortium.

Area 4. Migration. The EU-Celac Structured and Comprehensive Dialogue on Migration was launched in 2009. Ten high-level

meetings have been held so far, but little progress has been made due to different approaches to migration issues.

Area 5. Education and employment to promote social inclusion and cohesion. This area, which aims to promote education, life-long learning and training (including technical and vocational education and training), should be implemented in a coordinated way with areas 1 and 9.

Area 6. The world drug problem. The EU-Celac Coordination and Cooperation Mechanism on Drugs is a good example of a useful bi-regional cooperation on a specific topic, i.e. the world drug problem. The results of Copolad I were considered successful and it was decided to continue cooperation in this area with Copolad II, now extended also to the Caribbean states.

Area 7. Gender. The main objective is to promote gender equality and women's rights, including a) political participation of women; b) elimination of all forms of violence against women and girls, including sexual violence; and c) economic empowerment of women. Instead of a separate area, a gender perspective should be incorporated as a cross-cutting issue in the implementation of the overall Action Plan.

Area 8. Investments and entrepreneurship for sustainable development. Introduced in the 2013 EU-Celac summit, the dialogue registered advances only in certain areas, such as Corporate Social Responsibility (CSR) and SMEs. This Area sets out five expected results so underwhelming that they end up diminishing the relevance of the whole of Area 8.

Area 9. Higher education. This area was adopted during the EU-Celac summit in 2015. Bi-regional cooperation in this area is well established through EU programmes, such as Erasmus+, the Alfa Programme (EU-Latin America), EDULINK (EU-ACP/Caribbean), and the Marie Skłodowska Curie Actions.

Among the LAC students who decide to go abroad to study, more than one third come to the EU every year. Through Erasmus+ the EU funds more than 1,400 individual exchanges between the EU and LAC countries. As already mentioned, a joint revision of areas 1, 5 and 9 should be carried out in order to clearly redefine the scope of each area.

Area 10. Citizen security. This area aims at supporting actions and exchanging best practices, in accordance with national priorities, related to citizen security, such as the prevention of crime and violence, and the role of police and security forces

Since 2014 the EU has been phasing out direct aid to developing countries that have experienced strong economic growth and reduced poverty, like many Latin American countries. This process is called ‘graduation’. Instead, the EU is increasingly focusing on the poorest countries in the world, recipient of about 75% of EU development assistance in the period 2014-2020. Due to their economic performance, nine LAC countries are considered “graduated” countries (Argentina, Brazil, Chile, Costa Rica, Mexico, Panama, Uruguay, Venezuela and the Bahamas) and therefore they are not eligible for bilateral cooperation under the 2014-2020 UE financial programme. However, they remain eligible to participate in regional and thematic programmes. Therefore, bilateral development cooperation will continue during the 2014-2020 period with the Caribbean countries (except the Bahamas), and six Latin American countries namely Bolivia, El Salvador, Guatemala, Honduras, Nicaragua and Paraguay. Colombia, Ecuador and Peru received bilateral assistance until 2017. Regional Cooperation programmes are instead open to all Latin American countries under the Development Cooperation Instrument. The overall allocation for the 2014-2020 Regional Programme for Latin America amounts to €925 million, of which €120 million are only for Central American countries. The EU financial contribution to Regional (continental) programmes in 2007-2013 amounted to €556 million.

In light of its priority to support regional integration, the EU offered to share its experience with the Pacific Alliance (PA) from the outset. The PA, launched in 2011 by Chile, Colombia, Mexico and Peru, is a free trade area, which moves towards a common area of free movement of persons, services and capital, academic and cultural exchanges. All PA members have bilateral free trade agreements with the EU, and two of them (Mexico and Chile) are at different stages of the modernisation of those agreements. Informal dialogues were initiated in many areas, including trade and investment, student exchanges and cooperation within Erasmus+, free movement of persons, science/innovation within the EU-LAC Common Research Area, digital economy, environment and small and medium-sized enterprises (SMEs).

Even if most countries are reaching higher income levels, LAC continues to face several challenges to promote sustainable development and fulfil the Sustainable Development Goals (SDGs). The EU has thus decided to launch a new initiative to support LAC countries to achieve the 2030 SDGs, called the Regional Facility for Development in Transition in Latin America and the Caribbean. The EU has allocated €9.5 million to this facility, launched in May 2018 and developed jointly with the Eclac and the OECD (and its Development Centre). The facility represents a promising change: it is important to take advantage of the knowledge and experience of the most advanced countries that have already experienced a transition phase of development similar to what Latin American middle-income countries are going through, given that the money available for cooperation with these countries is scarce. This is why the involvement of the OECD, which has been helping governments for seventy years, and of the Eclac, which carries out similar activities specifically targeted to LAC countries, is very important.

EU-LAC Trade Policy

In November 2016, Ecuador joined the trade agreement that had been in force since 2013 between Colombia and Peru, on the one hand, and the EU, on the other. Thus, the EU now has trade agreements in place with twenty-six LAC countries, making it the extra-regional partner with the highest number of regional trade agreements in the region, followed by the United States, which has agreements with eleven countries. Unlike other trade partners, the EU has favoured “bloc to bloc” negotiations with the main LAC sub-regional integration mechanisms.

If the EU’s negotiations with Mercosur conclude successfully, it will have trade agreements in place with all Celac countries but Bolivia, Cuba, and Venezuela. The EU could introduce a regime for the cumulation of origin, i.e. a mechanism linking all these agreements, thereby allowing LAC countries to cumulate origin with each other – and with the EU countries – for their exports to the EU. The cumulation of rules of origin regimes between countries or regional blocs and the EU could facilitate efforts to strengthen convergence between different economic integration agreements, such as the Mercosur and the Pacific Alliance.

Average tariffs on exports from LAC countries that have trade agreements with the EU range from 0% to 2%, which are much lower than the EU’s most-favoured-nation average tariff for all products (about 6%). However, there is a significant asymmetry between industrial and agricultural products. While the former gain access to the EU free of tariffs, the latter are subject to average tariffs ranging from 4% (Peru) to 8.9% (Chile). While nearly 100% of non-agricultural products exported by the LAC countries to the EU are admitted free of duties, for agricultural products the percentage drops to 55-60% (for Chile, Central America, Ecuador and Mexico), or slightly above 70% (for Colombia and Peru). In April 2018, Mexico and the EU successfully concluded negotiations that had begun in May 2016 in order to modernise their 2000 trade agreement

(see chapter in this book). Negotiations to modernise the 2003 agreement with Chile, which began in November 2016, are still ongoing. In the second semester of 2018, EU and the Caribbean countries started to discuss the future of their relationship after the expiration of the Cotonou Agreement in February 2020. The Cotonou Agreement is the current framework for relations between the EU and the African, Caribbean and Pacific countries, adopted in 2000 to replace the 1975 Lomé Convention (see chapter in this book).

EU-LAC Economic Relations

The EU is LAC's the third largest trading partner, after the United States and China. The EU's share of external trade with LAC countries has not changed significantly in the past twenty years: EU countries purchased 11-12% of LAC's exports, and the EU's share of the region's imports has remained at around 14%. On the other hand, China's trade with the region, which was very low in 2000, considerably increased over time: exports rose from 1% to 10% and imports from 2% to 18%. As a result, in 2014 China overtook the EU as the LAC region's second most important trading partner. The share of LAC countries in the EU's external trade has remained below 3% for both goods and services.

LAC's trade with the EU remained fairly balanced until 2011, as surpluses in South America compensated deficits in Mexico, Central America and the Caribbean. Since 2012, however, South America's trade balance with the EU also became negative, mainly due to lower commodity prices. The Mercosur is the region's largest exporter of goods to the European Union, and Mexico is the leading importer of EU products. In 2017, Brazil accounted for 34% of the region's total exports to the EU and the five Mercosur members' total exports of goods to the EU was US\$ 47.3 billion, or 46% of the value of LAC countries exports to the EU market. Mexico is the second biggest Latin American exporter to the EU (with a 23% share) and is

now the main destination in the region for EU exports (with a 38% share). Due to the recent economic crisis in Argentina, Brazil and Venezuela, Mercosur experienced an important reduction in imports from the EU.

Commodities represented about half of the total value of LAC countries exports to the EU, less than in exports to China (72%), but much more than in sales to the United States (14%). Mexico imports a broad range of intermediate goods from Europe, which it incorporates into final manufactured goods, as in the automotive sector. Several European automotive companies have production plants in Mexico, and they can import intermediate goods from Europe with a zero tariff thanks to the EU-Mexico Free Trade Agreement and then export the final products to the United States, again with a zero tariff thanks to the EU-USA-Canada Free Trade Agreement.

European companies are the biggest investors in LAC countries with EU foreign direct investment (FDI) stocks in LAC countries being higher than EU FDI stocks in China, India and Russia combined. The sectoral breakdown of investment projects announced in LAC countries by European companies changed significantly between 2005 and 2017: the size of investments in extractive projects declined noticeably reflecting the end of the commodities boom cycle, while projects in telecommunications and renewable energy grew substantially. The automotive sector continued attracting European companies, with an average share of 12% of total project announcements between 2005 and 2017.

Conclusions and Policy Implications for the EU

In the 1990s the decision of European countries to strengthen the partnership with the LAC region had been largely linked to the 1994 US decision of President Bill Clinton to create the Free Trade Area of the Americas (FTAA), a project that failed during the administration of George W. Bush. The Europeans were, in fact, afraid of losing importance in the LAC region.

In the current context, characterised by a lack of clarity regarding the US policy towards the LAC region, the EU should aim at strengthening the bi-regional partnership, both to reaffirm the importance of a multilateral approach and to counteract the advance of China. After two years, the Trump administration's policy for the LAC region is still not clear, and President Trump's failure to attend the Summit of the Americas in April 2018 in Lima has reinforced the perception that the current US administration lacks a coherent and committed policy for the region. For the first time, the President of the United States did not take part in the Summit of the Americas, which has always been an opportunity for the United States to strengthen its leadership in the region. President Trump had numerous relations and clashes with Mexico, from the issue of immigrants to the modernisation of North American Free Trade Agreement (Nafta), while attention for the rest of the region was focused almost exclusively on two issues: the arrival of new irregular immigrants from Central America and the strengthening of China's presence in the region. Negotiations with Mexico for the modernisation of Nafta have highlighted the US' determination to use its negotiating force, derived from its economic dimension. In fact, the new United States-Mexico-Canada Agreement (USMCA), signed at the end of September 2018, seems to be more favourable for US companies and workers. The US' limited interest in the LAC region represents an opportunity for the EU to regain ground, also to avoid being overtaken by the Chinese advance. China has already invited LAC countries to participate in the Belt and Road Initiative (BRI), and some of them have concluded cooperation agreements (Antigua and Barbuda, Bolivia, Dominica, Dominican Republic, Guyana, Panama, Suriname, Trinidad and Tobago, Uruguay and Venezuela). Unfortunately, the signs are not encouraging: the EU-Celac summit scheduled for October 2017 has not yet been held and negotiations for the EU-Mercosur Association Agreement, although intensified in 2018, did not reach conclusion.

In view of the next EU-LAC summit, there are some initiatives that could be taken in order to make the bi-regional partnership more effective. The EU-Celac Action Plan should be revised in order to make sure that: first, areas are consistent and coherent with the summit declarations; second, expected results of each area are relevant and effective; third, actions and initiatives are monitored and evaluated.

The EU should take initiatives aimed at increasing bi-regional trade in value-added goods. A policy measure consistent with this goal would be for the EU to adopt cumulative rules of origin with the countries that have already liberalised trade with Europe. The Pacific Alliance represents a good starting point, given that Mexico, Chile, Colombia, and Peru have already signed free trade agreements with the EU. The cumulative rules of origin would help the development of regional value chains.

The EU Regional Facility for Development in Transition should be also used to stimulate and encourage the adoption of sustainable business models by European and Latin American companies, for example by promoting the dissemination of best practices for respect of the environment and of human rights, and on the fight against corruption. If companies have sustainable business models, the positive impact on LAC countries can be enormous. In fact, trade and FDI flows are much larger than the available resources for development cooperation with Latin America, which is already a middle-income region. Sustainability demand in Latin America is growing and this will lead governments to adopt more protective legislation for human rights and the environment.

Finally, to give the right importance and visibility to the bi-regional strategic partnership, the next summit should be called “IX LA-EU Summit / III Celac-EU Summit” and not just the “III Celac-EU Summit”.

2. The Eternal Myth of Latin American Unity and the Global World

Loris Zanatta

Integration, integration, integration: since the days of Bolívar, in Latin America, everybody talks about it. *Somos hermanos*, as the mantra goes. But is it true? Or is it a political myth elevated to dogma, which obscures more than illuminates? Why should the continent be united, or “integrated”? After all, it is mostly united by its history: language, religion, customs – as invoked a thousand times by Perón, Castro, Chávez, and all other torchbearers of the pan-Latin tradition. In short, it is the Hispanic heritage. From which, by the way, Brazil is excluded: it has a different history and a unique context, which is curious, because it is legacy itself that Bolívar himself struggled to shake off. How can we evoke it in order to “integrate” so many nations that became independent in their time by fighting Spain?

Well, if we cannot evoke history, then we could evoke geography, geopolitics, security, or the economic interest giving impetus to this “integration”. But is this really the case? If so, Mexico and Central America would be more naturally integrated with the neighbouring, powerful United States; the countries of the Pacific should explore the promising Asian routes; the great countries of the Southern Cone should feel attracted by Latin Europe, in which their roots are so deeply planted. And Brazil, in particular, an empire among nations, a giant among normal countries, should be tempted to act on its own.

Finally, we could take into account politics, institutions, the political systems, ideology. In Latin America, over time, several countries have maintained themselves predominantly into the pan-Americanism fold; not only in the sense that they have mostly cultivated close and friendly relations with the United States, but also in the deeper sense that they have aspired to build political and institutional orders consistent with liberal constitutionalism and to develop economic systems more or less open to the market; some were more successful than others, such as Chile, Uruguay, or Costa Rica, others less so, such as Colombia, Peru, and, in the last twenty years, Mexico. Then again, in many other countries, anti-liberal, anti-capitalist, and anti-Western tendencies have prevailed in the course of history, drawing inspiration exactly from their ancient Hispanic legacy, whether consciously or not: they chose the people as an organic and united community against liberal constitutionalism; the State against the market; the corporation against the individual; and unanimity against pluralism. They fought not only the American hegemony, but even more the civilisation and values that the US embodied. These coherent heirs of the atavistic struggle of the Catholic Hispanic world against Protestant liberalism have not only always been many, but also powerful and popular; and they have, from time to time, developed a sort of national “manifest” destiny, a historical mission to unite the Latins against their eternal enemies: the Mexican Institutional Revolutionary Party in the past, Argentinean Peronism and Cuban Castrism until not so long ago, Venezuelan Chavism today, have merged the national fates of their countries with those of pan-Latin unity and fought wholeheartedly, along with the United States, their Latin allies: seen as traitors and lackeys, sold to the imperialist enemy.

So, considering all these factors, one would be brought to think that the “big bang” that occurred two hundred years ago, the one set off by the collapse of the Iberian empires, is not over yet; that the centrifugal forces are much more powerful than the centripetal ones, and that everyone goes their own

way in Latin America; or at least that there are many Latin Americas, so many that putting them together is like a jigsaw puzzle whose pieces do not fit together: impossible, as well as useless. It is true: at first glance, integration has made a lot of progress in the last twenty years, populating the hemisphere with a forest of acronyms: Unasur, Celac, ALBA, Mercosur, and who knows how many others. One could wonder if these are actual steps forward, or meteors leaving a long trail in the dark sky that leave and go off who knows where. The only hope to find a way in the darkness, to find a red thread amidst the chaos, is to appeal to history: it is not that history is destined to repeat itself, but it surely leaves deep tracks from which the present hardly derails.

Pan-Americans and Pan-Latins

In the last decade, everything seems to have changed as a result of globalisation. From China's unstoppable rise to the isolationist temptation of the United States, from the technological revolution to the great migrations, not to mention the effects of the long crisis that began in 2008 and climate change, the world appears to be upside-down. But even in the midst of the storm history helps, if not to understand where you are going, at least to orient yourself. In fact, looking at Latin America from a historical perspective, one notices that the scenario, until a few years ago, was all in all classic, coherent with the past: a heterogeneous coalition of states and governments converging towards the political philosophy and the liberal economic model of pan-Americanism was set against another coalition, as heterogeneous but of a pan-Latin kind. The latter was heir of a political model and an economic philosophy starkly against liberalism.

All this was not surprising: over the last century, it happened time and again in Latin American history. On the one hand, a group of countries stood out, mostly on the western ridge facing Asia. They launched the Pacific Alliance, a trade union between

Mexico, Colombia, Peru, and Chile that was born quietly but grew steadily, rooted in economic openness and inclusion in the globalised world, formed by governments devoted to the liberal democratic political ideal, besides their ability to honor it, which varied wildly. On the other hand, pan-Latin groups arose: they were equally heterogeneous and gathered around the leadership and wealth of Chavista Venezuela. Argentina, Bolivia, Ecuador, Nicaragua, at times Paraguay, and Cuba more than any other: they were all brought together by the myth of political unity among Latin countries and the hatred of the Empire with its capitalist and liberal civilisation, to which they opposed an anti-liberal model; a model, as it happens, which evoked their remote Hispanic past: authoritarian and corporatist at the political level, mercantilist and interventionist at the economic one. Their home was called ALBA (Bolivarian Alliance for the Peoples of Our America) and came to hold great power.

Finally, between these two blocs, stood the regional colossus, Brazil, which had risen to the coveted maturity under Lula's leadership and was ready to bear the burden of regional hegemony. The narrative of emerging powers from the Global South, the Brics, was not just a figure of speech: in South America, this was confirmed by the creation of Unasur (Union of South American Nations), the institutional tool through which Lula aimed to build a home for a soft, multilateral, cautious pan-Latinism, in line with the careful steps of Brazilian diplomacy; a pan-Latinism whose heart belonged to radical pan-Latinisms, of which Lula was a pupil or brother, but whose mind, cold and realistic, was careful not to burn bridges with Washington and its allies in the region: one step at a time. It is thus clear that, despite the strong tensions between them, the two opposing blocs were able to more or less coexist within common institutions, under the wide but toothless umbrella of the pan-Latin myth, gathered around the unpretentious Brazilian leadership: too many words and too little action; *somos hermanos*, but to each his own, alone in cherishing their fetish for absolute sovereignty and independence.

Until a few years ago, the scenario seemed even more classic when it came to the inclusion of Latin America in the wider international system. Countries that adhered to the principles of pan-Americanism found it quite natural to foster close relations with the United States during Obama's term – apart from the foreseeable *querelles*. This did not, of course, prevent them from entertaining equally profitable relations with emerging powers, especially China; but in general, the countries of the pan-American front adhered to the principles of the liberal international order, of open markets, of multilateralism, of liberal democracy, even though their performances varied greatly from country to country: Chile, for instance, respected these principles much more than Mexico. On the contrary, following in the footsteps of their predecessors, the bloc of pan-Latin countries cultivated global alliances consistent with their anti-liberal agenda: just like Perón once did aiming to bring together in a bloc all the Catholic countries of Europe and America against the liberal and Protestant powers; just like Castro did portraying himself as the leader of the Third World and a Soviet ally against the capitalist West; just as Chávez did when he did deem China or Russia simply as alternatives to the traditional hegemony of Washington in the area, but as natural allies of anti-liberal universalism. For him, it was only logical that Iran and North Korea, Belarus and Syria, as well as anyone who was willing to raise barriers against “liberal globalisation”, would join ranks; including the main monotheistic religions, which increasingly inspire anti-liberal movements in the world, once other universal ideologies disappeared.

Todo Cambia

Suddenly, around 2013, a strong wind of change started to blow over the region, bringing down the house of cards: a wind in terms of economics, with the end of the long and exceptional season of the commodity boom and the start of a recessive economic cycle after a decade of very fat cows; a wind in terms of

politics, with the death of Chávez and Castro, the end of Lula's two terms of office, the election of a Latin American Pope, the surprising Peronist defeat in Argentina, and the rising tide of corruption scandals, destined to back the political classes of half a continent into a corner; and a wind in terms of geopolitics, as Donald Trump's electoral victory caused a political earthquake, and the European continent was swept by the populist tide. What were the effects of this wind? Someone fretted that the region had turned to the "right" after having run too far to the "left", that the pink wave was followed by the grey backwash, but to say it is reckless and, as it always is the case with Latin America, to tar a whole continent with the same brush is wrong. In fact, that wind wreaked some havoc, but as of now, it appears to have demolished the sure beliefs of the last decade rather than laid the foundations of a new order. This is no small thing: when the storm will subside, it is likely that we will see a patchy landscape. As the old saying goes, being cheated on hurts but it makes you stronger: the same is true for crises. The current crisis, more than the past bonanza, will tell us who has a solid foundation and who has not; who built a house of bricks and who a house of straw, whether the pan-Americans or the pan-Latins, and which pan-Americans and which pan-Latins. We already had a first hint of what is to come, judging by the collapse of Venezuela and Colombia's strength, by the harsh crisis in Brazil and Peru's resilience. But such hints are not unequivocal: suffice it to note Argentina's wobbles and Mexico's pan-Latin turn. Among so many patches, one thing is clear: it is unlikely that Latin America will soon be more "integrated" than it is today.

At first glance, the pan-American front seems to be the least affected by the storm. But is it really so? Sure, it weathered the turn in the economic cycle much better than its nasty pan-Latin relatives, proving that its choice to open up to globalisation instead of fighting it was wiser and that the tools employed, i.e., pragmatism and macroeconomic discipline, were more appropriate; but it too has suffered the repercussions, and it shows.

Something similar this happened in Mexico, the most powerful country of the front, where the electoral triumph of Andrés Manuel López Obrador, largely due to the discredit of traditional parties and the corruption and violence that plague the country, opens up completely new scenarios. What will he do? Will he really respect the commitments foreseen by the Pacific Alliance? He promised to do so: and it feels reassuring and logical, given that the organisation flaunts many achievements. And yet, it is legitimate to doubt it: everything in his history, in his thought, in his political sympathies, and in the reasons for its success, reveals a visceral aversion to market economy and its global reach; that is, everything that the Alliance stands for. As soon as he was elected, he declared that he would draw inspiration from Pope Francis, another important figure who certainly does not row in favour of pan-American ideals, who is a proud opponent of “liberal globalisation”, especially in Latin America, and who fully adheres, given his history and education, to the pan-Latin tradition.

Like Mexico, Peru and Colombia, the former much more than the latter, also present a precarious institutional framework, which foreshadows a possible pan-Latin comeback: the succession of scandals that brought the latest presidents to prison or to resignation, one by one, does not bode well for the credibility of the political class. To add insult to injury, even those governments that, like Mauricio Macri’s in Argentina, hinted at an important extension of the borders of the pan-American bloc and the Pacific Alliance itself, are now in rough waters and would have a hard time bolstering if one of its members was tempted to leave it or change its course. The election of Trump, finally, has left all pan-American governments holding the bag; whether conservatives or progressives, whatever their ideology, everyone hoped he would not win. All that betting on trade liberalisation, all that struggling to bolster liberal-democratic regimes in often-hostile environments, and now the country that used to pressure them to take that path, had turned its back on them. What a travesty. And yet, on closer inspection, it is not surprising: the great pan-American dream, born under the

wings of the Washington Consensus in the 1990s and on the enthusiastic wave of the end of the Cold War – the dream of a hemisphere united under free trade and liberal democratic values, the Free Trade Area of the Americas (FTAA) – was buried by the fiery pan-Latin reaction. Ever since, the United States, whose Congress had always hampered the ratification of free trade treaties, turned to bilateral treaties with more stable and reliable partners. Today, even more than ever: Trump's policy includes a ban on multilateral treaties, which has already hit the North American Free Trade Agreement (Nafta) with Canada and Mexico. The latter recently went through a profound restyling that restricts its scope. Given that hegemony costs money, it would appear that Trump no longer intends to pay its price. Does this mean that he is willing to give hegemony up? He may not intend to do so, but it is likely to be the logical consequence of his choices: the isolationist temptation is certainly not new for the United States.

But if the new wind that has been blowing over the region for some years risks upsetting the Pan-American front, its devastating effect on the pan-Latin front is there for all to see: the once close-knit army that dreamed of unifying the region is now in tatters. Venezuela, which was its core, has been struggling for years, and there is no end in sight to its strains. Beyond the economic disaster, the humanitarian tragedy, and the political farce that make Venezuela a rare case of misgovernment and ineptitude, the country can no longer aspire to lead any pan-Latin bloc; if anything, everyone is trying to distance themselves from it so as not to be caught up into its whirlwind. There is more: Venezuela's debacle is so deep that, due to the impact of its diaspora over all countries of the region, it stoked deep-seated reactions towards the populist model that it claimed to embody; as if Chavism, through an ironic heterogony of ends, immunised its neighbours from itself. The Venezuelan bogeyman has boosted the conservative victories in Colombia and Brazil. The best mirror of the pan-Latin decline is the sad fate of ALBA: little or nothing remains of it and its members are more and more

scattered; Argentina has run for the hills, quickly followed by Ecuador; Uruguay has never been interested in the first place, due to its history and culture; only Nicaragua, where the regime retains power through repression, Bolivia, where Evo Morales does not want to talk about leaving office, and Cuba, which has no alternatives, remain in the organisation. The panorama of pan-Latinism, in short, is desolate. The best litmus test of this decline is perhaps Mercosur: the governments of the pink tide had gone over their head to bring Venezuela in, only for it to be expelled as soon as the tenants at the Casa Rosada in Buenos Aires and at the Planalto in Brasilia changed; and when the entrance or exit from a multilateral body is a revolving door dependent on changes in government, it means that its foundations are very precarious.

Finally, there is Brazil. Very little remains of its aspiration to drive the pan-Latin union without leaving behind the countries embarked along the pan-American route, of its ambition to act as a hinge for a historically-divided continent. Unasur, which was meant to be its badge of honor, today is nothing but an empty simulacrum, believed by few and cared for by none. Hegemony, as noted, costs resources and requires prestige. But Brazil has lost economic strength due to its long and deep recession; and even more so it has lost prestige due to its eternal political and institutional crisis, the ever-expanding scandals, the disturbing rise of someone like Jair Bolsonaro and the political polarisation that keeps it hostage of itself. Today, Brazil's leadership in the region is at its lowest, and since Brazil is the only Latin American power that can play the leader's role, it goes without saying that everyone should look around in search of what is best for them, and that the centrifugal forces dominate the scenario.

The global context does not make the situation any clearer. If anything, it is the opposite: it muddies it even more. In fact, as stated above, the pan-American countries were left without the support and inspiration of the United States just when they could benefit from it the most, given the drastic backflow of the

pan-Latin tide. It is not that Trump does not foster relations with them – be it Macri’s Argentina, Duque’s Colombia, or others. But in such relations there is no ideological push, no elective affinity, not even a little empathy. They are business as usual, nothing more. Trump’s intolerance for the delicate democratic procedures and the effects of free trade make the United States an opponent rather than an ally to the pan-American governments, bent on a feat worthy of Sisyphus: to make the liberal plant sprout in a continent that, for its history and culture, is impervious to liberalism. Few, in fact, dare to name it without hesitation, fearing a violent populist reaction that would bring down anything that evokes the demon of “neo-liberalism”.

On the opposite, just as their front disintegrates, the countries of the pan-Latin front benefit, at least in theory, from the unstoppable rise of their natural international allies; China, in particular, whose economic influence in the region keeps on growing; but also Russia, which is much less powerful economically but, at the same time, can sport an autocracy that is both compact and popular – a siren song to the many regional enemies of liberal democracy. Although many stubbornly argue that China’s influence has neither ideological nor political aims and that it spreads out evenly among most Latin American countries, and repeat that China does not aim to challenge the United States in the American hemisphere, the reality seems different: it is China that is keeping the Venezuelan pan-Latin regime afloat, bringing special support to what remains of the pan-Latin front. Does it aim simply at securing its access to commodities? It is not just that: it is evident that Beijing prefers a divided American hemisphere, so as to hinder Washington’s global projection. This prospect is a valuable card in the hands of the Chinese, who, judging by the facts, have quickly understood that the pan-Latin tradition is the historical enemy of the United States in the region: indeed, a look at the map of China’s interests in Latin America would be enough; while trade ties are spread out throughout the region, credit and investment are concentrated in key ALBA countries. There must be a reason.

Wishful Thinking

Finally, between the swirling rise of Chinese influence and the narrow-minded US bilateralism, Europe remains at the margins. In Latin America's past, Europe used to be influential. Will it be in the future? Theoretically, yes, but at the same level as the present: after all, although outclassed by China's economic and commercial presence, the old continent retains significant market shares and a significant amount of soft power: influence, admiration, even fondness; and it generates less repulse than the United States. And then there is the European Union: many Latin Americans, who do not have something similar, would give anything for common home like that! They don't understand why many Europeans do not show any appreciation for it. They would love a supranational institution that imposed a level of economic rationality to national governments: perhaps they would not experience deficits at 7% of GDP, two- or three- digit inflation, and other forms of mismanagement that weigh on future generations. For this reason, and because cultural and historical affinity count as well, and will continue to do so in the future, Europe has been dealt a good hand of cards to play a role in the future of Latin America.

In this respect, the long, complex, and sometimes exhausting negotiations for a comprehensive free trade agreement with Latin America and the Caribbean offer encouraging prospects. After all, Europe could offer to Latin America the best of what comes from other key partners leaving aside without the downsides that come with them: it, too, offers technology, markets, and cooperation, without evoking the imperial ghosts that Washington rightly or wrongly always evokes; nor does it have the neocolonial traits of the Chinese, often indifferent to environmental sustainability, labour protection laws, and democratic accountability. Europe, in short, could bear the pan-American flags that the United States of Trump have discarded and support Latin American governments that found themselves alone in a hostile environment after embracing these

ideals: free trade, renewable energy, and environmental protection are issues that are ripe to be dealt with due to Washington's isolationism. No more favourable times for a strong partnership between Europe and Latin America come to mind: the pan-American governments are asking for nothing different, the pan-Latin governments cannot accuse the EU of being the trojan horses of the United States.

Can Europe seize this opportunity? Does it have the strength and the political will to do so? At first glance, the answer is no; or, to be less pessimistic, not exactly. Not only, of course, because the European economy is not the Chinese nor the American one: it is growing slowly, losing global weight and cannot hope of having on the Latin American economies the same disruptive effect that China has had in the last twenty years. But even more so because Europe today appears to be split along lines not too different from those that have always split Latin America. On one side, there are those European governments loyal to the EU spirit, although increasingly shaky in the face of the rising wave of sovereign populism. Beyond their more or less conservative, liberal, or social-democratic preferences, they gather around France and Germany: they are pro-European governments, Europe's pan-Americanists, in a way. Their agenda in Latin America has had so far very little impact and was only partially effective but remained in line with the effort to help the countries in the area to modernise their economies and consolidate their democracies; this has been the subject of European cooperation over all these years. On the other side, the pan-Latin tide that now flows back into Latin America, after having caused economic disasters, political authoritarianism, and humanitarian dramas, has now reached Europe's shores: it is the source of inspiration for various movements in Latin Europe with which many other European populisms share the spirit. Just like Latin American pan-Latinism, European populism also appeals to a mythical "people" whose happiness and prosperity would have been obscured by liberal globalisation and its disintegrating effects; it also appeals to

autarkic and identity-based solutions that prevent Europe from taking on a greater global role, let alone in Latin America, which for most European countries is a remote and exotic continent.

But should Europe split up – as it did when the European Union was not yet born – between liberal-democratic governments and anti-liberal governments, just like Latin America has always been divided between pan-Americanists and pan-Latinists, it is fair to think that the approach that it has had so far will be short-lived. So far, Europe has pretended not to see, or preferred not to take into account, the historical fracture that runs through Latin America. It had good reasons to do so: by taking at face value the proclamations of unity that every Latin American government repeats like a mantra, the EU dreamed of turning rhetoric into reality by negotiating with the whole region; it did so mostly through the Celac, a pan-Latin body so indifferent to liberal values and democratic institutions as to include Cuba and Venezuela. Of course, the European fig leaf was that such inclusion would favour their integration and liberalisation, although anyone who knows the nature of those regimes knows very well how impervious they are to the idea of integrating and liberalising. But it was, in fact, a fig leaf: it aimed more to obviate its own divisions, to make everyone happy and not to displease anyone, without helping to solve any crisis or even sending any clear messages. Zapatero, was a fond European, but he also catered to Maduro; the strong condemnations against Maduro issued by Brussels were European as well. Europe was everything, and Europe was nothing.

As Europe and Latin America increasingly resemble each other, as part of Latin America becomes European by walking along the liberal path of pan-Americanism and part of Europe becomes Latin-American by imbuing itself with the anti-liberal worldview typical of pan-Latinism, the future is becoming clearer; not simpler, but clearer. Rather than relations between Europe and Latin America seen as unlikely historical and geopolitical ensembles, it will be more and more frequent to see the entire Euro-American world for what it is: a vast cultural

universe where liberal and illiberal, rational and anti-rational, cosmopolitan and autarkic, globalist and localist traditions will compete for the hearts and minds of the people, taking different shapes and nuances; European and Latin American liberals will tend to seek and support each other just like America's pan-Latins and Europe's populists already do. It is an ancient dispute, which remained under the radar during the Cold War when the common enemy hid, in part, these ancient cleavages that evoke political, cultural, and moral spaces in constant tension with each other.

To be even clearer: until now, the integration model of the European Union has attracted those Latin American countries that wanted to emulate its spirit, those most akin to the pan-American ideals; what exerted immense fascination on them was the idea of a collective body anchored to common liberal-democratic values and respectful, on this basis, of the ideological plurality of the individual governments: liberals, conservatives, socialists, nationalists – all legally and morally bound by rules and institutions. On the other hand, pan-Latinisms, from Perón to Chávez and Fidel Castro, had always pursued fusion rather than integration, that is, the adherence of all to their model and ideology: it was not common rules that founded the pact, but a shared faith. That is why, among other things, everyone sooner or later failed: because the other countries in the area, or at least most of them, ended up seeing in their project the expansion of their nationalism rather than a contract between equals.

If Europe ceases to be a model of pluralist integration, fracturing between pluralists and unanimists, then both Europe and Latin America will tend to be placed on the two opposite ridges created by globalisation, which in turn inherited the ideological fracture that arose centuries ago on the continent and became globalised as Europe shaped the contemporary world around it: European governments and Latin American governments will be united in the strenuous defense of free trade and liberal democracy; others, on the statist, identity and sovereign front,

will go hand in hand with Putin and China. “Civilisations”, as per Huntington, do not fit within continental borders. The Americas and Europe are both crossed by the same cleavages between Saxons and Latins, Protestants and Catholics. And today’s civilisations are mixed, extremely hybridised, and therefore crossed by similar tensions. But if that is the case, going back to Europe-Latin America relations, one can expect an increasingly incoherent and cumbersome policy, where the individual states will tend to break the multilateral consensus or inhibit, with their vetoes, an effective common policy.

The Tree, the Forest, the Future

Zooming out from the single trees that make up the Latin American forest to try to observe them as a whole, it is hard to find coherence. On the contrary, one will see a disconcerting panorama: patches and clearings form a chaotic whole from which a confused and cacophonous sound rises. Everything seems contradictory: in the short term, the region shatters instead of coming together, between pan-Americans and pan-Latins, the Atlantic States and the Pacific States, South America and Central or North America; Brazil itself is tempted to walk on its own. Too often, an election in Latin America is not so much about the allocation of resources or the public policies preferred by the electorate, but about the very nature of the political regime, the institutional structure, its ideological bases. This is how a country that used to adhere to pan-American ideals, find itself on the opposite front; and vice versa. On this basis, no integration will ever be possible.

Looking beyond regional borders to paint future scenarios for the region, the image of a torn, uncertain continent seems even starker. The endless European crisis, the sovereign turning point of the United States, the stunning growth of the Chinese influence, the phase of enormous uncertainty experience by globalisation, the strong pressure by the Vatican on the Latin American leadership, the “zeitgeist” appear to favour the

emergence of new pan-Latin and anti-liberal impulses; impulses so entrenched in Latin American history that even a child could expect them to happen again. So, are there a new Perón or Chávez on the horizon? Will we see new leaders ready to invoke the pueblo, social justice, and Christ the Redeemer who will free the region from capitalist sin and liberal disintegration by vowing to take it to the promised land of lost Christianity? You can bet on it. Will liberal democracy lose yet another battle? Perhaps. Will Latin America once again prove to be a sterile ground for it to sink deep roots? Most likely: this has always been the case.

But the already fragile democratic building of the region could soon find itself under a new and no less frightening attack, as a reaction to the disasters inherited from the recent past: the alter ego of populism has always been, in Latin America, technocratic authoritarianism. By evoking Christ too, perhaps that of the Evangelicals more than that of the Catholics, it could also, like its enemy, place the Bible above the Constitution and invoke the redeeming sword to free society from the sin of corruption and abortion, of drugs and homosexuality; it could also replace law with arbitrariness, rule of law with strength, the delicate institutional checks and balances with purifying violence and anti-political demagoguery. Bolsonaro is there to prove it. Could he set an example? That is for sure, given the anger that broods in the continent, given the powerful religious call of the Manichean dichotomies of such phenomena: a very attractive call for the masses whose boundaries between politics and religion are often not very clear, or do not exist at all.

But a prophet of doom always plays it safe, while those who see brighter mornings are usually taken for fools, it is worth to imagine another, less pessimistic scenario. It does not necessarily apply to the whole region, or to a large part of it, but it could apply to a surprising number of countries. Democratic institutions may strengthened, market economies may take steps towards greater efficiency and transparency, regional integration may benefit from these transformations. Is it just

wishful thinking or is there any evidence to suggest that such a scenario is plausible? Indeed, there is some. It will need to be bolstered, but it is already there. First, a long-term trend: since the 1980s, despite frequent setbacks and failures, a slow and arduous convergence of the region towards the economic universe of globalisation and the political universe of liberal democracy has prevailed; even populist responses have had to adapt to this context, in most cases. It may seem trivial, but it has never happened for so long, in so many countries.

But that is not all: just as it is true that in Latin American history it is common for a cycle of democratic liberalisation and economic openness to be followed by a cycle of populist backwash and economic self-sufficiency, the opposite is also true. Today, to be clear, in many countries, the legacy left by pan-Latin populisms is so heavy that it generates a vast rejection of ideological messianism and corrupt state welfare; an unprecedented rejection in the history of the continent, evidence of the greater traction of a more secular and less fatalistic approach to politics. Arguing that the Venezuelan tragedy and the drama of so many allies of Chavism have immunised Latin America once and for all from the populist temptation would be too much, but it certainly has been dealt a hard blow.

Finally, there is the international context. Is it really as hostile to the cause of the pan-Americanists as it seems? And will it be for long? The “zeitgeist” can change very quickly. Take the United States: after all, for Latin American liberals and democrats, having Trump in the White House is not only a cause of frustration. Their enemies have always accused them of being Washington’s Trojan horses. Today, this accusation seems so empty that it represents a real liberation for them: their flags are theirs and theirs alone, they represent Latin American as much as pan-Latinist flags. And in any case, Trump could prove to be a short-lived phenomenon and stimulate the reaction of antibodies capable of restoring the prestige of American liberalism. What about China? Today it is a speeding train running so fast that no one seems to be able to stop it, but it could find

powerful obstacles on its tracks. Maybe, in ten years, we will be debating its crisis, the demands of the Chinese population for political representation and more civil rights. Of course, as of now, China does not offer answers to the democratic expectations of the Latin Americans, who are, like it or not, part of the Western world and therefore, unlike China, have to grapple with democracy.

It would be reckless to argue that the 21st century will be the century of Latin American democracy just like the second half of the 20th century was that of European democracy. Even then, the quality of democracy would still be a problem. But it is not farfetched to expect the continent to make further progress. In that case, regional integration would be at hand and, in the short and the medium term, the continent would reap most of its benefits. And so would Europe!

3. The “Modernisation” of the Global Agreement between Mexico and the EU

Lorena Ruano

Given its size, integration to the United States’ (US) market, and close relations with Spain, Mexico has long been of interest to the European Union (EU) and was a key partner in the construction of the European Union-Latin America and the Caribbean (EU-LAC) bi-regional relation since the 1990s. The so-called “Global Agreement”¹, in force since 2000, was the first Association Agreement that the EU established with a non-European country and became a template for the relations that it wanted to build with other partners in Latin America, although increasing divergence in the region made it difficult². In 2008, the EU recognised Mexico as a Strategic Partner, the second after Brazil in the region, which facilitates bilateral discussions on global and regional agendas with the aim of coordinating positions in multilateral *fora* when possible. This turned Mexico into the country with which the EU has the

¹ The official name of the so-called “Global Agreement” is *Economic Partnership, Political Coordination and Cooperation Agreement between the European Community and its Member States and Mexico*. It was signed in 1997, together with an *Interim Trade Agreement*, which was replaced by the *Free Trade Agreement between the European Union and Mexico*, signed in March 2000. They both entered into force in October 2000.

² I have analysed this increased divergence in: L. Ruano, *Dealing with Diversity: The EU and Latin America Today*, Chaillot Paper n. 145, Paris, European Union Institute for Security Studies, April 2018.

most institutionalised relationship outside Europe. Several factors led both partners to announce their intention to modernise the Global Agreement at the 2013 Santiago summit: the weakening of the multilateral system based on the World Trade Organization (WTO) since the Doha round, the emergence of new trade areas and sectors, such as e-commerce, regulatory convergence, and sustainable development, and changes within Mexico and the EU.

Yet, as this chapter argues, negotiations only gathered pace due to the election of Donald Trump to the Presidency of the US, as his intention to radically shift his country's trade policy towards protectionism became a threat to both sides. Together with Canada, Mexico and the EU are amongst the closest partners of the US, due to their economic, political, and military links to the country, and they are heavily dependent on the norms-based liberal international order established by the US, which is now under question by the hegemon. Mexico is today one of the most open economies in Latin America and is highly vulnerable to the changes of the North American Free Trade Agreement (Nafta) proposed by Trump, as well as his tough approach to immigration and security at the border. On its part, the EU is also a close economic partner of the US, as much as a military ally, and has found itself under the threat of a trade war, with the imposition of tariffs and decisions undermining the dispute resolution mechanisms of the WTO, as well as a dwindling commitment to NATO.

So, as the following pages explain, it has been under the enormous pressure stemming from this rapidly changing international panorama, especially a surreal revision of Nafta, that Mexico and the EU negotiated at full speed the "modernisation" of the Global Agreement, between January 2017 and April 2018. In April, they announced an Agreement in Principle³ to conclude it. The new treaty is yet to be finalised, signed, and

³ "New EU-Mexico Agreement: The Agreement in Principle", Brussels, 23 April 2018.

ratified, so several hurdles lie ahead, not least the compatibility with other trade agreements that Mexico has embarked upon, notably with the US.

To develop these arguments, the chapter is structured as follows. The first section provides some background about Mexico’s place within the EU-LAC bi-regional relationship, the contents of the original EU-Mexico Global Agreement, and a brief assessment of its performance. The second part sets out the factors that led to the decision to modernise it in 2013, the changes in US policy since the end of 2016 that led to the acceleration of negotiations, and how EU and Mexican trade policies have reacted to them. The third section explains the new aspects introduced in the Global Agreement and sketches some of the hurdles that it may face ahead.

Mexico: A Key Player in the UE-LAC Bi-Regional Relationship and a Blueprint for the Region

The EU-LAC bi-regional relationship has a relatively short history, of around 30 years, and Mexico has been an important player within it. It took off in the early 1980s when the European Community (EC) got involved in the peace process of Central America by supporting the *Contadora* dialogue, launched by regional neighbours, among them, Mexico. By the end of the decade, this dialogue became extended to the Rio Group and got institutionalised through annual meetings of foreign ministers from both regions. The accession of Spain to the EC in 1986 marked the inception of LAC affairs more permanently into the emerging Brussels foreign policy agenda. In this process, both Spain, which sought to Europeanise its relations with Latin America, and Mexico, which was a respected interlocutor with all the countries of LAC, portrayed themselves as “bridges” between the two regions, and shared a vision for establishing the Ibero-American community, with the first summit meeting held in Guadalajara, Mexico, in 1991, and eventually, the Rio process between the EU and LAC in 1999.

The deepening of relations with LAC partners and Europe became a strategic priority for Mexico in the 1990s, as it sought to counterweight its ever closer links to the US (and Canada) after the entry into force of Nafta in 1994. This agreement, in turn, prompted the EU to seek a free trade agreement (FTA) with Mexico, where it began losing market share quite rapidly, and where the automotive industry started displaying increased integration and dynamism. Moreover, after the Maastricht Treaty, the EU undertook the construction of its Common Foreign and Security Policy, the Latin American part of which was to be developed under the leadership of Manuel Marín, Vice-President of the European Commission and Spanish diplomat. The Marín view emphasised the common values between LAC and Europe in the post-cold war era (known as the Washington consensus: free and open markets, democracy, and human rights) as the basis for the bi-regional relationship, and for establishing formal links with individual countries, as well as regional groupings which sought to emulate the process of European integration (Mercosur, the Andean Community, the Central American Integration System). It was thus that negotiations for establishing association agreements, inspired by those with post-communist Central European countries, were launched with Mercosur, Mexico, and Chile during the second half of the 1990s. Many Latin American countries were middle-income and had adopted liberal economic policies (in varying degrees), while the launch of negotiations to create a Free Trade Area of the Americas (FTAA) in 1994, was an additional incentive for the EU to approach the region in terms of free trade. Therefore, the primary aim of EU policy towards the region was to establish free trade agreements in the guise of Nafta, complemented by the development of cooperation instruments funded by the EU, and a political dialogue structure, all encompassed in a single treaty.

The first Latin American country with which the EU achieved this aim was Mexico. The Global Agreement with Mexico became a blueprint of the kind of relationship that the EU sought

to establish with most countries in the region over the next decades, although this was achieved with limited success. It was followed by Chile in 2002, while negotiations with Mercosur got stuck over agricultural quotas and the automotive sector (see the chapter on Mercosur in this book). The Global Agreement consisted of three pillars: political coordination (complemented in 2008 with a Strategic Partnership), economic partnership, and development cooperation. Let's analyse their content and performance in turn.

The EU-Mexico political dialogue institutionalised meetings at multiple levels. At ministerial and more technical levels, the Joint Council, Joint Committee, and other technical committees meet once a year or more often, to discuss topics as varied as trade, science and technology, higher education, security, human rights, the environment, or social cohesion. Outside the treaty, this structure has been accompanied by bi-annual summits meetings of heads of state and government, normally coinciding with EU-LAC summits, as well as an inter-parliamentary yearly meeting (European Parliament-Mexican Congress), and gatherings of Civil Society Organizations (CSOs) from both sides.

Since the Strategic Partnership was established in 2008, the EU and Mexico have also engaged in a dialogue on multilateral and regional issues including climate change, sustainable development, international peace and security, democracy and human rights, global economic governance, migration, triangular cooperation with Central America, and EU-LAC relations. The EU values Mexico as a partner at the international level because it holds compatible views in many areas (trade, human rights, and multilateralism stand out), and it is a member of the OECD and of the G20.

The political and sectoral dialogue structure has allowed to monitor and address issues related to the implementation of the treaty and to create bilateral cooperation programmes to make it work better. The sectoral dialogue on Science and Technology led to the establishment of a cooperation agreement between both sides in 2004. However, discussions on

human rights became a contentious issue as the situation in Mexico deteriorated, especially after 2006, when the Mexican government launched a “war against organised crime”. The treaty included a “democratic clause” that stipulates its suspension in case of democratic breakdown, so human rights CSOs have been campaigning for the application of the clause in view of the difficulties with the implementation of the rule of law, but neither EU member states, nor EU Institutions considered to invoke it.

The economic partnership pillar of the Global Agreement established a free trade area and a series of Investment Protection and Promotion Agreements (IPPAs) with each of the 15 EU member states at the time. It was vital for Mexico after the signature of Nafta, as it helped to diversify its trade by giving increased ease and certainty to its access to the European market, in a period in which its economic model was shifting towards manufacture-based export-led growth. With regards to trade, the agreement lowered tariffs and established quotas in the agricultural sector at different paces, considering the difference of development between the two sides.

In terms of its performance, the economic association part of the Global Agreement was successful in stopping the downward trend that the EU had experienced in its exports to Mexico after Nafta: The EU represented 6.5% of total Mexican trade in 1993, but sank to 4.2% in 1996, before bouncing back, reaching around 9% in 2017 (for disaggregated data on imports and exports see chart 1 below). Overall, total trade between the two sides was boosted: it more than tripled from around US\$20 billion in 2000 to 70 billion in 2017⁴. However, Mexico’s trade deficit with the EU has grown steadily over the last two decades, in contrast to Mexico’s trade balance *vis-à-vis* all other LAC countries, which experienced a surplus, because of the composition of its trade: while Mexico exports manufactures,

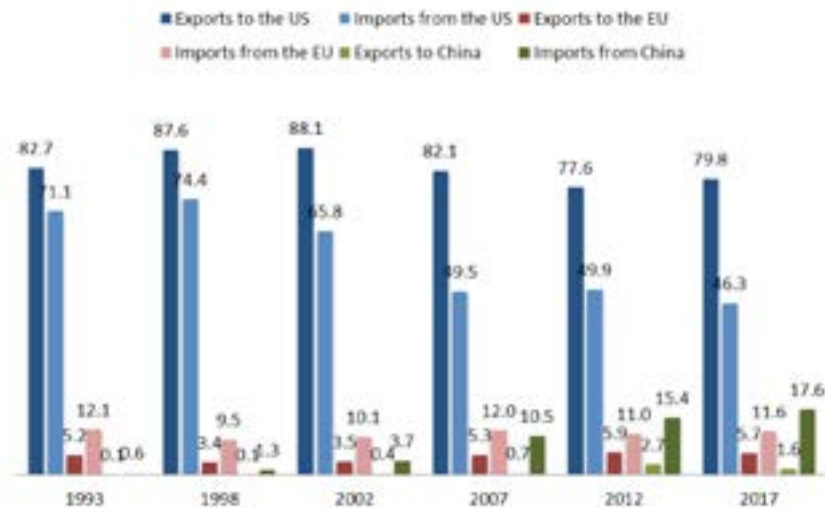
⁴ All the economic indicators are my own calculations made with data from the Mexican Economy Ministry: Secretaría de Economía, Estadísticas del comercio exterior de México, available at: <http://www.gob.mx.se>.

the rest of LAC exports commodities whose prices boomed between 2005 and 2015. In contrast, Mexico imports many intermediate and capital goods from Europe (notably Germany) that are then re-exported to the US, especially in the automotive sector. Thus, the Global Agreement facilitated a slight diversification of Mexican imports, but not of its exports, still heavily concentrated in the US (79% in 2017). Although they tripled from 2000 to 2017, Mexican exports to the EU represent 5.7% of the total. Moreover, China has overtaken the EU as the second source of Mexico’s imports: 17.6% vs. 11.6% in 2017, even though it has no preferential trade deal and operates under WTO rules (see Figure 1). Mexico’s export infrastructure (both physical and related to its business culture) is overly concentrated in its northern neighbour and has not managed to do the internal “homework” needed to facilitate exports to other parts of the world, nor to integrate successfully its small and medium enterprises as suppliers of the global value chains with which it is integrated (a great amount of total trade takes place within firms)⁵.

In terms of investment, the IPPAs that accompanied the FTA between the EU and Mexico were important for the attraction of European companies to Mexico, with an average annual inflow of US\$12 billion (between 2000 and 2016). The main sectors that have attracted European investment have been automotive, tourism, banking, and more recently beverages. While the first two have attracted “greenfield foreign direct investment”, the latter two have resulted from mergers and acquisitions; and here Spain has been the main player.

⁵ See L.M. de la Mora Sánchez, *Hacia dónde se dirige el régimen de comercio internacional y sus implicaciones para América Latina*, Mexico, CEPAL, 2018.

FIG. 1 – PERCENTAGE OF MEXICO'S TOTAL TRADE WITH THE US, EU, AND CHINA, 1993-2017, SELECRD YEARS



Source: Author's calculations with data from Secretaría de Economía (2018).

The Global Agreement provided a framework for articulating various bilateral cooperation programmes in areas such as social cohesion, small and medium-sized enterprises, science and technology, investment promotion, competitiveness, environmental sustainability, and human rights. For instance, in 2012, the EU supported a programme to tackle violence against women and female homicide (“femicide”) in Ciudad Juárez. Still, bilateral cooperation, mainly funded by the EU, was meager and highly fragmented into many programmes. In 2014, Mexico got “graduated” with most Latin American countries, following a reform of EU Cooperation Policy: as a higher middle-income country, Mexico stopped receiving any bilateral EU development aid. It still has access to EU funds that fall under thematic or regional (LAC) headings, like human rights, non-state actors (with the CSOs programme), the environment, nuclear safety, migration and asylum, or H2020

for research, although it is increasingly expected to co-fund the projects, thus encouraging their “ownership” by the partners. A good example of where the EU wants cooperation with middle-income countries in LAC to move is the agreement on Science and Technology, signed in 2004. Up until 2014, Mexican academic institutions participating in consortia funded by the EU, like the 7th Framework Programme for Research, received the resources directly from the European Commission. In contrast, for the H2020 Programme, they were to be funded by the Mexican government through a special agreement, National Council for Science and Technology.

From evolution to pressure: The factors that led to the “modernisation” of the EU-Mexico Global Agreement

The intention to “modernise” the EU-Mexico Global Agreement, in force since 2000, was first announced at the EU-Celac (*Comunidad de Estados Latinoamericanos y Caribeños*) summit in Santiago de Chile in 2013, with a view to adapt the then 13 year-old agreement (today it is 18) to the many changes that had occurred in Mexico, the EU, and the world economy in general. On the Mexican side, shortly after arriving in office in 2012, the government of Enrique Peña Nieto managed to introduce a set of reforms on the Mexican telecoms and energy sectors that Europeans investors had long been awaiting. So, in particular, it was important for both sides to facilitate investment⁶. Mexico had also launched, together with Chile, Colombia and Peru, the Pacific Alliance, as a novel scheme of regional integration in Latin America, a process that was particularly attractive to the EU, which already had an Association Agreement with Chile and was in finalising trade talks with Colombia and Peru (2013) – soon to be joined by Ecuador (2014).

⁶ European Commission, *Commission Staff Working Document. Impact Assessment accompanying the document Recommendation for a Council Decision authorising the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy to open negotiations and to negotiate with Mexico a modernised Global Agreement*, SWD (2015) 289 final, Brussels, 16.12.2015.

In the world economy, new items have been appearing on the so-called “new trade agenda”, such as trade in financial services, e-commerce, regulatory convergence to address non-tariff-barriers (NTBs), and the green economy, which did not exist back in 1998, when the EU-Mexico Global Agreement was negotiated. On the EU side, the Treaty of Lisbon (2009) included some of these “new” issue-areas under EU competence, notably investment, environmental protection, government procurement, and intellectual property. In addition, successive rounds of enlargement (2004, 2007, 2013) hand brought 13 new member states to the EU.

Moreover, after the demise of the Doha round in 2003, some countries tried to advance this new agenda through preferential trade agreements with specific partners, resulting in the negotiations of the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the US, and the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada, since it was no longer possible to do so at the global level within WTO. Thus, the “update” of the Global Agreement was also intended to include the “new disciplines” which were being negotiated in these “trans-oceanic” agreements, in which the EU, Mexico and their main partners in North America were involved.

Despite all these factors, the negotiations took a while to start in earnest, as the EU gave priority to the negotiations it was carrying out with Canada (CETA) and the USA (TTIP) – in which Mexico had asked to be included, but to no avail. Moreover, although the Joint Statement of the VII EU-Mexico Summit reaffirmed the willingness to launch negotiations in 2015⁷ the internal EU process of defining a negotiating mandate delayed the start of real talks until June 2016. However, it was not until early 2017, with the arrival of Donald Trump to the US Presidency, that both parts found it urgent to accelerate negotiations, not just with each other, but with other partners as well.

⁷ *VII EU-Mexico-Summit Joint Statement*, Brussels, 12 June 2015, paragraph 3.

During the election campaign, Trump announced his dislike for Nafta (“the worst trade deal ever”) and his intention to build a wall at the southern border with Mexico. Upon his arrival to the White House, he pulled the US out of the TPP negotiations and made clear that his new trade policy would regard trade deficits as a threat, and that his administration would work to address them⁸. In this context, Mexico’s overwhelming dependence on the US market became a source of enormous fragility, and the currency was set tumbling. The government reacted by enhancing its diversification strategy, with the EU as a priority, while it also decided to continue with the 10 remaining members of the TPP group to conclude a new agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), in March 2018, which it duly ratified two months later. It also aimed to improve the access of its exports to Latin America by strengthening the bonds with the Pacific Alliance and widening the economic complementation agreements with Brazil (ACE 53) and Argentina (ACE 6) in the framework of ALADI (*Asociación Latinoamericana de Integración*). In 2018, the Pacific Alliance started negotiating an association agreement with Australia, Canada, New Zealand, and Singapore⁹.

On the European side, there had been a clear tendency since the early 2010s to advance the “new trade agenda” through bilateral deals, including one with the US. Although this failed in 2016, due to strong opposition in Europe, the EU has concluded FTA negotiations with Vietnam (2015), Canada (2017), Japan (2018), and Singapore (2018). It currently has nine FTA negotiations opened: with Malaysia, Thailand, Indonesia, Philippines, Myanmar (members of ASEAN – Association of South East Asian Nations) and India. In Latin America, it has embarked upon the modernisation of its agreements with

⁸ Office of the United States Trade Representative, 2017 Trade Policy Agenda and 2016 Annual Report, March, 2017, p. 1.

⁹ “Pacific Alliance, Associate Members Enter Fourth Negotiating Round, Look To Clinch Deal by July”, *Bridges*, vol. 22, no. 17, 17 May 2018.

Mexico and Chile, while the talks with Mercosur, which had stagnated for more than 20 years, were re-launched in 2017¹⁰.

As the US main economic partner, the EU was also taken aback by Trump's victory and his trade policy intentions. So, as early as January 2017, Donald Tusk, European Council President, emphasised in a letter to the member states that the EU "should use the change in the trading strategy of the US to the EU's advantage by intensifying our talks with interested partners"¹¹. Among those partners, Mexico stood out, as a re-negotiation or even renunciation of Nafta loomed on the horizon. By May 2017, as Trump notified the US Congress of his intention to renegotiate Nafta, Trade Commissioner, Cecilia Malmström, visited Mexico "to send a clear signal to the world about the importance of strengthening – not weakening – the rules that govern international trade"¹². She was followed by German Chancellor, Angela Merkel, in June, who criticised "putting up walls and cutting oneself off"¹³.

Pressure from the US continued over the summer of 2017: in July, the US President presented Congress his negotiation objectives (to reduce the trade deficit with Mexico, to repatriate jobs and investments, and a "sunset clause" that entailed a revision of the treaty every five years), and the negotiation process for a partial dismantling of Nafta started in August. US trade policy became even more aggressive in May 2018 with the announcement of the imposition of up to 25% tariffs on steel and aluminium imports from China, the EU, Mexico, and Canada, a move that triggered the latter to pull out of Nafta negotiations, and threatened to kickstart a full-blown global

¹⁰ European Commission, 2018, *Overview of FTA and other trade negotiations* (updated May 2018).

¹¹ "United we stand, divided we fall", Letter by President Donald Tusk to the 27 EU heads of state or government on the future of the EU before the Malta summit, 31 January 2017.

¹² "EU Trade Commissioner in Mexico: "Trade deal possible by year's end"", 8 May 2017.

¹³ "Angela Merkel condemns 'putting up walls' during Mexico visit", *The Guardian*, 10 June 2017.

trade war, as the parties retaliated with mirror measures. Thus, it was clear that the main force pushing for the acceleration of negotiations was the changing international context, notably, the Trump factor. Still, other elements also marked the frantic rhythm of talks: the coming general election in Mexico on July 1st, 2018, and the 2019 change of the European Commission and European Parliament elections.

The Contents of the “Modernised” EU-Mexico Global Agreement and the Challenges Ahead

On 21 April 2018, after nine rounds of intense trade negotiations, Mexico and the EU announced that they had reached an Agreement in Principle¹⁴ on the bulk of the new framework and on how to finalise the outstanding technical issues. An important number of new areas have been added to the economic section, such as updating the framework for financial services, intellectual property, digital trade, telecoms, energy, maritime transport, public procurement (including the sub-federal level), the mutual recognition of certain qualifications for professional services, and accumulated rules of origin for common partners (Pacific Alliance, Canada). Simpler customs procedures will further facilitate trade in sectors like pharmaceuticals, machinery and transport equipment. In the automotive sector, an improved rule of origin would be introduced. In the agricultural sector, the objective has been to liberalise 85% of what still remained protected, including the recognition by Mexico of 350 EU geographical indications, and the amplification of quotas for beef and milk products. The process for phytosanitary inspections was also simplified in order to speed up the time of approval from 4-5 years to 1 year. Few products compete directly in this sector between the two sides; the issue was more about how much Mexico would allow EU products to compete

¹⁴ “New EU-Mexico Agreement: The Agreement in Principle”..., cit.

with those coming from the US, notably in the dairy sector¹⁵. Other important chapters that have been included in the new agreement regard the relation between trade and sustainable development, gender, climate change, competition, and corruption, reflecting the objectives set out in the EU's new trade policy vision, launched in 2015¹⁶.

Perhaps, the most important innovation is the section on investment, which since the Lisbon Treaty falls under EU competence, and is actually more important for Mexico in its relation with the EU than trade in goods and services, as mentioned in the first section of this chapter. The re-negotiated Global Agreement introduces a new mechanism for the promotion and protection of investments that will replace the 17 bilateral agreements Mexico has with some EU member states. In particular, the investor-state dispute resolution mechanism consists in the establishment of an Investor Court System, which is permanent (instead of previous *ad hoc* panels), includes the right to appeal, and makes all decisions and documents public¹⁷. It is similar to the one set up in CETA (as well as in the FTAs the EU recently concluded with Vietnam and Japan), and both sides also agreed to promote the establishment of this system at the multilateral level. Although Mexico was reluctant at the beginning to accept this new system, its inclusion by Canada in CETA and the pressure of the re-negotiation of Nafta (in which the US has sought to debilitate the existing mechanisms) made it change its mind¹⁸.

The reciprocal political statements that accompanied the announcement of the Agreement in Principle confirmed that they interpret the deal as a response to the disruptiveness of US

¹⁵ Briefing by staff from the EU Delegation in Mexico at the *Formación de actualización sobre Unión Europea y temas estratégicos para la relación México-UE*, Mexico, ITAM, May 30, 2018.

¹⁶ European Commission, *Trade for All - Towards a more responsible trade and investment policy*, Brussels, 2015.

¹⁷ S. Sbréro Picard, 2018, "Europa, un gran aliado estratégico en la diversificación comercial de México", *Comercio Exterior*, vol. 14, April-June, p. 20.

¹⁸ Briefing by staff from the EU Delegation in Mexico.

trade policy, at an especially tricky moment in the renegotiation of Nafta¹⁹. From the point of view of the EU, Commission President Jean Claude Juncker stated that “With this agreement, Mexico joins Canada, Japan, and Singapore in the growing list of partners willing to work with the EU in defending open, fair and rules-based trade”²⁰. Mexico’s government stressed that “Mexico and the European Union send a strong message to the world about the importance of maintaining open markets, [and] working together through the multilateral channels...”²¹. German Chancellor, Angela Merkel, welcomed the agreement at the opening of the Hanover trade fair in Germany with visiting Mexican President, Enrique Peña Nieto, just days before she headed to Washington for talks with President Trump²².

Although the “modernisation” of the economic part of the Global Agreement was the priority for both sides, the political coordination and cooperation sections were also “updated”, albeit more modestly, and their negotiation, which was easier, concluded earlier on, in November 2017. With regard to the political coordination pillar, three existing elements have now been fully incorporated in the new instrument: the bi-annual summits of heads of state and government, as the top political structure to deal with the most important aspects of the common agenda and to project both sides as Strategic Partners in the global arena; the annual inter-parliamentary meetings (the Mixed Parliamentary Commission EU-Mexican Congress) which have met uninterrupted since 2005; and the dialogue

¹⁹ H. Von der Burchard and C. Oliver, “Mexico’s EU trade deal land a punch on Trump: Accord with Brussels comes as Washington squeezes Latin American country in Nafta talks”, *Politico*, 22 May 2018.

²⁰ “EU and Mexico reach new trade agreement”, *EU Press Release*, 21 April 2018.

²¹ Secretaría de Relaciones Exteriores (Mexico), 2018, “Concluyen las negociaciones para un nuevo acuerdo integral México-Unión Europea”, *Comunicado de prensa conjunto SRE-SE*, 21 April, 2018. Author’s translation, available at: <https://www.gob.mx/sre/prensa/concluyen-las-negociaciones-para-un-nuevo-acuerdo-integral-entre-mexico-y-la-union-europea> (consulted 20/06/2018).

²² “Merkel stresses importance of free trade ahead of visit to US”, *Reuters*, April 22, 2018.

with CSOs²³. The latter has been streamlined over the years by broadening the scope of the participating CSOs, previously limited to human rights, democracy, social issues and poverty, and seeking to focus the dialogue in ways to improve the implementation of the agreement itself. The Strategic Partnership has also been brought under the new treaty, together with 23 new topics in which both sides seek to cooperate at the international level, beyond the already established ones (human rights, social cohesion), such as citizen security, peacekeeping, organised crime and corruption, arms control, cyber-security, gender equality, sustainable development, etc. In reality, little has changed in the way the political cooperation section operates, besides the institutionalisation of already existing practices, and the addition of new items in which there are intentions to cooperate at the global level through the exchange of information and, when possible, aligning positions.

In the cooperation pillar, as mentioned in the first section of this chapter, the EU had reformed its Cooperation Policy, while Mexico had created in 2011 its own cooperation agency, Amexcid, within the Ministry of Foreign Affairs. At the global level, the cooperation agenda has also evolved from the Development Millennium Goals of 2000 to the Agenda 2030. These developments required new forms of cooperation, especially South-South and triangular cooperation with Central America, which the EU is keen to promote. The main novelty has been to facilitate the establishment of new sectoral dialogues when appropriate – and the cancellation of those that have not progressed or become irrelevant. These dialogues are intended to lead to the conclusion of further cooperation agreements, like the one on Science and Technology of 2004, or joint declarations to further cooperation in education and culture, as well as memoranda of understanding in the field of statistics, air traffic, small and medium enterprises, tourism, etc.

²³ F. del Río and R. Saavedra Cinta, “Modernización de los capítulos de diálogo político y cooperación del Acuerdo Global México-Unión Europea”, *Revista Mexicana de Política Exterior*, vol. 112, pp. 35-48.

Despite the spectacular progress and the political will to conclude it, the “modernised” Global Agreement still faces some challenges ahead. First, the fact is that the agreement is not finalised yet, and it is difficult to assess it fully without access to the final text. Second, among the main outstanding issues are geographical indications, which will be settled on a case by case basis, and the chapter on government procurement, as it is supposed to apply to Mexican states (sub-federal units), while it remains unclear that such internal reform can be achieved within Mexico within a reasonable time-frame. Third, an issue that could become very problematic is the compatibility of what has been agreed between the EU and Mexico with other instruments that Mexico has been negotiating with other partners, as in the Cptpp, and, crucially, the recent US-Mexico agreement – which is also an “agreement in principle”. In this respect, rules of origin in the automotive sector, and geographical denominations are bound to require a revision.

Fourth, assuming the negotiations end successfully with the signature of a new Global Agreement, the complexities of the ratification process should never be underestimated. On the Mexican side, it is not obvious that the new government and its majority in the Senate, emanated from the July 2018 general election, will be so keen on this new kind of FTAs, which impinge on areas of national sovereignty, and they have espoused a more nationalistic economic rhetoric. The chapters on energy, government procurement, regulatory convergence, and the new Court System for investment resolution disputes could become controversial.

On the EU side, the ratification process is long and complex, since it requires the approval of 28 (27 after Brexit) national parliaments and the European Parliament, with elections coming up in 2019. In some member states, sub-national chambers are also involved, as exemplified by the case of CETA, which, in 2016, stumbled upon the regional parliament of Wallonia in Belgium. Furthermore, ratification in the EU is a particularly tricky process, because what the Commission negotiates has so

far been relatively insulated from the vagaries of national politics in the member states²⁴, which is probably why EU Trade Policy has managed to keep the liberal frame of mind in its approach to trade negotiations, despite the increased challenges to the liberal credo that have arisen in a number of member states. It is for this reason that, in May 2018, after a controversy over the FTA with Singapore, the European Council adopted a “New approach on negotiating and concluding EU agreements”, which expressed its demand to become involved “throughout all the stages of the negotiating process, and the importance of working to reach consensual decisions, to the greatest extent possible, in order to ensure that all member states’ interests and concerns are adequately respected in trade agreements”. Additionally, the Council stressed the importance of “keeping all interested stakeholders, including national parliaments and civil society informed”²⁵. Thus, it is clear that concerns over the legitimacy of EU trade policy, which had hitherto lagged behind the push for greater efficiency and effectiveness,²⁶ have now come to the fore and are likely to complicate the conclusion of negotiations with Mexico.

Conclusions

The recent wave of protectionism and nationalism that has taken over US trade policy has constituted the most powerful incentive for Europe and Mexico to coalesce around the defense of rules-based trade. Although powerful reasons existed already in Mexico and in the EU to seek a “modernisation” of the Global Agreement, it was under pressure from an endangered Nafta

²⁴ Y. Bollen, F. De Ville and J. Orbie, 2016, “EU trade policy: persistent liberalisation, contentious protectionism”, *Journal of European Integration*, vol. 38, n. 3, pp. 279-294.

²⁵ Council of the European Union, “New Approach on negotiating and concluding EU trade agreements adopted by Council”, *EU Press Release*, 22/5/2018.

²⁶ A.R. Young, 2017, “European trade policy in interesting times”, *Journal of European Integration*, vol. 39, no. 7, p. 912.

and an escalating global trade war launched by Trump, that the EU and Mexico embarked upon a hectic negotiation in early 2018. Besides the technical issues that required an update, the negotiation has also been a symbolic gesture of mutual political support in a dangerously fluid international environment. For Mexico, it was not only indispensable to enhance its diversification strategy in matters of trade and investment: it was also urgent to show it had friends elsewhere, and, domestically, to lock in the liberalising reforms carried out by the current administration before the 2018 election, through an FTA. For the EU, the new agreement with Mexico was surely important in itself, as this is the second largest economy in the region. But it was also part of a larger exercise in coalition building at the international level to defend a liberal rules-based trade regime that has allowed it to grow into a powerful actor (it is the first trader in the world). Within the fledgling EU-LAC bi-regional relationship, it was also valuable to get closer to Mexico, a historically key partner, and an ideologically close ally in what has become an increasingly divided region. In sum, the new EU-Mexico Global Agreement is somehow larger than itself. That is why both parts need to keep the momentum and finalise it, in spite of the challenges ahead. Political polarisation and economic instability on both sides of the Atlantic mean that the conclusion and ratification of the new agreement are far from straightforward, so further political capital needs to be invested in it to make it arrive safely to its port.

4. The EU's Relations with Cuba from a Regional Perspective

Anna Ayuso

Relations between Cuba and Europe have undergone transformations conditioned by the regional scenario in which both actors are framed. The *sui generis* decolonisation process that placed Cuba under the influence of the United States was radically truncated by the Cuban revolution led by Fidel Castro, which positioned the island in the Soviet orbit and changed the priority of its international relations. At the same time, throughout the process of creation, deepening, and broadening of the European regional integration process from the European Economic Community (EEC) to the current European Union, there were different stages in the relations with Cuba with repeated conflict episodes due to political discrepancies¹. For decades, relations between Brussels and Havana were hindered by the Common Position adopted by the EU Council in 1996, which prevented progress in relations until democratic reforms were made in the country.

However, relations have gradually been strengthened within the regional framework of the EU's bi-regional strategic partnership with Latin America and the Caribbean (LAC) initiated at the Rio Summit in 1999. This process of rapprochement culminated in the signing of the Political Dialogue and Cooperation Agreement (PDCA) between Cuba and the European Union

¹ J. Roy, *Las relaciones entre la UE y Cuba en el marco de la apertura de Barack Obama y Raúl Castro*, ARI 10, Madrid, Real Instituto Elcano, 2015.

in December 2016. Through this treaty, the EU put an end to the policy of unilateral pressure through democratic conditionality and normalised relations with the Cuban regime that, for almost six decades, remained under the control of the brothers Fidel and Raúl Castro. This change has taken place in parallel with a slow process of economic and political transformation on the island, the most symbolic of which was the transfer of power from Raúl Castro to Miguel Díaz-Canel on 19 April 2018. This step implied both a generational change in the leading of the country and a perpetuation of a regime based on a one-party system.

It took almost three decades from the formalisation of diplomatic relations between EU and Cuba in 1988 to the signature of a third-generation cooperation agreement that includes trade, political dialogue, and cooperation. This is a type of treaty that other countries in the region already had in the 1990s. However, despite its limitations, it is an important step towards generating an institutional structure on which build a new relationship. The reforms that have been undertaken on the island have awakened all sorts of conjectures about their scope and the challenges that the new president will face. The same unknowns also arise abroad, in an unfavourable regional and global context that will require diplomatic flexibility. The PDCA will allow the EU to open new channels of presence and cooperation with Cuba. For the island, the agreement will grant full access to all the EU's regional cooperation programmes with LAC from which it was excluded for decades.

Approaches and Misunderstandings in Euro-Cuban Relations

At first, the EEC used to consider Cuba as a country in the Soviet orbit within the framework of its relationship with the socialist Council for Mutual Economic Assistance. As such, Cuba was excluded from the Euro-Latin American dialogue. In fact, Cuba's attempt to join the Group of Latin American

Ambassadors to the EEC in 1979 led to the suspension of the EU-LAC dialogue for two years. As noted, the EEC did not establish official relations with the Cuban regime until 1988. From then on, a bilateral rapprochement began but was hindered by various episodes of political repression on the island. However, although relations between Cuba and the EU went through some rough patches, they have remained continuous and overcame a number of diplomatic crises, including those of 1989, 1996, and 2003 which we will outline below.

After the collapse of the Soviet bloc in 1989, which left Cuba without its main political and socio-economic ally and led to an unprecedented crisis known as the “special period”, the EU did not align itself with the position of the United States and its increased pressure on the regime. On the contrary, there was a rapprochement within the framework of the Cuban initiative to seek greater integration with the Caribbean countries. Attempts were made to negotiate Cuba’s entry into the Cotonou Agreement with African, Caribbean and Pacific (ACP) countries that enjoyed preferential treatment in terms of both market access and access to cooperation funds. However, the initiative was truncated that same year by the execution in Cuba of General Ochoa and other Cuban citizens accused of drug trafficking and corruption. After this episode, and due to the difficulties in fitting Cuba’s state economy within the framework of a trade liberalisation agreement with the Caribbean Community (Caricom), it was decided to integrate Cuba into Cariforum, created in 1990 as an instrument of political dialogue between the Caribbean countries plus Cuba and Haiti with the EU.

A development cooperation programme was launched in 1993 and political dialogue was initiated. Subsequently, in 1995, the Commission instructed European Commissioner for External Relations Manuel Marín to open negotiations for a bilateral agreement: these negotiations, however, failed due to a new political crisis caused by the shutdown of the “Brothers to the Rescue” American aircraft ordered by Fidel Castro in February 1996. This incident led the then US President Bill

Clinton to give the green light to the Helms-Burton Act in the US Congress, which tightened the trade embargo with the island. That same year, the new Spanish Head of Government, the conservative José María Aznar, made a 180° turn to the negotiating behaviour defended by the previous Spanish socialist government and promoted the adoption by the EU Council of the 1996 Common Position. It established reinforced political conditionality in the EU's relations with Cuba². Although the common position did not contain express sanctions, it was an obstacle to negotiations.

This period coincided with a halt to the first economic reforms initiated in Cuba at the beginning of the Nineties in order to face the post-Cold War crisis, and with the beginning of Hugo Chávez's alliance with Fidel Castro that forged a strong relationship between Cuba and Venezuela. Chavez, which came to power in 1998, financed the Cuban economy with millions of barrels of oil. The economic recovery in Cuba and the arrival in power of left-wing leaders in other Latin American countries such as Brasil, Argentina, Ecuador, Bolivia, and Nicaragua gave the island greater autonomy in the face of external pressures. At the same time, Cuba was increasingly involved in the creation of regional bodies in LAC as the Bolivarian Alliance for the Peoples of Our America (ALBA) that grouped governments in favour of Bolivarian socialism, or the Community of Latin American and Caribbean States (Celac) created in 2010 which brings together all LAC countries and became the EU's interlocutor in the interregional dialogue.

Previously, with the creation of the Strategic Partnership between the EU and LAC at the Rio Summit in 1999, a new path of rapprochement began. Cuba fully joined the Euro-Latin American dialogue and participated in the Summits. However, the common position continued to hinder the relations and its repeal required unanimity. This convergence did not exist

² S. Gratius, "Cuba, EE UU y Europa: perspectivas de cambio," *Política Exterior*, vol. 23, no. 130, July-August 2009, pp. 93-103.

among the members of the enlarged EC as countries in Eastern Europe did not sympathise with the communist regime. However, there were new attempts at a bilateral rapprochement, which were again frustrated in the black spring of 2003 following the arrest and imprisonment of 75 Cuban dissidents.

The EU decided to announce diplomatic sanctions and make development cooperation conditional on the democratisation of the island. Fidel Castro's resounding response was to refuse to receive any aid from European governments, although non-governmental cooperation and the investments and trade of some countries continued. It took some more years for the start of a new political cycle, with leaders more favourable to resume the negotiation process.

The change of government in Spain with the election of socialist José Zapatero meant a new change in the orientation of the EU relations with Cuba. Fidel Castro's withdrawal from active politics and his replacement by his brother Raúl Castro, which began as provisional in 2006 and was officialised in 2008, brought to a more pragmatic orientation in the Cuban government that allowed for a new rapprochement. The youngest of the Castro brothers made an effort to open up to the world in order to achieve better global and regional economic and political relations.

In this process, Cuba gave up the traditional activism linked to the non-aligned movement to strengthen its relations with regional bodies, beginning a process of rapprochement with the United States and expanding cooperation with a greater number of extra-regional partners. On 23 June 2008, months after Fidel officially stepped down in favour of his brother Raúl, the EU decided to withdraw its sanctions against Cuba and talks were resumed in order to bring positions closer together. Meanwhile, with the global economic crisis looming on the horizon and Cuba's growing economic difficulties, the VI Congress of the Communist Party of Cuba (PCC) held in 2011 set in motion a process of reforms towards a mixed model in which the communist system leaves some room to a market economy.

The EU's Change of Heart

The EU's change of heart versus Cuba was not sudden but the result of negotiations and a rapprochement of positions between different sensitivities within the EU. Following the entry into force of the Treaty of Lisbon, the creation of the post of High Representative of the Union for Foreign Affairs and Security Policy, who in addition to leading the European External Action Service (EEAS) is Vice-President of the Commission, facilitated political dialogue. Likewise, the new pragmatism and liberal realism in the EU's foreign policy³, reflected in the 2016 Global Strategy, coincided in time with important political changes in Cuba that, this time, were not truncated by a political crisis. The death of Fidel Castro on 25 November 2016 and the subsequent transfer of the presidency from Raúl Castro to Miguel Díaz-Canel in 2018 was yet another evidence of a shifting scenario.

During the mandate of the first High Representative of the EU, Catherine Ashton, and, more consistently, that of her successor, Federica Mogherini, the Commission advocated for the signing of an agreement with Cuba. During the mandate of the European Commissioner for Development and Humanitarian Aid Louis Michel (2004-2009), the rapprochement with Cuba was accelerated with several visits that served to lay the foundations that later made it possible to open negotiations on the subsequent agreement. At the same time, a change in the position of the United States was visible, and this materialised with the announcement of the normalisation agreement between Cuba and the United States by President Barack Obama and Raúl Castro in December 2014. This led them to re-establish diplomatic relations and relax US economic sanctions, although they were not eliminated for lack of sufficient support in Congress.

All these gradual changes contributed to the European

³ A Ayuso and S. Gratius, "América Latina y Europa: ¿repetiendo o reinventando un ciclo?", *Pensamiento Proprio*, no. 44, Buenos Aires, CRIES, December 2016.

Council giving the green light in 2014 to bilateral negotiations and authorising the Commission to begin formal talks for an agreement that ended up being the PDCA. For many years, the conservative German government headed by Angela Merkel and several Eastern European countries such as Poland, Hungary, or the Czech Republic were reluctant to abandon the common position without major changes towards democracy in the island. However, Obama's policy towards Cuba facilitated the change of position of the most reluctant countries in favour of a so-called constructive compromise and the abandonment of unilateral conditionality.

High Representative Mogherini visited the island three times since 2016 to 2018, and her attitude and interest in successfully concluding the negotiations was instrumental in signing the PDCA and securing the approval of the European Parliament (EP) in July 2017. The approval of the parliamentary act was important because for decades the EP had been committed to supporting victims of human rights violations in Cuba and three Sakharov Prizes had been awarded to Cuban opponents⁴. Traditionally, the EP took a different position than that of the European Commission; these differences had to be overcome in order to approve the treaty. The Europeanisation of the EU policy towards Cuba was decisive in entering a new stage and moving towards greater dialogue and stronger cooperation from a more horizontal perspective, despite the asymmetries of political and economic power that exist between the two partners.

In this way, the EU joined a group of countries that, like Canada, had been applying a policy of rapprochement without tying full economic and development cooperation to political demands. For a period of time, the positions of the traditional transatlantic allies seemed to be aligned. But this lasted less than expected and the election of Donald Trump as President of the United States in 2017 broke the consensus. Trump has

⁴ In 2002 it was awarded to Oswaldo Payá Sardiñas, founder of the Christian Liberation Movement (MCL); in 2005 to the Ladies in White, and in 2010 to opposition leader Guillermo Fariñas.

returned to harsher positions, although this has not led to an interruption in diplomatic relations. Thus, the EU currently adopts a policy that is opposed to that of the United States. On several occasions, Federica Mogherini openly criticised the US's unilateral sanctions policy and affirmed the EU's commitment to remain a reliable partner for Cuba. In January 2018, during a visit to Havana, she declared: "Regardless of the policy changes in Washington, the message I bring here is that the EU's relationship (with Cuba) is solid, stable and reliable" (Granma, Havana, 3 January 2018), and that "the EU's external orientation is autonomous, independent and decided by the 28 member states". With this statement she clearly disassociated the EU's position from the changes and twists in the US policy of President Trump against his predecessor Barack Obama.

During this time, the EU, together with its member states, has emerged as the main trading partner, donor, and investor, as well as the second largest source of tourists – although the intensity of Cuba's bilateral relations with each European country varies according to historical and cultural ties, the size of the country, and its economic and cooperation interests. Spain is undoubtedly Cuba's main European partner with the greatest economic, political, and cultural presence⁵. But currently 15 out of its 27 member states have opened Embassies in Cuba, and Germany is the main source of tourists for the country.

A Shifting Regional and International Context

The beginning of the provisional application of the PDCA between the EU and Cuba on 1 November 2017 took place in an environment of significant changes both in the international context and in interregional relations, and even internally EU and Cuba. In addition to the US policy change, there have been

⁵ J.A. Sanahuja, "España, América Latina y Cuba tras el período Rajoy: Balance y Perspectivas de la Política Exterior", *Anuario de Integración (Edición Especial)*, Buenos Aires, CRIES, 2016, pp. 235-270.

transformations in the region that pointed to a weakness in the bloc of countries that supported the Cuban regime, starting with the growing isolation of Venezuela, which could no longer be Cuba's economic backbone. The election of conservative governments in Chile, Argentina, Colombia and, more recently, Brazil, has had negative consequences on high-level interregional dialogue between the EU and Latin America, resulting in a postponement of the EU-Celac Summit, which should have taken place in 2017.

Trump has reversed most of the progress in US-Cuba relations made during Barack Obama's second term. The imposition of new financial restrictions in November 2017, and Donald Trump's hostile speech to the United Nations Assembly, where he described Cuba as a "cruel communist dictatorship", was a U-turn in the orientation of US foreign policy. Furthermore, the accusation of alleged sonic attacks on the US Embassy, which involved the repatriation of most of the personnel, made it difficult to manage visas and other bilateral issue. To please the Cuban-American diaspora that supported him in his election in Florida, Trump chose to revert to the old policy, the same that Obama had declared to have failed and that only served to the Cuban regime as an excuse to delay changes on the island.

This occurred at the same time as an economic and social collapse in Venezuela, where the allied government of Nicolás Maduro was on the verge of a bankruptcy, which brought about the decline of the ALBA project⁶. Indeed, the project depended on Venezuelan generosity in times when the barrel of oil was above US\$100. The economic loss that it meant for Cuba was not the same as that caused by the collapse of the Soviet Union, but it was a hard blow nevertheless, bearing in mind that, in 2012, Venezuela accounted for 40% of Cuban trade.

⁶ S. Gratius and J.M. Puente, "¿Fin del proyecto del ALBA? Una perspectiva política y económica", *Revista de Estudios Políticos*, vol. 180, 2018.

In this less favourable regional climate, Cuba has to look for other ways to diversify its foreign policy strategy. It could choose to strengthen its ties with China, which is expanding its presence in Latin America and has already made some investments in the island. However, China is not likely to indirectly confront the United States because of Cuba, a country in which Beijing has few strategic interests⁷. Another avenue that Cuba has already been pursuing is greater engagement with Caribbean regional organisations, especially Caricom. Although, at the political level, it is already a full member, at the economic level the integration is more difficult due to the uniqueness of the Cuban economic system. These conditions prevented the island from joining the Association Agreement between Cariforum⁸ and the EU, which was signed in 2008, and Cuba had to opt for a bilateral agreement. However the PDCA foresees in Article 59 of Title VII that cooperation between Cuba and Cariforum “could also contribute to strengthening the process of regional integration in the Caribbean”.

The third way for Cuba to broaden its relations is precisely the implementation of the PDCA, inserting itself fully into all available programmes and achieving some commercial advantages. The unfavourable regional environment gives greater weight to the EU as Cuba’s new contractual partner. The figures confirm this: in 2017, according to data from the European Commission (2018), almost a third (32.8%) of total Cuban trade were with the EU, far higher than with China (18.8%), Russia (5.4), and Venezuela (4.7%). As it already did in the 1990s with the USSR, the EU has filled the economic vacuum left by the declining special Cuban-Venezuelan alliance. But unlike the Soviet Union, Cuba is much more inserted in the international economy and has diversified its economic partners. More Latin American countries maintain trade relations

⁷ L. Whitehead, “El papel de los actores extrarregionales: Estados Unidos, la UE y China”, in A. Ayuso and S. Gratius (2016), pp. 75-81.

⁸ <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:289:0003:1955:EN:PDF>

with Cuba, and together represented in 2017 close to 20% of its exports and imports. In addition, the island maintains diplomatic relations with almost all the countries in the world, and participates in several schemes of regional cooperation.

For its part, the EU is also facing internal crises, starting with the Brexit negotiation process, which limits the attention it can devote to the process of transformation in Cuba initiated under the previous government of Raúl Castro, and that continues in this new phase under the presidency of his successor Miguel Díaz-Canel. Many uncertainties also plague the internal reforms will take and the scope of the implementation of the Economic and Social Policy Guidelines, approved in 2011, and the 2017 document for the Conceptualisation of the Economic and Social Development Model, following the transition to the new political leadership in Cuba.

As stated by Raúl Castro himself during the VII Congress of the PCC in 2016, only 20% of the process had been carried out. However, this shift implied a number of changes in the socialist system of the country. The constitutional reform proposal, announced in the summer of 2018, will enshrine and broaden these adjustments within the model of Cuban socialism, with some modifications, including the creation of a division of executive power between President and Prime Minister and greater autonomy of municipalities in order to speed up the process of administrative and political decentralisation initiated during the government of Raúl Castro. The process that began after the entry into force of the PDCA will allow the EU to accompany the reform process through cooperation.

Prospects for the Development of the Political Dialogue and Cooperation Agreement

Barely a year after the implementation of the agreement, and taking into account the changes described above, it is difficult to have a big picture of its achievements. Rather, we can only assess some of the first steps that have been taken, and

enunciate some prospective analysis of its possible future development. The agreement between the EU and Cuba consists of three main chapters:

First, political dialogue, which includes issues such as migration, drugs, the fight against terrorism, sustainable development, human rights, small arms and light weapons, and disarmament, among others. Second, development cooperation, including areas such as social and economic development, the environment, governance, civil society, human rights, and regional cooperation; third, trade cooperation, which deals with the principles of bilateral trade and covers cooperation on customs, trade facilitation, technical norms and standards, sustainable trade, and investment. The progress in each area will probably be asymmetric, but advancement on each of the three pillars could have a spillover effects on the others.

In the political sphere, as already mentioned, diplomatic activity has intensified considerably in recent years at the highest level, and has given rise to some initial results. A few months after the implementation of the PDCA began, in January 2018, High Representative Federica Mogherini made the aforementioned visit to Havana, where she met with Cuban Foreign Minister Bruno Rodríguez Parrilla to prepare the first joint EU-Cuba Council, a body foreseen in the agreement as the governing mechanism of the agreement itself.

On 15 May 2018, the first EU-Cuba Joint Council was held in Brussels, chaired by the High Representative, Federica Mogherini, and the Cuban Minister of Foreign Affairs, Bruno Rodríguez Parrilla. In that occasion, they discussed the practical implementation of the PDCA. At the meeting, the parties agreed to institutionalise political dialogue in five key sectors: the fight against the proliferation of weapons of mass destruction; conventional arms control; the solution to unilateral coercive measures; the implementation of the Agenda 2030 for Sustainable Development; and Human Rights.

The latter was a key piece of the agreement, and was in fact informally set up as early as 2015. Three high-level dialogues

were held prior to the signing of the agreement: in June 2015 in Brussels, in June 2016 in Havana, and in May 2017 in Brussels. They were co-chaired by the European Union Special Representative for Human Rights, Stavros Lambrinidis, and Rodolfo Reyes Rodríguez, Director General of Multilateral Affairs and International Law of the Cuban Ministry of Foreign Affairs. After the third meeting in 2017, both delegations noted that there was an open and respectful dialogue, but also that there were differences of opinion on the effectiveness of protection of human rights, especially as regards the definition of democratic practices. This will continue to be one of the most complex issues in EU-Cuba relations, but the EU representatives hope that it will serve to open more spaces for interregional dialogue and exchange.

With regard to the evolution of political dialogue in the future, a positive development would be the possibility of incorporating different actors into each of the political dialogues, including the human rights dialogue, in order to incorporate the voices of civil society; this would include the possibility of parliamentary debates. Another interesting advance, when it comes to opening other spaces for dialogue, is the signing by Cuba in March 2018 of the Treaty establishing the EULAC Foundation as an interregional organisation.

The area in which the most concrete results can be reported is that of development cooperation. As pointed out, Cuba's access to European cooperation programmes was its main incentive for signing the agreement. Traditionally, a difficulty for the Commission and its development programmes was posed by the customary separation between the EU's economic and social cooperation policies with the Caribbean, on the one hand, and with Latin America, on the other. The relationship with most Caribbean countries followed the format guidelines for ACP countries under the Cotonou Agreement, but with specific treatment for the Caribbean Community to which Cuba does not belong, but with which it has cooperation agreements in place.

On the other hand, relations with Latin America were treated regionally and sub-regionally as much less important than those with the ACP countries. Relations were even carried out in different directorates-general, Development for ACP, and External Relations for Latin America. Cuba, without a specific agreement, gravitated between the two, without being fully integrated into any of them, due both to political differences and the absence of a legal framework. Similarly, the current EU “embassy” in Havana opened as an EU representative office in 2003, and did not become a Delegation until 2008.

The main mechanism of EU cooperation with Cuba is the Development Cooperation Instrument (DCI), which is of a general scope. Within this, the EU established a national development cooperation programme with Cuba, of the type known as the Multiannual Indicative Programmeme (MIP) for the period 2014-2020⁹, endowed with €50 million. This is not the first bilateral programme of the EU with the island, as the previous one (2008-2014) was endowed with €90 million, which suggests a decrease in resources. This must be analysed in the light of the changes in European development policy, which decided to eliminate bilateral programmes with middle-income countries, such as Cuba. Thus, in maintaining the bilateral programme, the EU made an exception for the island due to special circumstances. However, today Cuba has access to many other regional instruments than before.

The 2014-2020 bilateral programme will focus on three sectors that have been identified as priorities in the Cuban government’s “Economic and Social Policy Guidelines”: sustainable agriculture and food security; environment and better use of natural resources; and support for sustainable socio-economic modernisation. The most ambitious project approved in the first EU-Cuba Joint Committee was the concession of an

⁹ Multiannual Indicative Programmeme (MIP) For Cuba 2014-2020, https://cdn5-ec.europa.eu/cdn/farfuture/Mfj6IoH88xPb_U2-QxZh4L_gkU_e1IcBsH2h-3pbhbE/mtime:1468935911/sites/ecas/files/20141118_cubamip_en_0.pdf

endowment of €18 million to support the Cuban government's objective of obtaining a quarter of its energy from renewable sources by 2030. In the portfolio, that still needs to receive the final approval, there is also a programme to support food security on the island with €19.7 million. In addition, the EU allocated €5 million to support vulnerable population groups and cultural projects implemented by civil society organisations or local authorities.

Cuba also has access to the EU's regional programmes in Latin America, which cover a wide range of topics: for example, support for the internationalisation of Cuban SMEs, cooperation on drug policies, implementation of climate change mitigation and adaptation strategies, local urban development, and the water sector. Likewise, Cuba can apply to generic cooperation programmes that the EU opens up to its partners, such as cooperation in higher education, the facilitation of educational mobility, and the development of capacities in academic institutions through the Erasmus + Programme, as well as the Jean Monnet programmes that will allow to strengthen exchanges between academics. Moreover, Cuba will be able to take part in the Horizon 2020 research programmes.

Additionally, as already before the PDCA, Cuba also has access to humanitarian aid programmes. In the aftermath of Hurricane Irma, the EU allocated €1.6 million in humanitarian aid to vulnerable people in the most affected areas, prioritising access to housing. The existence of the agreement and the coordination mechanisms should allow European cooperation to be better aligned with the bilaterally agreed priorities. It remains to be seen how Cuba can be better incorporated into EU cooperation with the Caribbean. So far, Cuba is participating in the Cariforum political dialogue; however, it is not part of the European Development Fund, nor of the Cotonou Agreement, which is about to expire and is being renegotiated. It will be necessary to find a way to incorporate the island into these new dynamics.

Regarding the commercial aspect included in Part IV of the bilateral agreement, its content and development is constrained by the characteristics of the Cuban economy, which makes it impossible to negotiate a free trade agreement such as the ones that other countries in the region have with the EU. The EU and Cuba have not even been able to agree on specific tariff advantages. However, the agreement establishes a legal framework and regulatory mechanisms that will facilitate exchanges and provide greater security for investors. The positive effect of these provisions will depend on the reforms approved by the new Cuban government to facilitate trade and investment. The treaty also offers investment facilities and greater legal security for European companies, as well as mechanisms for dialogue in order to redress any conflicts that may arise. However, European private agents will have to deal with the possible consequences that operations with the island may have on their relations with the United States due to the extra-territorial effects of the Helms-Burton Act, which Trump does not seem willing to relax.

Finally, the Agreement includes Cuba in the soft loan system offered by the EU, including the special conditions for Latin American countries in the European Investment Bank (EIB), which contributes to strengthening economic cooperation between the two parties in a hostile inter-American context, as Cuba remains excluded from the soft credit lines offered, for example, by the Inter-American Development Bank (IDB). The agreement signed in 2015 between Cuba and the Club of Paris debtors, composed mostly of European countries, was an important prerequisite for access to the EIB.

Conclusions: The Path Forward

In three decades, relations between Cuba and the EU have gone through different phases of rapprochement and estrangement that have prevented relations from developing normally. The EU has moved from democratic conditionality to constructive engagement in successive stages without having finished

outlining a European policy, mostly because of internal dynamics among some of its member states. At present, most of them agree that the way forward should include the engagement for better cooperation that allowed the signing of the PDCA, the full recognition of the Cuban government, and access to all the available instruments of economic cooperation and development for Latin American countries.

The PDCA is the beginning of a path to identify opportunities to promote Cuba's participation in Celac-EU relations, and to assess the benefits of greater inclusion of the island under formulas of mutual learning, as well as dialogue and exchange of experiences and good practices in the areas of economic, political, cultural, and security cooperation. Through the PDCA, Cuba and the EU have charted a new path in their relationship based on trust, predictability, and dialogue. Faced with a changing global and regional context – and with Cuba much more open to the outside world, but with more volatile alliances – the EU has, once again, positioned itself as a strategic partner for the island. The PDCA will make it possible to intensify these ties by seeking new formulas in different forums and to incorporate a greater number of actors into relations that must transcend the bilateral format, and expand into the multilevel interregionalism that already characterises relations between the EU and Latin American countries.

5. The Long Road Towards a FTA Between Mercosur and the EU

Felix Peña

A Thirty-Year Old Negotiating Process¹

Although the Mercosur-European Union bi-regional negotiations seems to be nearing the final stage, it is prudent to wait for the concrete facts to confirm what the negotiators have optimistically allowed to transpire. The erratic history of these very long negotiations advises caution, at least on the part of those who do not have access to all the necessary information. Even if it were confirmed that the signing of the bi-regional agreement is nearing, it would still take a relatively long period to make it effective and achieve its practical impacts.

It can be argued that a long road has been traveled in the difficult task of building a special relation between Mercosur and the EU. Today, thirty years after the outset, it is assumed that the original goal remains unaltered. That is to say that Mercosur-EU relations still aim at taking steps towards the institutionalisation of a permanent relation, with a political and strategic purpose, flanked by economic and social issues, and preferential treatment for the bilateral exchange of goods, services, investments and other relevant issues, in accordance with

¹ This article is based in periodic articles and reports from the author, included in his personal webpage (www.fenixpena.com).

the practical interests and the multilateral legal rules accepted by both parties, especially within the scope of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO).

It is worthwhile to note that this path began at a very particular point in time, at the end of the 1980s and the beginning of the 1990s. This was, on the one hand, the moment in which the EU began to adapt to the new international and regional reality resulting, among other factors, from the collapse of the Soviet Union. On the other hand, the Mercosur founding countries began to follow their own path to build gradually a regional space of economic integration and preferential trade, thus deepening the bilateral experience formally initiated by Argentina and Brazil, in 1986.

The negotiations and subsequent signing in 1991 of the Treaty of Asunción, prompted the decision by EU countries – led by Portugal and Spain – to promote what was supposed to be a bi-regional agreement, imagined in the beginning as quite ambitious and preferential in nature, but gradual in construction. The visit to Brussels by Mercosur Foreign Ministers in 1991, a few days after the signing of the Treaty of Asunción, and the bi-regional meeting in Guimarães, Portugal, in 1992, were the first steps taken in the direction of this bi-regional path.

At the same time, the Mercosur countries saw a precedent in the EU – a “model”, according to some enthusiasts – for the philosophical dimension of their strategic vision and also, in many respects, for the methodological dimension of their project of regional integration. Even some optimists believed that Mercosur would achieve in a short time what the Europeans had taken more than thirty years to accomplish. They were referring, in their enthusiasm, to the real-time that at that founding moment they supposed would demand to build the common market enunciated in the Treaty of Asunción.

During this initial moment in the bi-regional process, various factors had a relevant influence, as is often the case in international relations. Among others, we can point out the

deep roots of the relations between both regions, nourished by European migration and investments, and by the deeply-rooted shared history between the Latin American region, on the one hand, and Spain and Portugal, on the other. Another factor was the confluence of cultural, social and political values, especially since the consolidation of democracy in Mercosur countries. This was not a minor fact since the EU was incorporating Eastern European countries at the time.

However, there was another key factor. The launch of the so-called “Initiative of the Americas” at the end of 1989 implied getting the message to the European side that the US was planning to build a preferential trade relationship with Latin American countries. When seen in the context of a historical triangular relationship between Europe, the US, and Latin America, this is an important issue to understand the European interest and behaviour – including its fluctuations – in relation to the Mercosur countries. For the most part, this factor still holds a certain degree of validity today.

The launch of the Initiative of the Americas seems to have had a marked impact on the erratic European enthusiasm for promoting the bi-regional preferential trade negotiations, formally initiated in 1999. It can even be hypothesised that only by inserting this bi-regional negotiating process in the context of a triangular relation it is possible to understand some milestones that marked the cycle of advances, setbacks, and standstills that have characterised the negotiations. A fundamental example in this respect was when the bi-regional negotiations stalled in 2004, almost simultaneously with the final collapse of the Free Trade Area of the Americas (FTAA) negotiations. Moreover, this hypothesis is supported by the fact that some thirty years after the simultaneous start of the process that would have led to the FTAA, the EU and the US have concluded free trade agreements with almost the same Latin American countries.

This would allow advancing another hypothesis that may have special validity on the European side: specifically, that a bi-regional agreement could only be politically feasible for the

EU if Mercosur simultaneously concluded a preferential trade agreement with the US – as was supposed to happen with the FTAA. In other words, from a political perspective, it would be difficult for the EU to face a situation in which its companies and investors had preferential treatment, especially in the markets of Argentina and Brazil, that would place them in a more advantageous position than American companies. Such a situation would not be compatible with the strategic value that the North Atlantic Alliance has had for the European countries – especially belonging to Western Europe – at least up to now. This should not be overlooked when imagining the process after the signing of the eventual bi-regional agreement, where the possible reaction of American economic interests could play a relevant role.

How real is and has been the interest of both parties in advancing the bi-regional negotiations for the so-called free trade agreement? It is difficult today to answer this question with certainty. The answer should not be based only on what the respective protagonists point out in public. On both sides, we can find elements that would support the idea of a “bluff game” (pretending to have the predisposition to negotiate), common in most international trade negotiations, that eventually could later be followed by a typical “blame game” (blaming the other side for the standstill of the negotiation process).

In any case, the causes leading to the multiple standstills are well known in this long bi-regional experience. However, the only thing that is difficult to explain is why the acquired experiences have not been capitalised by either side, for example proposing and agreeing on changes in the methodologies used to build the preferential bi-regional space. On many occasions, options have been identified to make the methodologies used more flexible, compatible with a reasonable and feasible interpretation of multilateral regulations – Article XXIV of the GATT – and the use of the potential offered by the framework agreement signed by both regions in 1995, which is still valid. The focus on a free trade agreement, conceived with an almost

dogmatic interpretation of its actual scope, has continued to prevail. After the last negotiating meetings, there appears to be a will to move forward, but at the same time, but also a difficulty to imagine alternatives in the road undertaken almost thirty years ago.

But, even if the agreement is finally signed in the upcoming months, as has been announced, the process for its entry into full force could demand a period estimated in at least three years. The precedents of other preferential trade agreements indicate that accidents – even fatal ones – usually occur after the signature of the corresponding text. The experience of the Trans-Pacific Partnership (TPP) is illustrative in this respect.

However, the importance of this bi-regional relation, accentuated in view of the current complex and uncertain international context, transcends the economic and commercial and delves into the political and the strategic. It would merit a deeper debate on the way to move forward. This would have to be a pluralistic, multidimensional and multidisciplinary debate, not focused on theoretical or academic approaches but aimed at proposing practical recommendations for necessary and possible action.

Both Regional Integration Processes Are Facing a Methodological Crisis with Possible Existential Impacts

It is significant to note that two processes of regional integration, the EU and Mercosur, which have some common elements but also notable differences, are going today through times of crisis. Some observers even believe that they show some of the characteristics of what could be perceived as a terminal crisis. Others, including the author, more cautiously regard these characteristics as a display of methodological problems – how the partner countries can work together –, rather than of existential ones – why these countries should keep working together.

The fact is that the Brexit and post-Brexit crises in the EU have exposed significant differences between member countries on how to build integration in the European regional geographical space.

For various reasons, these differences are also evident in the Mercosur. We can add to this the recurring questions on the instrument of the common external tariff, explicitly provided for by the Treaty of Asuncion and that, together with its Article 2 (reciprocity of rights and obligations), constitutes the guarantee that the founding members gave to each other that the tariff preferences granted reciprocally would not be disavowed.

Three reflections can contribute to placing both crises in a wider perspective.

The first relates to the fact that both cases are processes of integration between sovereign nations that have voluntarily decided to participate in them, accepting to agree to common rules. Some nations did so from the founding moment. Others adhered later of their own will, such as in the cases of the UK in the EU and of Venezuela in Mercosur, among others. Moreover, the British experience suggests that the other member countries were not necessarily bound to accept the new entries (for example, in a first attempt, in 1963, the UK could not be incorporated to the EU because of the veto of the French government).

Just as no one can force a sovereign nation to form part of an integration process institutionalised in a founding treaty, no one can prevent a member country from withdrawing when the rules provide for this. By its sovereign will, Chile withdrew from the Andean Group and, years later, Venezuela withdrew from the Andean Community of Nations (CAN). The founding agreements provide for this right to withdrawal and the procedures for achieving them. Such is the case today for Article 50 of the Treaty of Lisbon, which regulates the yet uncertain process of the withdrawal of the UK from the EU.

The voluntary nature of the participation of a nation in the process of integration and its subsequent agreement to comply with common rules is not a minor detail at the moment of

assessing the scope of decisions, such as the one taken by the citizens of the UK in the Brexit referendum.

The voluntary withdrawal from an integration process is an option that would also be available to a member country of Mercosur that does not agree, for example, with the restrictions entailed by the instrument of the common external tariff. Of course, in relation to this issue, another option would be to obtain the necessary consensus to amend the Treaty of Asuncion.

The second consideration refers to the fact that, once the political decision to undertake a process of regional integration has been made, the participating nations have the right to exercise the principle of freedom of organisation, that is, to choose the most appropriate methodologies to achieve the common objectives². There is no single model on how to build a process of integration between sovereign nations which is voluntary and subject to common rules. Incidentally, the methodologies used have to be related with the density of the commitments that the participating countries are willing to make, especially in the economic sphere and with the deadlines set to achieve the desired objectives.

But they should also take into account the legal commitments made by the participating countries with other nations, especially at the global multilateral level. In this regard, the main commitments are those arising from Article XXIV of the GATT. In relation to the trade of goods, paragraph 8 of this article – which is now part of the legal framework of the WTO – defines the two main instruments, the free trade zone and the customs union, that allow to arrange trade preferences not extended to other countries part of the multilateral global system due to the effects of the most-favoured-nation clause (Article I, which is a cornerstone of the GATT legal system).

These are definitions that lend themselves to relatively flexible interpretations and not necessarily conform to the more

² See A.P. Seregini, “Le Organizzazioni Internazionali”, Milan, Dott. A. Giuffrè Editore, 1959.

theoretical and dogmatic views of what a free trade area or customs union should be. These are examples of the so-called “constructive ambiguities” that characterise the GATT, of a marked Anglo-Saxon legal nature. Moreover, for developing countries – such as Mercosur members – the enabling clause provides an even more flexible framework for the design of a regional integration agreement that includes tariff preferences.

And the third consideration relates to what John Carlin characterised as the “human factor” in international relations³. This involves the vision and leadership provided by those people who inspire or propel significant events in political life. In this case, in the negotiations leading to the founding pact of an integration process and, later on, in the different moments of its development, which often involve overcoming critical situations.

The voluntary nature of the regional integration between sovereign nations, based on the respect for common rules; the absence of a single model on how to carry out a voluntary integration process, but the existence of multilateral legal commitments that may affect the methodology used for granting trade preferences; and the importance of the vision and political leadership, both at the founding moment and later on, to address critical situations. These are the three factors that can impact on the ability of countries trying to undertake a process of regional integration and sustain it over time.

Of these factors, the third is perhaps the most relevant. Vision and political leadership are qualities that were present in the various founding moments of European integration. I also believe they were present thirty years ago, at the time of the initial integration agreements between Argentina and Brazil and then during the founding moments of Mercosur.

Vision and political leadership imply the ability of those involved, from their different perspectives, to design agreements

³ See J. Carlin, *Invictus: Nelson Mandela and the Game That Made a Nation*, Penguin Books, London, 2008, and his weekly column under the same name in the newspaper *El País*, on http://elpais.com/autor/john_carlin/a

and rules that are perceived as potential generators of mutual gains for the participating countries, can produce a reconciliation of interests and wills to achieve approval, and have a significant potential to be effective and penetrate reality. Moreover, vision and political leadership are also required for the task of adapting an integration project and its rules to the continuous changes in international realities.

In the founding moment of European integration, Jean Monnet brought this kind of vision and leadership. He was not the only one, but he played a key role in the reconciliation of wills that led to the Treaty of Paris, after the Schumann Declaration of May 9th, 1950. Reviewing his memoirs today is highly recommended for those who are wondering how to continue building a space of European integration⁴.

Regional integration is a process that is built day by day. Roadmaps require constant adaptation. This involves a dynamic balance between flexibility and predictability resulting from its institutions and rules. Monnet says, in concluding his Memoirs and almost at the end of his long life (he died at 92): “We must make our way day after day; the essential is to have an objective that is clear enough so as not to lose sight of it” (in page 591 of the Spanish edition)⁵.

⁴ See J. Monnet, *Memoires*, Paris, Fayard, 1976, in English, *Memoirs*, London, Collins, 1978, and, in Spanish, *Memorias*, Madrid, Encuentro - CEU, 2010.

⁵ A picture of the Kon-Tiki, the raft that in 1947 with a crew of five young men led by the Norwegian Thor Heyerdahl sailed for over one hundred days from Callao in Peru to Polynesia, occupied a prominent place in Jean Monnet's desk in Luxembourg, when he chaired the High Authority of the Coal and Steel European Community. “These young people” – Monnet told to his visitors, as he recalls on the last pages of his memoirs – “chose their course and set sail knowing that they could not turn around. However great their difficulties, they only had one recourse: to move forward”. They were driven by a vision that was actually an obsession: to demonstrate that it was possible to sail on raft from South America to Polynesia. They were tenacious and succeeded (see the book on the Kon-Tiki by Thor Heyerdahl, Expedition Kon-Tiki, New York - London, Simon and Schuster, 1984, and also the film “Kon Tiki” (2012), on <https://gloria.tv/>).

In view of the difficulties that the processes of regional integration of the EU and Mercosur are undergoing today, the implicit advice to be drawn from Jean Monnet and the experience of the Kon-Tiki is along these lines: be tenacious, go ahead, but adapt navigation courses to the changes in currents, winds, and tides.

Backtracking could be the result of not remembering the vision that prompted us to set sail; that is, to begin the construction of a space of regional integration.

It may also involve going back to the scenarios of confrontation and fragmentation that both regions have experienced in the past⁶. In the case of Mercosur, it could mean going back to scenarios such as those that were reversed by the agreements conceived by Raul Alfonsín together, first, with Tancredo Neves and, later, with Jose Sarney.

It is in this context that we should place the issue of how to continue building Mercosur and the conclusion of the bi-regional agreement with the EU. Both are part of the complex processes of integration into broader regional and bi-regional spaces. And both are explained by a very dynamic and multidimensional combination of political, economic, social and cultural factors. Pretending to understand these processes and, especially, to operate on them just from the perspective of trade or the economic theory, or even the political, involves the risk of generating illusions that do not translate into reality. This has happened many times, especially in the case of Mercosur.

As for the construction of Mercosur, three conditions seem essential in order to move forward with political realism and achieve concrete results.

The first of these conditions is to leave out from the debate the issue of whether Mercosur should continue to exist as it is or if it would be better to transform it into a free trade area or simply eliminate it. It is an issue that often arises from ideological or theoretical perspectives, the latter especially originating in a

⁶ Indeed, these were more intense and dramatic in the European case, as illustrated in the book by H.M. Enzensberger, *Europa en ruinas. Relatos de testigos oculares de los años 1944 a 1948*, Captain Swing, 2013.

dogmatic interpretation of economic theories⁷. It would be wiser to emphasise, especially by the political leadership, that what is under discussion is not whether the partners should work together or not (that is, the existential dimension of Mercosur), but how they can work together (that is, the methodological dimension). In this regard, what is important to consider and make clear is that there is no single model to determine how neighbouring countries should cooperate and work together and that in each case the methodology for joint work should be adjusted to the needs and possibilities rather than to theoretical models. It should also be adapted to the international commitments that have been undertaken, especially in the WTO.

The second condition is that an integration process does not necessarily imply that the participating nations will lose their sovereignty and will no longer be autonomous units of the international system, nor that the markets and national economic systems need to be fully merged. Neither does it imply that there will be a final product within a specified timeframe. An integration process involves drawing a roadmap to gradually build more connected and integrated economic areas through a process that will never be linear, but that must have a reasonable degree of conclusiveness. It implies, most importantly, that the participants voluntarily accept freely agreed general rules. This entails the possibility of achieving, through rules and institutions, a balance between national and mutual interests as well as between a reasonable degree of flexibility in the commitments and a necessary and also reasonable degree of predictability in the agreed rules. Otherwise, the effects that are sought in terms of productive investment and job creation in an expanded common market will not be achieved.

And the third condition refers to the methodology for the opening of markets to trade and investment originating in partner countries. Notwithstanding broader commitments,

⁷ For example, what a customs union should be according to the views of Bela Balassa, which leads to the distinction between the “perfect” and the “imperfect”. Mercosur is usually placed in the second category, overlooking thus the scope of the actual definition contained in Article XXIV of the GATT.

like those originally agreed in the Treaty of Asuncion regarding the trade of goods and the common external tariff, sectoral approaches were always envisaged, such as that agreed and still in force for the automotive sector, and the sectoral agreements also agreed – but not widely used – provided for in Article 5.d of the Treaty and which had a first regulatory framework in Decision CMC03 / 91. This regulatory framework has been scarcely used and today could adapt well to the need to facilitate productive integration in other sectors. In addition, it would help articulate this sectoral productive integration with that which could be developed in the context of the strategy of convergence in diversity, already employed in the relations between Mercosur and the Pacific Alliance. Plus, a sectoral strategy of this kind would not go against the broader idea of achieving, over time, the so-called regional common market. On the contrary, it would facilitate it. In this regard, the Latin American Integration Association (LAIA/Aladi) has the necessary tools that derive from the rules laid down in the Treaty of Montevideo of 1980. How to use the LAIA for the necessary articulation of relations between the Pacific Alliance and Mercosur is one of the issues that should be prioritised on the agenda for the new stage of Mercosur.

The revitalisation and adaptation of Mercosur and its instruments to the new global and regional realities, and the challenges they pose to the countries of both regions, will also help to ensure that the negotiations for a bi-regional association with the EU follow a more strategic, as well as pragmatic and intelligent, path. The implicit flexibilities of Article XXIV, paragraph 8, of the GATT allow such an approach (strategic and pragmatic), provided that it is the result of strong political leadership on both sides of the Atlantic (which can only be achieved if led at the highest level of the respective member countries) and of an imaginative methodology consistent with the rules of both integration processes and the WTO⁸.

⁸ On the leeway for action provided by GATT rules, especially Article XXIV

Options for the Future in the Case that the Actual Negotiations Cannot Be Concluded

As we mentioned before, there are some doubts about the real possibility of concluding the bi-regional free trade agreement by 2018. For this reason, it is relevant to consider the other open options in the event that this doesn't happen.

There are many founded doubts, among which one could list: the almost two decades since the preferential trade negotiations were formally launched, and the ups and downs that have been observed on its way; the changes introduced in the structure of incentives to negotiate – especially on the European side, after the ghost of the FTAA disappeared; and the emergence of new factors that may adversely affect the interest to continue using the format originally proposed, in particular the effect on Mercosur countries of the idea of the mega-interregional preferential trade agreements.

The first option would be to continue to negotiate as if nothing happened, setting new deadlines. This is a frequent occurrence in international trade negotiations as evidenced, among other recent experiences, by the EU-India negotiations. A variant could be to agree on a change in the self-imposed goal of achieving a high percentage of trade coverage in the trade liberalisation programme. Nothing would prevent it, at least with a correct interpretation of the GATT rules (Article XXIV). It implies, however, a strong political will to generate sufficient flexibility in this technocratic realm.

A second option would be to abandon the goal of a free trade agreement between the two regions. A variation of this option could lead to negotiate free trade agreements between the EU and those Mercosur member countries that were interested – eventually even with several, but not all of them. It would involve formally abandoning the commitment to establish a

when properly interpreted, see S, Khorana, N. Perdakis, T.Y. May, and W.A. Kerr, *Bilateral Trade Agreements in the Era of Globalization. The EU and India in Search of Partnership*, Cheltenham UK-Northampton, MA, Edward Elgar, 2010.

customs union in Mercosur, taking it back to a free trade area. Business institutions and experts have sometimes proposed this. Of course, such a variant would require previously amending the Treaty of Asuncion. It is not hard to imagine the difficulties that this would entail and the effects it could have on the quality of the relationship between Mercosur partners and, most notably, between Argentina and Brasil. Thus, this would not seem an option that the respective governments would want to favour.

Another, more sophisticated variant of this second option would be for each Mercosur member country to be put in the conditions to negotiate strategic partnership agreements with the EU that include instruments and commitments on a wide number of issues related to bilateral economic relations (for example, issues that can affect trade and investment flows, productive integration and technological cooperation), but excluding tariffs. The advantage of this option, which at times seems to be the preferred one among business sectors, is that it could be presented as apparently consistent with the rules of Mercosur (Article 1 of the Decision CMC 32/00) and therefore with the preservation of the strategic idea of sub-regional integration. Its disadvantage is that it would be very difficult to explain why such variant could not be carried out with the participation of Mercosur as a whole and, in that case, it would imply a strong weakening of the distinction “us-them”, which is the basis of Mercosur’s foundational idea, especially in what has always been its main core, namely the Argentina-Brasil relationship.

Finally, a third option could be to bring back the idea of a bi-regional negotiation to its original framework. This option seems the most advisable in case the goal to sign the agreement by 2018 is not achieved, or it is not possible to set a new deadline to achieve it. It would imply activating an instrument that seems to have fallen into oblivion, by dint of not using it⁹. In Argentina it was approved by Law 24.694, enacted in

⁹ The Framework Agreement of Cooperation between the EU and Mercosur, signed in 1995 and still in force (see the text at <http://eur-lex.europa.eu/>).

September 1996. The negotiations for the bi-regional free trade agreement were launched within its framework. But a simple reading of the text helps to appreciate the breadth of its coverage, which far transcends the idea of a simple free trade area. Its subject-matter matches some main issues on the EU-Brazil bilateral agenda. It also contains a review clause (Article 23) which, if used well, would even enable to move forward with variable geometry formats. And it creates a Cooperation Board with broad powers to become, eventually, the forum in which to design a new stage of the bi-regional relation. It could even foresee those flexibilities and multiple speeds that may be required by the new realities at the international level, at the regional level for both the EU and Mercosur, and at the level of the bi-regional space.

6. EU and Caribbean: Towards the Reconfiguration of the Inter-Regional Landscape

Jessica Byron, Jacqueline Laguardia Martinez

European Union-Caribbean relations have been in constant evolution since the Economic Partnership Agreement (EPA) negotiations were concluded at the end of 2007. The pace of change speeded up thereafter with greater convergence within the Latin American and Caribbean (LAC) region, and the emergence of an EU-Celac inter-regional partnership by 2012. Nonetheless, the Caribbean remains a zone with a dual system of linkages with the EU through EU-LAC and also through the EU-ACP (Africa-Caribbean-Pacific Group) historical partnership. The years 2018-2019 feature three significant developments: the launch of the post-Cotonou talks in July 2018 in preparation for the expiry of the ACP-EU Cotonou Partnership Agreement (CPA) in February 2020; the formalisation of a new EU-Cuba relationship based on expanded cooperation and political dialogue; the withdrawal of the United Kingdom from the European Union (Brexit) with inevitable repercussions for EU-Caribbean and UK-Caribbean relations. The chapter discusses these three topics and also explores the Caribbean's place within Celac and the directions of the EU-Celac relationship.

The Caribbean region stands out in the LAC because of its historical linkages with at least four major EU member states, and the large number of EU territories that are located

within the Caribbean-North Atlantic zone¹. Many are associate members of Caribbean regional organisations while others are seeking accession². Paradoxically, despite the strong social and political links with the EU and its Overseas Territories, trade and economic exchanges with the European Union have declined since the coming into effect of the Economic Partnership Agreement. This chapter recognises the continued significance of social and cultural ties between Europe and the Caribbean that have been consolidated and deepened by Caribbean diasporas in Europe. However, these are likely to suffer some disruption from Brexit with the probable reduced visibility of the English-speaking Caribbean diaspora within the EU zone. We argue that trade and investment flows as well as the shared legacy of norms and values remain indispensable elements of regional and inter-regional relations. Extracting more value from the EPA and rendering its mechanisms more effective are imperatives for the future of the Caribbean and EU relationship. Likewise, the Caribbean Community (Caricom) members of the regional equation need to invest more resources in strengthening relations with other EU member states beyond the Brexiting United Kingdom. The European territories in the Caribbean may be important players in this process, as are the joint institutions of the Economic Partnership Agreement (EPA). Finally, the chapter argues that deepening LAC relations and building consensual approaches on key common areas of interest will be crucial to the Caribbean dimension of the EU-LAC relationship.

¹ French territories: Guadeloupe, French Guyane, Martinique, St. Barthelemy, St. Martin; Dutch territories: Aruba, Bonaire, Curacao, Sint Maarten, Sint Eustatius, Saba; British territories which will no longer be linked to the EU after March 2019: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Montserrat, Turks and Caicos Islands.

² A. Dale and C. Corbin, "Assessing Opportunities for Enhanced Integration of the Associate members of the Economic Commission for Latin America and the Caribbean", ECLAC Studies and Perspectives Series No. 56, Santiago, UN ECLAC, 2017.

The End of an Era? Africa-Caribbean-Pacific Group (ACP) – EU Relations Post-Cotonou

In the mid-1970s, as the European Community began expanding its membership beyond its founding countries, relations with former colonial territories in Africa, the Caribbean and the Pacific were also restructured with the negotiation of the Lome Convention (1975) that guaranteed preferential access to EU markets and development cooperation. The Lome Conventions lasted for 25 years before succumbing to a changed global political and economic landscape at the end of the 1990s. The successor CPA (2000) was intended as a development partnership between the ACP and the EU which would facilitate the formers' gradual integration into the global economy governed by the terms and conditions of the World Trade Organization.

Art. 37 of the CPA stipulated that negotiations towards regional trade agreements with the EU should begin by 2004. Cariforum was the first ACP group to conclude a comprehensive agreement with the EU, its second largest trade partner, on the gradual liberalisation of trade in goods and services and on trade related issues between their two regions. The EU-Cariforum Economic Partnership Agreement was signed and began provisional operation in 2008³. It was hoped that an EPA might stimulate competitiveness and provide increased market

³ By 2014, seven out of 15 Cariforum signatories had ratified the EPA while 16 out of 28 EU signatories had ratified.

Europe Aid, 2014, [Monitoring the Implementation and results of the Cariforum-European Union Economic Partnership Agreement: Final Report](#). Ginelle Greene reports nine Cariforum states provisionally applying the EPA in 2015. The EPA commits the parties to liberalising 92% of their trade flows over 25 years. Cariforum parties would liberalise 86.9% of their trade with the EU. During the first 15 years, after a three year moratorium for fiscal restructuring purposes, 82.7% of their duties levied on EU goods would be eliminated and during the last ten years 4.2% of duties would be eliminated. The latter period represents the heaviest loss of trade tax revenue as the very high duties are left to the end. (G. Greene, "[The Cariforum Economic Partnership Agreement: Lessons from Implementation](#)", Commonwealth Trade Hot Topics no. 121, 2015.

opportunities for Caribbean service industries. Thus far it has brought mixed results, with the Cariforum market share in the EU continuing to decline from 3.8% (2004-2008) to 2.8% between 2010 and 2014. It is worth noting that the Dominican Republic's EU exports grew on average 7% per annum 2007-2013 but Caricom's EU exports declined by 23%⁴. Since 2007, the overall value of ACP Caribbean exports to the EU has risen above €5,000 million only twice, in 2008 and 2013 and the average growth rate of ACP Caribbean exports to the EU between 2013 and 2017 is - 6.4%⁵.

EPA reviews attribute the lacklustre performance to a variety of factors, the leading one being the global recession 2007-2010. During that time, Cariforum exports to the EU declined by one third⁶. Negative growth, falling government revenues combined with rising public debt, unemployment and social decline were major concerns especially for the Cariforum but also for EU parties, diverting policy-makers' attention and limited resources away from EPA implementation and key areas of capacity and competitiveness building⁷. Likewise, they attribute the stronger productive and export performance of the Dominican Republic partly to its earlier fiscal and competitiveness restructuring for the Central American and US markets. Many Caricom countries, particularly the eastern Caribbean micro-economies, engaged in their first major experience of market liberalisation, sustained sizeable revenue losses and a fall-off in exports to the EU during the initial years of the EPA's operation. The global recession also had adverse effects for Cariforum investment and remittance inflows and for the

⁴ A. Gonzales, "The Caribbean-EU Economic Partnership Agreement: A Caribbean Perspective" in A. Montoute and V. Kudrat (eds.), *The ACP Group and the EU Development Partnership: Beyond the North-South Debate*, Cape Town, Centre for Conflict Resolution/Palgrave Macmillan, 2017, pp. 181-210, cit. pp. 184-85.

⁵ European Commission Directorate-General for Trade, "European Union Trade in Goods with ACP-Caribbean Countries", 2018.

⁶ G. Greene (2015), p. 4.

⁷ EuropeAid (2014).

tourism sector, both of which began to recover to varying degrees by 2012-2013⁸.

In the longer term, EPA reviews have pointed to market access opportunities for agricultural commodity exports from both the Dominican Republic and Caricom, and for certain manufactured products originating in the Dominican Republic. A lack of data on the Cariforum services sector made it impossible to determine the effect of the EPA on trade in services but analysts identified various factors which may well have slowed its growth⁹. The EPA did not engender increased trade between Cariforum and EU Caribbean territories because of ongoing market access and transportation issues. However, there was increased intra-regional trade between the Dominican Republic and Caricom, with increased exports from Trinidad, Belize and Barbados into the Dominican Republic and the latter doubling its exports to Caricom between 2007 and 2013¹⁰.

Various analyses had predicted significant revenue losses for Cariforum economies from the elimination of customs tariffs, notwithstanding the accompanying fiscal restructuring process¹¹. However, the reviews also acknowledged the beneficial impact of bilateral and multilateral EU development resources aimed at capacity-building and competitiveness for production and trade¹². The EPA negotiation and implementation propelled Cariforum countries' trade policy development and by 2015, all the EPA joint institutions had been established and were functioning.

⁸ EuropeAid (2014).

⁹ A. Gonzales (2017); EuropeAid (2014).

¹⁰ G. Greene (2015), p. 4.

¹¹ EuropeAid 2014 notes the wide variations in estimated Cariforum revenue losses due to tariff reductions 2009-2033, ranging from €353 to €498 million, referring to them as incomplete estimates. Ginelle Greene estimates that Cariforum's EPA adjustment costs, mostly in lost trade tax revenue, may amount to US\$1.030 billion, (G. Greene, 2015).

¹² See EuropeAid (2014); G. Greene (2015). One inconsistency was the fact that less than 10% of EDF 10 EPA funding was allocated to support the Caribbean service industries, despite their economic significance to the region.

The various reviews of the EPA's first five years identified priority areas to be addressed in the next phase of implementation:

- Stronger support for the service industries including the negotiation of mutual recognition agreements for certain professional services and support for cultural practitioners; greater attention to market access and visa issues facing short-term Cariforum service providers to the EU market;
- Continued support for capacity-building for Cariforum private sector entities to enable them to translate EU market access into market presence;
- The establishment of additional joint committees for Trade in Services and Trade and Development;
- Institutional deficits in the implementation should be addressed, and the Cariforum states should formulate strategic plans and roadmaps for EPA implementation. Both EU and CF parties should develop EPA Monitoring and Evaluation systems.
- Cariforum sustainable growth and development require tackling deep-seated issues of private sector financing, regional energy costs, inadequate transport and other physical infrastructure facilities. This also requires addressing many deficits in the regional integration process¹³.

A pervasive theme was the continued need for capacity building in Cariforum states and for longer term access to development resources and support for the economic actors after the end of guaranteed EDF funding under the CPA in 2020. Development financing is one area where the EPA intersects with the Post-Cotonou negotiations. But the broader issue is that EPA activities and governance institutions have become the major channels for cooperation among the EU and CF

¹³ EuropeAid (2014); Cariforum-EU, "Council. Five Year Review of the Cariforum –EU EPA", Joint Working Document, 14 July 2015, (last accessed 17 October 2018); Greene (2015).

actors and they will be an integral dimension of the post-Cotonou relationship.

Wide-ranging reflections and consultations on the EU-ACP partnership and on prospects for the intra-ACP relationship after 2020 have been taking place since 2012 and have informed the content of the Negotiating Mandates of the two sides¹⁴. The *ACP Negotiating Mandate for a Post-Cotonou Partnership Agreement with the EU* was adopted on May 30 2018 by the ACP Council of Ministers while the Council of the EU published its *Negotiating Directives for a Partnership Agreement between the EU and its Member States of the one part and with countries of the ACP Group of the other part* on 21 June 2018. In both negotiating groups, the process of reaching consensus was marked by complex internal divisions¹⁵. Following a formal exchange of negotiating mandates in July 2018, the Post-Cotonou talks began in earnest in New York on September 28 2018 during the United Nations General Assembly meetings (www.acp.int/). The EU Chief Negotiator is Commissioner for International Cooperation and Development, Ambassador Neven Mimica, while the ACP Chief Negotiator is Togo's Foreign Minister Robert Dussey. The Cariforum parties on the ACP Central Negotiations Group are Jamaica (Chair of the

¹⁴ For the ACP, key inputs have come from ACP Policy Framework Document "Towards the ACP We Want", Brussels 1 May 2017; the Sipopo Declaration of the 7th ACP Summit Equatorial Guinea, 14 December 2012 and the Port Moresby Declaration of the 8th ACP Summit, Papua New Guinea, 1 June 2016.

¹⁵ The EU adoption of their directives was delayed by Hungary due to differences over migration policy (C. Barbieri, "MEPs condemn Hungary's post-Cotonou agreement blockade", *Euractiv*, 15 June 2018. Although the ACP had been engaged in elaborating a joint negotiating mandate, in March 2018 the African Union Executive adopted a decision to move towards negotiating an EU-Africa partnership separate from the ACP context while maintaining South-South partnerships with the Caribbean and the Pacific (EPAmonitoring.net, 9 April 2018). However, the AU proposal was not supported by the Southern African states or Kenya, and the common ACP approach prevailed (L. Louw-Vaudran, "Can the AU win SADC's Approval", 28 August 2018; OpEd The East Africa, "The Key Outcomes of the AU Summit", 5 July 2018; E. Morgan, "ACP-EU Post-Cotonou Negotiations off to a Start", 2 October 2018.

ACP Council of Ministers January-July 2018) and Guyana, whose Foreign Minister is a Deputy Chief Negotiator.

The ACP and EU Negotiating Mandates contain similar elements and significant differences. They both make reference to their historical legacy and common values enshrined in the CPA and both place the future development partnership in the context of the SDGs and Agenda 2030. They both include in their development cooperation objectives the strengthening of democracy and human rights, peace and security, climate change resilience-building, the defence of multilateralism and a rules-based global order.

In terms of the differences, the ACP document reflects the changed international context for both EU and ACP actors but emphatically states its desire to preserve the basic structure of the earlier agreement and intra-ACP as well as ACP-EU cooperation. The ACP want a single agreement with three pillars representing trade, investment and services; development cooperation; political dialogue. Their document calls for “the provision of a dedicated multiannual development financing mechanism”¹⁶.

The EU proposes more substantive revisions to the structure of the agreement and the format of future relations. Its directives call for a common Foundation Agreement on the general objectives, principles and priorities for cooperation followed by three region-specific partnership agreements (Council of the EU 2018). For the Caribbean and Pacific regions, both of which contain EU Overseas Regions, Countries and Territories, support for regional integration and cooperation which will encompass those territories and will have the flexibility to extend to third countries (such as Cuba) is emphasised¹⁷, likewise climate change adaptation, natural disaster mitigation and maritime cooperation. All three sub-regional partnerships would prioritise peace

¹⁶ ACP Group, *ACP Negotiating Mandate for a Post-Cotonou Partnership Agreement with the European Union*, ACP/00/011/18 FINAL, Lome, 30 May 2018, p. 8.

¹⁷ See D. Jessop, “Cuba, the EU and a Post-Cotonou Agreement”, 27 May 2018.

and security cooperation specific to their locale and support the human and environmental development goals of Agenda 2030. The economic cooperation agenda outlined in the Caribbean partnership seems closely aligned with the findings of the EPA review. References to development finance in the EU mandate appear in relation to funding climate change adaptation, and seem to prioritise FDI and remittance flows for private sector development, infrastructure, production and trade.

A final divergence concerns migration. The EU calls for well managed migration and the interdiction of illegal migration. While the ACP document endorses well managed migration, it opposes exerting pressure on ACP states for tighter border controls and supports voluntary returns of illegal migrants¹⁸.

Cariforum has endorsed a unified ACP approach to the negotiations, believing that this strategy would provide greater leverage and be more beneficial for the Caribbean and for the ACP Group as a whole. Cariforum shares common values and interests with the ACP and wishes to preserve and strengthen the group's visibility and influence in the global arena for its various states and regions. In light of the divisions evidenced in the African ACP group, Cariforum actors like the Caricom have worked assiduously to strengthen relations with the African Union¹⁹. The Caribbean stipulates that the agreement must take into account "exogenous and inherent Caribbean vulnerabilities", include their development priorities and provide continued access to development financing in order to pursue sustainable, inclusive and resilient development²⁰.

¹⁸ EU Council of Ministers (2018); L. McAvan, "Post Cotonou: Towards a Renewed Partnership with the Countries of Africa, the Caribbean and the Pacific", 20 September 2018.

¹⁹ See AU-Caricom meeting in Guyana August 2018 to explore institutional relationship and greater international collaboration (Caricom Secretariat 2018a). Caricom has also been working to diversify its EU engagement beyond its traditional partners. See for example Caricom Foreign Ministers' hosting of ministerial representatives of Germany and Romania at Bahamas meeting May 2018 (Caricom Secretariat 2018b).

²⁰ R. Jacobsen, "Caribbean States Share Common Values and Interests with other

It is early days yet to predict directions or outcomes for the Post-Cotonou Negotiations which may continue into the latter half of 2019. Despite the resolve to preserve ACP unity, the EU-proposed template for the future agreement may prevail, and not only because of the historically asymmetrical relations between the two sides. An appropriately modified model of a foundation agreement anchoring three regionally tailored protocols may ultimately be the most practicable. It would favour Caribbean integration and could address the special development concerns of the Caribbean while facilitating the preservation of long-standing links with their African and Pacific partners.

Brexit and Its Implications for Caribbean-European Relations

In June 2016, the British electorate's referendum vote to withdraw from the EU not only generated shock waves across the EU, it brought uncertainty to the relations of the EU and the UK with the rest of the world. Caribbean countries and territories have been particularly exposed to this issue, although there are varying degrees of sensitivity to the effects of Brexit in the Caribbean. Britain has been a significant EU player and the main EU market for several Caribbean states. For the Cariforum states, the main issues are their future market access to Britain and the transitional arrangements once Britain leaves the Single Market in March 2019. The other imperative, primarily for Caricom states, is to diversify and deepen their relations with the rest of the EU. The United Kingdom Overseas Territories (Ukots) face the inverse of this challenge. Although they may be significantly disadvantaged by Brexit, they are third parties to the negotiations with minimal visibility. They are likely to lose preferential access to the EU market and to EU development funding and freedom of movement throughout the EU as

British Overseas Citizens²¹. Political polarisation within the UK has deepened the complexity of the Brexit negotiations and the March 2019 legal exit date approaches inexorably.²² The likelihood of concluding arrangements for an orderly transition or “soft Brexit” from the European Union is uncertain despite efforts on both sides of the negotiations. The question of the Irish border remains a major sticking point. The European Summit of 17-18 October 2018 concluded that insufficient progress had been made to sign off on an agreement but a European Council meeting would be convened for this purpose if and when such progress was deemed to have taken place²³.

A “hard” or “soft” Brexit would each influence the UK’s future relations with the Cariforum in particular ways. However, it should also be recognised that the UK and other EU countries with Caribbean territories have some common interests and a long history of security, economic and social policy collaboration in the region. The EU and UK’s future agendas for cooperation with the Caribbean are likely to be similar although unfortunately the UK voice in deliberations on trade and development policy within the EU would have been lost.

As far as the Cariforum states are concerned, in 2015 the UK imported 23% of their merchandise exports to the EU²⁴. For Caricom, 13.65% of the value of their 2015 goods exports to the EU were for the UK market²⁵. Certain countries have a high

²¹ P. Clegg, “[The United Kingdom Overseas Territories and the EU: Benefits and Prospects](#)”, UKOTA Report, June 2016a.

²² See L. Fox, UK International Trade Secretary on the British dilemma “It is very difficult to negotiate with the EU when you also have to negotiate with your own colleagues”, “[Theresa May says 95% of Brexit deal is done](#)”, Bbc News, 22 October 2018.

²³ “[Remarks by President Donald Tusk after European Council Meetings on 17 and 18 October 2018](#)”; www.consilium.europa.eu/en/press/

²⁴ M. Razaque and B. Vickers, “Post-Brexit UK-ACP Trading Arrangements: Some Reflections”, Trade Hot Topics Issue 137, London, Commonwealth Secretariat, 2016.

²⁵ E. Laurent, “Harnessing the Caribbean’s External Trade Partnerships: Opportunities and Challenges”, International Trade Working Paper 2016/26,

exposure to the British market for agricultural and agri-processed products and analysts debate if this might have eventual implications for the overall value of the Cariforum-EU EPA²⁶. Until a future trade agreement with the UK has been concluded, they could face Most-Favoured Nation tariff increases and concomitant loss of earnings. In November 2017 the UK committed itself to “roll-over” arrangements providing EPA market access conditions to the Cariforum during the Brexit transition period²⁷. Cariforum may hope for the negotiation of a new trade agreement with the UK during the transition period but this too is subject to the uncertainty surrounding Brexit. Given the present sticking points in the negotiations, the Caribbean region also has to consider the worst case scenario of a no-deal Brexit, with some degree of disruption in market access to the UK and a protracted period before a successor trade agreement is concluded. The future prospects for trade in services are unclear but the tourism sectors in countries like Barbados and Jamaica might experience negative effects if Brexit triggers a major recession in the UK.

The outlook is worse for the Ukots who have no relationship with the EU beyond their status as British overseas territories²⁸. Their current status of EU Overseas Countries and Territories (OCTs) falls under Part IV of the Treaty on the Functioning of the EU, Articles 198-203. Their participation in the OCT-EU Forum and in the OCT Association provides valuable

London, Commonwealth Secretariat, 2016.

²⁶ M. Razzaque and B. Vickers (2016); C. Stevens and J. Kennan, “Brexit: A Catalyst for EPA Exit?”, in M. Mendez-Parra, D.W. Te Velde, and L.A. Winters (eds.), *The Impact of the UK’s Post-Brexit Trade Policy on Development* UKTPO, London, ODI, 2016, pp. 36-38.

²⁷ “UK Commits to Unchanged Trade Rules with Cariforum post-Brexit”, *Jamaica Gleaner*, 19 November 2017; St. Kitts Nevis Information Services, “Cariforum Senior Officials meet in St. Kitts to discuss Brexit’s impact on trade”, 19 January 2018.

²⁸ The British Caribbean territories which include Bermuda in the North Atlantic currently have an estimated population of 213.4 thousand persons (World Bank, Foreign and Commonwealth Office 2017).

international visibility and access to international forums²⁹. The other principal UKOT interests in the EU are market access, freedom of movement and development cooperation. Bermuda, the British Virgin Islands (BVI), the Cayman Islands and the Turks and Caicos Islands (TCI) are major exporters of financial services to the EU³⁰. Mobility within the EU market is an important facility for OT service operators and for the population as a whole. Montserrat, Anguilla and TCI have benefited considerably from European Development Funding. Their bilateral funding under the 11th EDF 2014-2020 is €18.4 million, 14 million and 14.6 million respectively³¹. They have no other sources of development assistance except the UK. The other Caribbean Ukots are ineligible for bilateral development cooperation allocations by virtue of their GDP, but they participate through the EU regional funding in development cooperation programmes for environmental protection and climate change mitigation³² and have limited options beyond the UK for disaster assistance, as was demonstrated in 2017³³.

The governments and economic actors in the Ukots are grappling with the uncertainty surrounding the process, duration

²⁹ P. Clegg (2016a); J. Byron, “Relations with the European Union and the United Kingdom post-BREXIT: Perspectives from the Caribbean”, conference paper presented at IdA-EU-LAC 2017, “The Caribbean in the Strategic Partnership EU-Celac”, 1 June 2017, Palais de Luxembourg, Paris, 2017

³⁰ Bermuda services over 40% of the EU property catastrophe reinsurance market and its insurance assets account for 98% of its GDP (P. Clegg, “Brexit and the Overseas Territories: Repercussions for the Periphery”, *The Round Table*, vol. 105, no. 5, 2016b, pp. 543-555, cit. p. 546; Ernst and Young, *UK Crown Dependencies and Overseas Territories: The Impact of Brexit on Financial Services*, London, Ernst and Young, 2017. Financial services make up 41% of the Cayman Islands’ GDP and 13% for the TCI (Ernst and Young 2017).

³¹ P. Clegg (2016a), p. 8.

³² The 11th EDF 2014-2020 has €76.8 million for bilateral funding for eligible OTs, and €40 million for Caribbean OTs for environmental conservation programmes (P. Clegg (2016a), p. 8; D. Jessop, “Brexit and UK Overseas Territories – An Opportunity for New Thinking”, *Jamaica Gleaner*, 13 March 2016.

³³ J. Byron (2017).

and ultimate outcomes of Brexit, and major issues remain unresolved. One such issue is development financing for the Ukots with lower GDP per capita incomes that still depend on budgetary support from the UK and EU, like Montserrat. All territories wish to safeguard access to funding for climate change mitigation and for support in the attainment of the 2030 SDG Agenda. Anguilla faces a unique situation of vulnerability to Brexit because of its geographical proximity to the European territories of St. Martin and St Eustatius and its economic dependence on the free circulation of goods, services and people among the three islands.³⁴ Such circulation will become more costly and complicated after Brexit.

For other Ukots, EU market access for financial services may become more uncertain as Brexit advances. The Caribbean Ukots may be disadvantaged by Britain's absence from future decision-making processes in Brussels and the EU's toughening stance against low tax offshore financial jurisdictions. The Cayman Islands, Anguilla, and BVI, like several other Caribbean territories are presently on the EU grey list of territories given one year in which to bring their tax legislation in line with EU compliance demands³⁵. This promises to be a major issue area for Caribbean-EU consultations and possible conflicts.

The Ukots are actively exploring avenues for a continued relationship with the EU and with EU territories in the Caribbean. One route may be via their collective participation in EU development partnerships with the Cariforum. In

³⁴ Anguilla depends on French and Dutch St. Martin for access to medical and dental services, major air links, postal services and trans-shipment of a range of consumer goods. An estimated 95% of visitors to Anguilla transit through St. Martin's international airport and 90% of the fuel that is used for electricity generation and water desalination in Anguilla is trans-shipped from the nearby Dutch territory of Saint Eustatius (Government of Anguilla, "[Anguilla and Brexit: Britain's Forgotten EU Border Government of Anguilla](#)", London Office/West India Committee Summer 2017.

³⁵ D. Boffey, "[EU Blacklist names 17 tax havens and puts Cayman and Jersey on notice](#)", *The Guardian*, 5 December 2017; F. Guarascio, "[EU set to add Bahamas, USVI to Tax Haven Blacklist](#)", Reuters, 9 March 2018.

addition to strengthening their economic representation in Brussels, they are seeking a more active presence as Associate Members in Caribbean regional organisations³⁶. The repercussions of Brexit therefore go beyond disruption. They have also stimulated renewed interest in expanded regional integration in the Caribbean as the BVI joins the ACS and the French and Dutch European territories' applications for associate membership in Caricom receive attention³⁷. This development also dovetails with the Caribbean-EU Post-Cotonou Partnership.

The Cuba-EU Agreement and Developing Relationship: Implications for the EU-Caribbean Partnership

In December 2016, Cuba and the European Union signed the Political Dialogue and Cooperation Agreement (PDCA). On 1 November 2017 it began to be provisionally applied – its full implementation will start after ratification by all EU member states. Before this, Cuba was the only Latin American country with which Brussels had no cooperation agreement³⁸.

The agreement formalises an already well-established relationship. Cuba has diplomatic relations with all EU member states and their economic relations encompass trade and investment flows. The EU is among Cuba's top three trade partners and investors. Cuba's main export goods to the EU are agricultural products, beverages, tobacco and mineral fuels for which there is no preferential trade regime³⁹. Major European compa-

³⁶ The BVI, for example, has recently become an Associate member of the Association of Caribbean States.

³⁷ See Caricom Communiqué of 29th Intersessional Meeting of Heads of Government 27/02/2018 in Haiti in which they agreed to start negotiations on associate membership with the Dutch Caribbean and address the French Caribbean applications thereafter.

³⁸ European External Action Service (EEAS), “EU-Cuba relations, factsheet”, Brussels, 7 May 2018 (last accessed on 28 August 2018).

³⁹ Ibid.

nies are present in Cuban markets while others have manifested clear interest in investing in the near future. EU visitors lead the statistics on tourist arrivals in Cuba⁴⁰.

TAB. 1 - ARRIVALS TO CUBA. YEARS 2010-2016 (IN THOUSANDS)

Foreign visitors to Cuba coming from:	2010	2011	2012	2013	2014	2015	2016
Canada	945	1.002	1.072	1.105	1.175	1.300	1.206
Germany	93	95	109	116	139	175	242
United Kingdom	174	176	154	150	124	156	195
Italy	113	110	103	95	112	138	191
France	80	94	101	97	103	138	187
United States	63	74	98	92	91	161	283
Spain	105	101	81	73	77	107	153
Rest of the world	959	1.064	1.120	863	923	2.344	1.249
Total	2.532	2.716	2.838	2.591	2.744	3.232	3.706

Source: Adapted from José Luis Perelló Cabrera (2017),”

El turismo internacional en Cuba y sus implicaciones en el Caribe ante un escenario de relaciones diplomáticas con los Estados Unidos”, pp. 68-71

Even if the agreement is seen as the mere institutionalisation of existing trade, investment, cooperation and political dialogue, it allows the relationship to develop within a contractual framework based on international law and UN principles. It represents a watershed moment in Cuba-EU diplomatic relations, first established in 1988, since between 1996 and 2016 the relations were determined by the Common Position promoted by Spain’s conservative Aznar government⁴¹.

⁴⁰ M. Frank, “France’s Total, Germany’s Siemens hope to sign Cuban LNG deal soon- sources”, Reuters Market News, 30 April 2018.

⁴¹ E. Perera Gómez, “Nueva ruta para las relaciones de Cuba y la Unión Europea”, IPS, 6 July 2018.

Under the Common Position, normalised relations were contingent upon Cuba adopting the EU criteria on democracy and human rights. Havana refused to do so citing Cuba's sovereignty and respect for the principles enshrined in the United Nations Charter and the Universal Declaration of Human Rights. The Common Position failed to achieve its purpose since Havana did not succumb to EU pressure. At the same time, 19 EU member states entered into bilateral agreements with Cuba⁴². When Cuba and the United States announced their determination to re-launch bilateral relations in December 2014, the EU confirmed the need to change an outmoded stance.

The PDCA defines general principles and objectives for the relationship and provides a framework for political dialogue, bilateral cooperation and developing joint actions. Some areas of common interest are addressed like disarmament and the non-proliferation of weapons of mass destruction, migration, drugs, the fight against terrorism, governance, civil society, social, economic and sustainable development, renewable energies, trade facilitation and technical norms and standards, among others. The human rights dialogue is also part of the PDCA regardless of the differences in both parties' points of view. The EU has declared that its concerns about democracy and human rights will still influence its policy towards Cuba.

Following the PDCA provisional application, the first Cuba-EU Joint Council took place in Brussels in May 2018. Both parties discussed bilateral cooperation. In the margins of the meeting, a financing agreement for cooperation on renewable energy was signed, to which the European Commission will contribute €18 million to Cuba's energy sector with emphasis on renewable energies and energy efficiency goals⁴³.

⁴² A. Knobloch, "EU eyes a fresh start in Cuba relations", *Deutsche Welle*, 3 January 2018.

⁴³ Council of the EU and the European Council, "EU-Cuba Joint Council meeting", 5 May 2018.

Until the start of the PDCA's provisional application, EU-Cuba cooperation programmes were contracted and implemented by third parties. The EU's cooperation has been mostly directed at development projects. A total of €50 million was allocated for the period 2014-2020 to support actions in sustainable agriculture and food security, environment and climate change and economic and social modernisation. The selected sectors correspond to the national priorities identified in the Guidelines on the Economic and Social Policy approved by the Sixth Congress of the Cuban Communist Party in 2011. The EU is in the process of allocating a further €5 million for the 2018-2020 period⁴⁴. The figure might not be considered that significant as it is determined by the EU's limited budget and the fact that Cuba is a high human development country according to the UN index⁴⁵. Nonetheless, it constitutes an important source of funding for Cuba's development programmes and 2030 SDG Agenda.

Besides the cooperation programmes developed before the PDCA, the EU has assisted Cuba in cases of the negative impacts of natural disasters. The European Civil Protection and Humanitarian Aid (ECHO) has provided emergency assistance since 1993, providing almost €100 million for humanitarian aid in Cuba. In light of Cuba's high disaster risk exposure, support for more than €7 million was provided for disaster preparedness⁴⁶.

In terms of the implications of the PDCA for EU-Caribbean relations, the first aspect to note is that the agreement confirms the EU's commitment to the Caribbean in the post-Brexit scenario at a time when relations between Cuba and the United States have regressed. The EU is now in a privileged position with Havana in the context of Cuba's economic reform that

⁴⁴ EEAS (2018).

⁴⁵ S. Gratius, "Lecciones del Acuerdo Cuba-UE", *Opinión*, no. 393, Barcelona, CIDOB, March 2016.

⁴⁶ European External Action Service (EEAS), "EU-Cuba relations, factsheet", Brussels, 7 May 2018.

How the deal was made

29-30 April 2014: First Round of Negotiations between Cuba and the European Union towards a Political Dialogue and Cooperation Agreement (PDCA) was held in Havana. The debate focused on the organisation, modalities and roadmap for the talks. The general structure of the agreement was discussed.

27 August 2014: Second Round of Negotiations in Brussels. The debate focused on cooperation.

2 March 2015: Third Round of Negotiations in Havana. Progress was made on cooperation and political dialogue while differences were identified on the role of civil society.

15 June 2015: Fourth Round of Negotiations in Brussels. Most content related to trade was concluded, as well as major achievement were made on the area of cooperation.

9 September 2015: Fifth Round of Negotiations in Havana. Substantial progress was made on the areas of human rights, democracy and governance.

1 December 2015: Sixth Round of Negotiations in Brussels. Numerous elements of the chapters on Cooperation and Trade and Political Dialogue were agreed. The Preamble was discussed.

3 March 2016: Seventh Round of Negotiations in Havana. Progress was made in all the components of the agreement.

12 December 2016: Cuba and the European Union signed the PDCA in order to contribute to the consolidation of stable, respectful and long-term relationships.

5 July 2017: The PDCA was approved by the European Parliament.

1 November 2017: The PDCA entered into force provisionally.

Adapted from Cubaahora (last accessed on 28 August 2018).

welcomes foreign investments and partnerships. The EU has traditionally supported Cuba's position against the US economic blockade and does not accept unilateral coercive measures that might restrict economic relations with the island, similar to the position held by Caribbean states. In the past, the EU-Cuba relationship has been vulnerable to US policy towards Cuba. For instance, although analysts refer to an EU-US understanding dating back to 1997, concerning the non-application of the Helms-Burton Act to EU companies⁴⁷, several European companies have suffered the consequences of the US embargo⁴⁸. The latter discourages EU companies from engaging in economic transactions with Cuba.

Article 59 of the PDCA deals with regional integration and cooperation, stating that "Cooperation shall support activities linked to the development of regional cooperation between Cuba and its Caribbean neighbours, in the context of Cariforum, in particular in the priority areas identified in the Joint Caribbean-EU Partnership Strategy. Activities could also contribute to the strengthening of the process of regional integration in the Caribbean" (PDCA 2018). The article recognises that all existing cooperation instruments to promote activities aimed at developing active cooperation between the EU and Cuba as well as between Cuba and other countries in Latin America and the Caribbean should be considered, and calls for special attention to programmes concerning research, innovation and education.

The PDCA opens the door to joint cooperation actions between Cuba and the European Caribbean (French and Dutch territories), particularly in areas of common regional interest

⁴⁷ P. Arana, "La extraterritorialidad del embargo de EEUU a Cuba 'irrita' a Europa", *El Nuevo Herald*, 2015.

⁴⁸ In 2014, the French BNP Paribas agreed to pay US\$8.9 million to avoid criminal trials in the United States for having violated US sanctions against Sudan, Iran and Cuba. In 2012, the Dutch bank ING and the Italian Intesa Sanpaolo in 2013 were fined for doing business with Cuba. In recent years, 38 foreign companies and banks have been fined in the United States for carrying out operations with Cuba, for a total that exceeds US\$11,000 million (Ibid.).

like environmental sustainability, disaster risk management and prevention, climate change, sustainable tourism, energy – including renewable energy –, transport, illicit trade and drug trafficking, culture and heritage, and the promotion of the 2030 Sustainable Development Agenda. Cooperation in most of these areas has developed within the Association of Caribbean States (ACS) and in the context of Cuba's relationship with Caricom, so there is existing knowledge and expertise on how to work together.

The Caribbean in Celac and the EU - Celac Relationship

The Community of Latin American and Caribbean States (Celac) was established in 2011 when all 33 independent territories of Latin America and the Caribbean became members. Celac acts as an intergovernmental mechanism for dialogue and political consensus and a forum to promote common regional actions and facilitate a greater presence of the region in the global arena.

The role of the Caribbean in Celac has been recognised first by including Caribbean concerns in the issues debated in Celac Summits – for example the specific development challenges of Small Island Developing States (SIDS), the claims for reparations for slavery and the genocide of native peoples, and the negative impacts of climate change. Likewise, Celac took a decision at the Second Summit in Havana in 2014 to transform the Troika into an enlarged Troika or Quartet. The Quartet enables the permanent presence of a Caricom member state in the leadership mechanism of the regional organisation.

Among the benefits for the Caribbean of joining Celac can be highlighted the fact that now they can tackle shared development challenges – especially with the Latin American countries with Caribbean coastlines – as a larger group of nations. Also, given the EU's preference for a regional approach, demonstrated in the institutionalisation of the EU - LAC Strategic

Partnership, Celac could be a useful vehicle to engage with the EU in a post-Cotonou period.

The EU - LAC Strategic Partnership was launched in 1999 at the first Summit in Rio de Janeiro⁴⁹. It is a bi-regional agreement that provides the framework for political dialogue and cooperation aimed at deepening bilateral relations. The objective of the Strategic Partnership is to develop a model through which knowledge transfer, education and sustainable development could nurture cohesion while reducing poverty, promoting social inclusion and creating opportunities for everyone⁵⁰.

For the Caribbean to fully engage in Celac there are various challenges. These include factors like the many mechanisms that already exist to promote regional integration including Cariforum, Caricom, OECS, ACS, ALBA, Unasur, the wide scope of Celac's agenda and its heavy meeting schedule in a context where Celac has not consolidated its institutional structures or medium-term leadership⁵¹. In addition, in Latin America there are differing levels of interest in the Caribbean region – higher in Central America, Colombia, Venezuela and Brazil while possibly lower in the southern cone. Therefore, the extension and intensity of Latin American-Caribbean relations is uneven. It depends on the national actors and sub-regions,

⁴⁹ According to Montoute et al. (A. Montoute, A. Knight, J. Laguardia Martinez, D. Mohammed, and D. Seerattan, *The Caribbean in the European Union-Community of Latin American and Caribbean States Partnership*, Hamburg, EU-LAC Foundation, 2017), the EU-LAC relationship can be divided into three different moments in terms of analysing its way forward a more institutionalised scheme. After the summits of Rio de Janeiro (1999), Madrid (2002) and Guadalajara (2004), the relationship advanced to make bi-regional cooperation efforts easier to address and coordinate. A second moment can be traced to the summits of Vienna (2006) and Lima (2008) in which energy, security, poverty and inequality were main topics on the discussion. The third moment encompass the summits in Madrid (2010), Santiago (2013) and Brussels (2015) that combined bi-regionalism and bilateralism.

⁵⁰ European Union - Latin America and the Caribbean Foundation (EU-LAC Foundation), “EU-LAC Strategic Partnership”, 2018.

⁵¹ A. Montoute et al. (2017).

and it has an impact on how the Caribbean effectively engages in Celac activities.

The way the Caribbean participates in Celac necessarily reflects on the EU-LAC Strategic Partnership. If Latin America openly dominates the agenda and performance of Celac, it will do so in the interaction with the EU through the Strategic Partnership. On the other hand, Latin America could appear more attractive to the EU as an economic partner, especially after Brexit, since a significant part of the Caribbean links to the EU take place via the UK.

However, there are key areas where the Caribbean could match and even surpass Latin America concerning the Strategic Partnership with the EU. Two examples are security and the environment, particularly climate change impacts. The Caribbean Sea, a natural bridge between the Atlantic and the Pacific Oceans and frontier of the Americas in the tropical belt of the planet, makes the Caribbean a particularly vulnerable region to security issues like illegal trade and trafficking in arms, drugs and persons. Moreover, the negative effects of climate change in the Caribbean have become a clear example of the urgent need to tackle climate change through multilateral efforts, a key issue in the EU's global discourse.

Finally, there are three key factors that favour the Caribbean as political actor in Celac and in the Strategic Partnership with EU. First, as discussed elsewhere in this chapter, there are several European jurisdictions in the Caribbean. Second, 16 of the 33 Member States that comprise Celac, are Cariforum members. The Caribbean accounts for almost half of Celac. Third, Caribbean countries are recognised as SIDS, which puts them in a favourable position to reach out to other small countries and gives them a legitimate voice when raising concerns about sustainable development and development vulnerabilities in multilateral fora. This could strengthen Celac's capacity to build alliances in the multilateral arena.

To make better use of their membership in Celac – and consequently to have more visibility as part of the EU-LAC

Strategic Partnership – Caribbean countries should engage more actively in Celac activities and add greater value to their membership, while also emphasising the areas in which they could create a greater impact when interacting with the EU. As a group, Caribbean territories – possibly through Cariforum – might pool resources to increase their participation and exert some leadership in Celac. In the case of the non-Spanish-speaking Caribbean, there is the imperative to address linguistic and cultural barriers to effectively reach Latin American neighbours.

One major challenge facing Caribbean participation in Celac and in the EU-Celac relationship has to do with the political dynamics of Celac itself. During the last few years, there has been a sharp right-wing turn in the political scenario in Latin America⁵². The economic recession and rising social discontent after 2008 have led conservative and authoritarian governments to control Latin America's leading economies in a scenario where economic difficulties deepen and violent persecution of social activists, journalists and opposition increases. Celac was born in a different political context with the support of openly anti-FTAA leaders such as Chavez, Correa, Lula and the Kirchners, then capable of promoting consensus. The changing regional political scenario and the absence of regional leadership, together with the Venezuelan crisis, have provoked fractures within Celac. Member states are unable to reach consensus on critical issues and no longer seem to value regional cooperation and integration efforts as highly as before. Notwithstanding this gloomy scenario, there are glimmers of cooperation. It is interesting to note that, despite having

⁵² In political terms, the relationship between Latin America and Europe tends to be anti-cyclical. When in Latin America there are governments of the Left, as happened in the 2003-2014 cycle, in Europe there tends to be leadership from consolidated conservative and centre-right parties. And, vice versa, when in Europe Left leaning governments dominate the political spectrum, as in the nineties, most Latin American countries have conservative Presidents (A. Ayuso and S. Gratius, "América Latina y Europa: ¿repitiendo o reinventando un ciclo?", *Pensamiento Proprio*, no. 44, Buenos Aires, CRIES, December 2016, p. 250).

differing foreign policies concerning China, many Caribbean countries have engaged with China in the context of the Celac-China Fora, most recently in January 2018 in Chile with the attendance of ministries of foreign affairs. Discussions focused on economic and cooperation initiatives and China presented the Belt and Road Initiative to Celac. All participants ratified their support for free trade and multilateralism⁵³.

On the other hand, a clear sign of Celac's impasse was the cancellation of the EU-Celac Summit in El Salvador, scheduled for October 2017⁵⁴ and the organisation instead of the Second EU-Celac Ministerial meeting in July 2018 in Brussels. The Ministers adopted the declaration "Building Bridges and Strengthening our Partnership to Face Global Challenges" which focuses on consolidating multilateralism, strengthening cooperation and addressing common challenges in the implementation of the 2030 Agenda. The meeting was co-chaired by the EU High Representative for Foreign Affairs and Security Policy Federica Mogherini and by the acting Minister of Foreign Affairs of El Salvador and pro tempore President of Celac Carlos Castañeda⁵⁵.

The good news for Celac from the European side is that the EU remains committed to the strengthening of multilateralism within the global governance system, as stated in its Global Strategy on Foreign and Security Policy adopted in June 2016⁵⁶. Celac may find in the EU a supportive partner for its own rebuilding and re-launching as a significant regional actor. Bolivia is expected to assume the pro tempore Presidency of Celac after El Salvador, and has announced its willingness to host the next

⁵³ X. Bo, "2nd ministerial meeting of China-Celac Forum opens up new cooperation areas", *Xinhua*, 23 January 2018.

⁵⁴ The meeting was scheduled for 26-27 October 2017 but in August 2017, Argentina, Brazil, Colombia, Mexico and Peru, among other countries, asked to postpone the summit.

⁵⁵ Council of the EU and the European Council, "EU - Celac Ministerial meeting", 17 July 2018.

⁵⁶ A. Ayuso and S. Gratius (2016), p. 256.

EU-Celac Summit in 2019⁵⁷. The previous EU-Celac summit was held in Brussels in 2015.

Conclusions

Having examined recent developments in EU – Caribbean relations, it can be concluded that the nature of the relationship has changed and will continue this transformation driven by the outcomes of upcoming events. The Caribbean has engaged in a more dynamic and restructured relation with the EU that responds to a greater convergence within the LAC region on the one hand, and to a polarised and unpredictable political climate and economic constraints on the other.

Regarding the EU-LAC relations, it is worth noting that the European territories in the Caribbean will be key actors to be considered in upcoming events and the evolution of EU – Caribbean relations. Likewise, the deepening of LAC intraregional relations and the capacity to build EU-LAC consensual approaches in key areas of security, economic, social and environmental policies, and in the promotion of the 2030 Sustainable Development Agenda will be crucial to the Caribbean dimension of this relationship.

Global dynamics should not be disregarded in the evolution of EU – Caribbean relations. Special attention should be paid to the increasing presence of China in the LAC region, and the potential emergence of other EU member states beyond the United Kingdom in their relations with Caricom.

⁵⁷ Sputnik, “Bolivia gana respaldo de España para acoger cumbre UE-Celac en 2019”, 29 August 2018.

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