Political and economic relations between the European Union and Latin America

Gian Marco Moisé – Ellen Maene

Abstract: History of Latin American and European relations started long time ago, in 1492 with Christopher Columbus. Today there are a lot of international organisations on both continents, whose role was at a time when they were created to integrate and reinforce the ties between the countries part of the organisation, and to create a unique front of dialogue towards the countries that are not part of the organisation itself. Having that in mind, the question that we will deal with in this paper is: Do the regional organisations have a relevant role in nowadays international relations? European Union, supranational organisation with the most advanced level of integration between its 28 member countries, is protagonist of international relations. Picture is slightly different when it comes to Latin America – there are many organisations, though only four of them really counts – none of them have a level of integration as the EU and they are functioning properly only when the states composing them allow it. Today, relations between Europe and Latin America are highly developed, there are even biannual summits plus numerous agreements and pacts were created over the past years. Yet, on the other side, these parties are still facing some difficulties: EU immigration policy, its resistance to reform the Common Agricultural Policy which will open its market to Latin American products, Latin American strict economies, its dependence on EU and the major issue is a lack of ambitious long term agenda. Having that in mind, conclusion is that regional organisations have relevant role nowadays in international relations.

Keywords: political analysis, integration, economy of Latin America, EU

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Political analysis of Latin America and Europe

When we cite the Trans-Atlantic Relationship, we think of the US-Europe relations, often involving Canada, rarely Mexico. Anyway, the term could be technically referred also to the Europe-Latin America relations.

The first European-American relation was established by Christopher Columbus with his voyage of 1492. Since then, America has been conquered and colonised by Europeans. Especially South America was settled by the Spanish and Portuguese empires. Nonetheless, after the American and the French revolutions, at the end of the 18th century there were various uprisings in South America that led to the Latin American wars of independence. Anyway, close ties, especially economic, have been maintained between the motherland and the former colonies. After the end of the Second World War, the world has understood the importance of connection and the high interdependence between all the countries. This led to the creation of many international organisations after the United Nations. The European Union, unique for its features, is among these organisations. Nonetheless, many other regional organisations spread all over the world, even in South America. These organisations have a double purpose: to integrate and reinforce the ties between the countries part of the organisation, and to create a unique front of dialogue towards the countries that are not part of the organisation itself.

Therefore, the research question we will answer to, will be: do the regional organisations have a relevant role in nowadays international relations?

This chapter will be structured in this way: description of the European Union; description of the South American international organisations; description of the current relations between Europe and Latin America; analysis of the main differences between them; conclusion and answer to the research question.

The most advanced level of integration: the European Union

Europe was probably the greatest theatre of the Second World War. After its end, the economies and the political systems of the continent had to start from scratch. This was seen as a new opportunity to create a new climate of cooperation between the European countries. The first statement in this sense was the Ventotene Manifesto, written by Altiero Spinelli and

Ernesto Rossi while they were prisoners on the Italian island of Ventotene, during WWII. The Manifesto was completed in 1941, and circulated as the programme of the European Federalist Movement. Nonetheless, the idea of a federal Europe was far too advanced for that time.

The first alliances started in 1948 between the Benelux countries. Afterwards, the idea of linking the economies of two historical enemies like France and Germany, in order to prevent future wars, was used as the basis for a broader cooperation. Indeed, in 1952, the foundation of the European Coal and Steel Community became the opportunity to share the resources of the long disputed regions of Ruhr and Saar. Anyway, not only Germany and France, but also Belgium, Netherlands, Luxemburg and Italy became part of the community. Five years after, the bond between these countries was strengthen. Indeed, with the Treaty of Rome were created the European Atomic Energy Community and the European Economic Communities.

Since then, the future European Union has increased its functions and capabilities, and today is a protagonist of the international relations. With the Lisbon Treaty of 2009, all the previous European communities were absorbed in its framework.

Nowadays, the European Union counts twenty-eight members: Italy, Belgium, Netherlands, France, Germany, Luxemburg, United Kingdom, Ireland, Portugal, Spain, Greece, Malta, Cyprus, Poland, Czech Republic, Slovakia, Croatia, Slovenia, Hungary, Denmark, Sweden, Finland, Romania, Bulgaria, Latvia, Lithuania, Estonia and Austria.

The European Union cannot be considered a federal organisation, but a supranational organisation with the most advanced level of integration between its countries. In fact, the integration involves both the political and the economic issues of the country members. The main institutions of the European Union are: the European Parliament, the Commission, the European Council, the Councils, the Court of Justice of the European Union and the European Central Bank.

The European Parliament was elected for the first time in 1979. It has 751 members. Each state has a number of seats proportioned to the size of its population. Anyway, the members of Parliament do not form groups on the basis of the nationality, but on the basis of the political orientation. In fact, they represent the interests of the European population as a whole, not the peculiar interests of the states. The European Parliament, along with the

Commission, possesses the legislative power, with the possibility to promulgate binding laws for the member states.

The Council shares the legislative power with the Parliament. Today, it is composed by twenty-eight members, namely the ministers of the member states. There is a different Council for every different administrative sector. Hence, the Council represents the interests of the member states, balancing the action of the Parliament itself.

The Commission is conceived as the government of the European Union. Indeed, it possesses the executive functions and the legislative initiative. The representatives are elected by the European Parliament in accordance with the European Council. The representatives of the Commission represent only the interest of the European Union.

The European Council is composed by the president of the Commission and the head of the states or prime ministers of the member states. This institution has the duty to give a political orientation to the action of the European Union.

The Court of Justice of the European Union has the judiciary power. Its main duty is to apply the treaties founding the EU, and to solve the cases referred by the member states, the institutions, or the courts of the member states.

Finally, the EU has a Central Bank for the members part of the Eurozone. These states share a unique currency, the euro, and the European Central Bank has the duty to maintain a low level of inflation with the objective of the economic growth.

Thus, the EU has the legislative, the executive and the judiciary powers, as a proper state. These powers are exerted in the fields in which, progressively, the member states have delegated their functions.

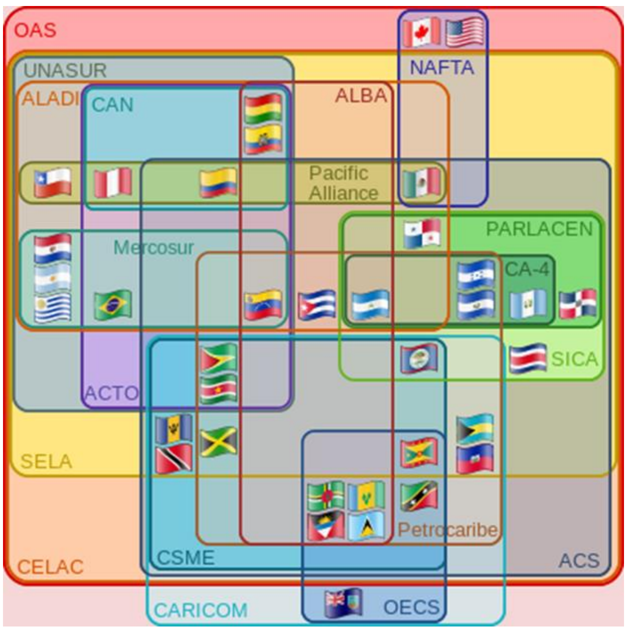
The EU has a democratic dimension represented by the European Parliament, a state dimension represented by the Council, and a bureaucratic dimension represented by the Commission. The level of integration of the economies of the member states is the most advanced in the world.

From many points of view, the EU could be considered a federal state, but it is not, or at least, not yet. Often there are too many uncertainties, and the cooperation between the states is not always effective. For instance, the Common Foreign and Security Policy should represent the standpoint of all the members of the EU towards the external states. Nonetheless, the states of the EU continue to act in foreign policy by their own. Another example is represented by the overwhelming role of the head of some key states over the European institutions. Surely, the EU is the most advanced supranational institution of the world, but it is still a work in progress.

International organisations: the picture of South America

Among the leaders of the battles for freedom there was Simón Bolívar, a Venezuelan statesman and military leader that was determinant for the independence of Venezuela, Colombia (Panama was part of its territory at that time), Ecuador, Peru and Bolivia from the Spanish empire. He became also known for his pan-Americanism, namely the will to create an alliance between all the people of South America. Indeed, he was responsible for the creation of Gran Colombia, a state including the territories of Colombia, Panama, Venezuela, Ecuador and part of Peru, of which he became president in 1821. He was so important that a country, Bolivia, was named after him. Still today, he is celebrated for his acts, and regarded as an example to aim to. Today, the countries of South America are often recurring to the name and feats of Simón Bolívar to justify the creation of new international organisations.

Indeed, the ensemble of the South American organisations is a complex panorama. Anyway, I will analyse every organisation, in order to give a clear idea of this reality. Below there is an Euler diagram showing the relations between the countries.



The Rio Group is an international organisation composed of various Latin American and Caribbean states. It was formed in the late 1986 with the Declaration of Rio de Janeiro, signed by the members of the Contadora Group. It was born as an alternative to the Organisation of the American States (OAS) with the objective to avoid the influence of the United States. The Rio Group has no permanent institutions, but it works on the basis of yearly summits of the heads of the country members. Today, the members of the Rio Group are: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Uruguay and Venezuela.

Conversely, the Contadora Group was an initiative of the foreign ministers of Panama, Colombia, Venezuela and Mexico to deal with the conflicts in Guatemala, El Salvador and Nicaragua. The group was later supported by the UN and other Latin countries, namely Argentina, Brazil, Peru and Uruguay.

Anyway, the Rio Group has not been sufficient for the objectives of the member states. In fact, during a summit of the group, in Playa del Carmen, Mexico, in 2010, it was established the creation of a new organisation.

The Community of Latin American and Caribbean States (CELAC) was officially constituted with the Declaration of Caracas, in 2011. The group of countries part of the CELAC are not only the members of the Rio Group, but also: Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Trinidad and Tobago. This organisation is involving countries speaking five different languages, a complex panorama, but still far from the twenty-four languages of the European Union.

The reason for the creation of the group is in the words of the founders. Evo Morales, the Bolivian President declared in an interview:

> *"A union of Latin American countries is the weapon against imperialism. It is necessary to create a regional body that excludes the United States and Canada. Where there are US military bases that do not respect democracy, where there is a political empire with his blackmailers, with its constraints, there is no development for that country, and especially there is no social peace and, therefore, it is the best time for prime ministers of Latin America and the Caribbean to gestate this great new organisation without the United States to free our peoples in Latin America and the Caribbean" (Morales, 2012).*

A similar statement was expressed by Hugo Chávez, President of Venezuela:

> *"Now here, in Mexico, a document, a commitment, the creation of a body of Latin America and the Caribbean, without the USA, without Canada [...] Now we can say from Latin America, from Mexico [...] we have revived the dream and project of Bolívar"(Chávez, 2010).*

The CELAC is today the biggest organisation of American states after the Organisation of the American States itself. The OAS was born in 1948, a period of alliances spread all over the world. It has all the members of the CELAC, but includes also Canada and the United States. Nonetheless, as shown above, the US has been always perceived as an exploiter of the resources of these countries, more than an equal partner aiming for a common cooperation. In fact, in the creation of this regional organisation there are traces both of: the pan-Americanism of Simón Bolívar, and the will of the US to avoid the diffusion of communist movements in the American continent. Indeed, Cuba was excluded from the decisions taken within the organisation from 1962. Conversely, Honduras left the organisation in 2009, hours earlier its suspension due to a constitutional crisis.

Another difference between the OAS and the CELAC, is the fact that the first has permanent institutions that makes it more stable than the latter. In the first article of the OAS chart is written *"to achieve an order of peace and justice, to promote their solidarity, to strengthen their collaboration, and to defend their sovereignty, their territorial integrity, and their independence".* This objective is supported by the existence of a General Secretariat, a Permanent Council, the Inter-American Council for Integral Development, and various committees.

The Union of South American Nations (UNASUR from the Spanish) was officially constituted with the UNASUR Constitutive Treaty of 2008, but already conceived in 2004 with the Cusco Declaration. It is an intergovernmental fusion of two different customs union, the MERCOSUR and the Andean Community. The current members are: Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Guyana, Peru, Paraguay, Suriname, Uruguay and Venezuela. The UNASUR is composed by: a Permanent Secretariat, annual meetings of the heads of the member states, meetings every six months of the foreign ministers of the member states, Sectorial Ministers' meetings, and a Presidency Pro Tempore rotated between all the members. Some of the member states expressed the idea to create a defence policy. Anyway, Colombia was never convinced by the idea, and rejected the plan. Another strong initiative of the UNASUR is the attempt to create a common market between the country members before 2019. The free movement of people has been partially guaranteed between the citizens of these countries. Indeed, for trips of less than ninety days it is not required any visa.

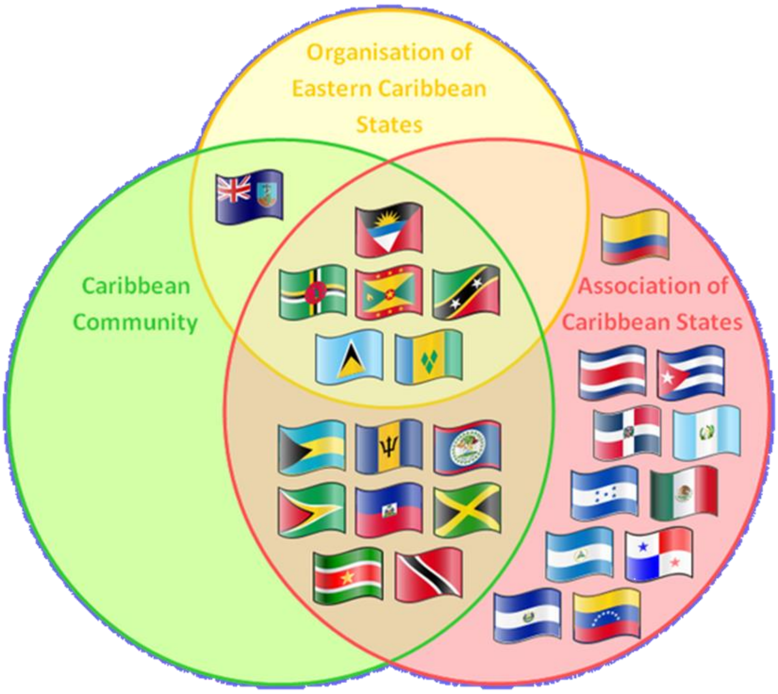
Moving to Central America, an organisation comparable to the UNASUR is the SICA. The Central American Integration System (SICA) is an organisation created with the purpose of the regional political and economic cooperation. It was created in 1991 with the Protocol of Tegucigalpa. The members are: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Belize and the Dominican Republic. Four of these countries, Guatemala, El Salvador, Honduras and Nicaragua, have experienced an even closer political and migratory integration. Indeed, the Central America Four, or CA-4, is a group that abolished internal borders and adopted a unique passport.

The SICA has some important institutions: the Central American Parliament, the Central American Court of Justice and the Central American Bank for Economic Integration.

The Central American Parliament, or PARLACEN, is an institution involving all the representatives of the SICA countries except Costa Rica, which decided not to sign the agreement. PARLACEN is an advanced institution with the power to propose bills in the sector of integration and cooperation. The Central American Court of Justice (CCJ) has jurisdiction over cases involving member states (or external states accepting its jurisdiction) and residents of the member states. This makes the CCJ another example of advanced institution in the field of the international cooperation. Finally, the Central American Bank operates to facilitate the economic integration.

There are also organisations that are real crossroads between Latin and Caribbean countries. For instance, ALBA, formally the Bolivarian Alliance for the Peoples of Our America, is an inter-governmental organisation based on the idea of integration of Simón Bolívar. It was proposed by the Venezuelan President Hugo Chavez as an alternative to the US idea of a Free Trade Area of the Americas. It is composed of eleven members: Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Grenada, Nicaragua, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Venezuela. Conversely, the Amazon Cooperation Treaty Agreement (ACTO) is an organisation aiming at a sustainable development in an area of serious environmental concerns like the Amazon Basin and Rainforest. The members are: Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela.

The Caribbean states are divided between three different intergovernmental organisations: the Caribbean Community, the Association of Caribbean States and the Organisation of Eastern Caribbean States. It is to be noted that a group of countries is "more integrated" than others, because it is part of all these organisations.



The Caribbean Community, or CARICOM, as all the other organisations analysed until now, has the purpose to integrate economically and politically the country members. It was established in 1973. The current members are: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago. As the SICA, the CARICOM has its own court, the Caribbean Court of Justice. Moreover, it aims to create a single market economy between its members.

The main thing, in which CARICOM differs from the other organisations, is a special tie with the European Union. In fact, since 2013, CARICOM and the Dominican Republic are, with the European Commission, part of a special Economic Partnership Agreement, known as CARIFORUM. Conversely, the European Court of Justice deals with the conflict resolution.

The Organisation of Eastern Caribbean States (OECS), was created in 1981 with the same purpose of the other organisations. The members are: Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, British Virgin Islands, Anguilla, and Martinique.

Finally, the Association of Caribbean States (ACS) was founded in 1994. Its members are twenty-five countries of the Caribbean Basin: Antigua and Barbuda, Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago and Venezuela.

From the standpoint of the economic integration, several organisations have been created. The MERCOSUR, Mercado Comun del Súr, is a regional custom union, created in 1991 with the Treaty of Asúncion. The members take part in the organisation is five: Brazil, Argentina, Paraguay, Uruguay and Venezuela. The aim of this organisation is the creation of a common market between the members. After the creation of the UNASUR, the objective has been pursued within its framework and with the cooperation of the Andean Community. There is the will to create: the free transition of goods and services, a common external tariff, a common tax system and a common currency. The model is the European Union's common market and Eurozone.

The CAN, namely the Andean Community, but called the Andean Pact until 1996, is another custom union. As seen above, today is operating along with the MERCOSUR in the framework of the UNASUR to achieve the objective of the common market. The current members are four: Colombia, Bolivia, Ecuador and Peru.

The Latin American Integration Association (ALADI), is another international organisation with the objective of facilitating the creation of a common market between the South American countries. It was born in 1980 with the Treaty of Montevideo. The current members are: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.

The Latin American Economic System (SELA), was born in 1975. The seventeen per cent of its budget is funded by Venezuela and the objective is the coordination of the economies of the country members in a larger economic framework. In fact, the SELA has operated in the General Agreement on Tariffs and Trade (GATT) in the past, and nowadays in the World Trade Organisation (WTO). Today the country members are: Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

The Pacific Alliance is a trade bloc with the objective of reducing the economic barriers. It was formed in 2011 between Mexico, Peru, Chile and Colombia.

Petrocaribe is an oil alliance initiated by Hugo Chavez, with special ties with ALBA and including large part of the members of CARICOM. The objective of the organisation is facilitating the purchase of oil between the state members on the basis of preferential payments. The states part of the alliance are Venezuela and the countries of CARICOM except Barbados, Montserrat and Trinidad and Tobago.

Finally, the North American Free Trade Agreement (NAFTA) is another custom union created between the US, Canada and Mexico. It is less progressive from the standpoint of the objectives than MERCOSUR and CAN. In fact, the only purpose of the NAFTA is the elimination of the barriers between the country members. Anyway, the existence of the NAFTA, and its prerogatives, explains why Mexico is for now just an observer in the UNASUR framework.

The current relations

Today, the relations between Europe and Latin America are highly developed. Between the two blocs there were biannual summits that took place with the participation of all the countries involved: Rio de Janeiro in 1999, Madrid in 2002, Guadalajara in 2004, Vienna in 2006, Lima in 2008, and Madrid in 2010. In addition to this schedule there were meetings between the EU and the Rio Group. In 2009 the EU-Rio Group Ministerial Meeting took place in Prague. The EU dealt with the Central American Integration System, the Andean Community, MERCOSUR and the Caribbean, and of course with single countries of this bloc.

The Central American countries have maintained good relationships with the EU. Since the implementation of the San José Dialogue of 1984, they implemented various political agreements and development cooperation. In 2004 there was the negotiation of an Association Agreement using as a base the EU-Central America Political Dialogue and Cooperation

Agreement of 2003. The EU is the major investor in the area immediately after the United States.

The Andean Community was founded in 1969 as a reformation of the Andean Pact. The approach with the EU began in 1996 with the Declaration of Rome, followed by the Political Dialogue and Cooperation Agreement of 2003. Negotiations for a complete Association Agreement failed in 2008, but new negotiations started.

In 1995, MERCOSUR signed with the EU an Interregional Framework Cooperation Agreement.

Chile was a member of the Andean Community, but abandoned it under the dictatorship of General Pinochet. Anyway there are advanced agreements between EU and Chile: in 1990 and 1996 there were Framework Cooperation Agreements and a complete Association Agreement took place in 2002.

The Caribbean Community with CARICOM and the CARIFORUM were established on the model and with the help of the EU. Thus, there is a strong level of cooperation between these institutions (Roy, 2012).

Finally,

> *Regional Summits take place every two years since January 2013, date of the first summit between the EU and the Community of Latin America and Caribbean states (CELAC), established in 2010 as a new region-wide political organisation and therefore new counterpart for the EU. (European Union External Action website, 2015)*

Hence, the European Union, as sole representative of Europe, has developed, or tried to develop a relation with all the political actors in the Latin American panorama, regardless their relevance or the date of their creation.

The difference between Europe and Latin America

Since the creation of the European Union, Europe has turned into something more than a continent. It has become the political dimension of a geographical area, and an objective to aim to for the other countries of the world. Nevertheless, it is true that the EU is more effective between its members than towards the external countries. A real European foreign policy is what lacks in the development of the ultimate regional international organisation.

According to Joaquín Roy, Latin America does not integrate because it lacks of a foundational justification as the European wars. These countries do not have a political commitment. Moreover, there is no juridical respect for international norms and codes. The Community of South American Nations re-baptised as South American Union (UNASUR) has not advanced as expected. The Bolivian Alternative of the Americas (ALBA) later renamed Bolivarian Alliance of the Peoples of Our America, did not make any step further. Moreover there is confusion in the use of the terms: community, alliance, union, common market and system (Roy, 2012).

Maybe the number of the Latin American international organisations is not relevant to understand why the area does not reach the integration. Indeed, also in Europe there were considerable numbers of communities before the unification under the name of European Union imposed by the Treaty of Lisbon. Nonetheless, all of these Latin American projects have been left incomplete. Always a new one is created, but apart from spectacular announcements, there is no real progress. Even if, in the future, the CELAC, or another organisation could be able to develop as the EU did, imposing a new dimension of discussion in the international relations.

Economic analysis of Latin America and the European Union

In order to build a veritable alliance with Latin America, the European Union has taken several steps over the last decade to join forces in a strategic partnership. A bi-regional strategic alliance was set up between both parties, aiming a creation of solid links on a political, cultural and economic level. The Union, which now has 28 member states (European Union, 2013), can be seen as the largest foreign investor in Latin America, as it is the primary trading partner for many Latin American countries. These two world players have found each other in several agreements and cooperation activities; hence numerous pacts were established between the European Union and MERCOSUR, the Andean Community and Central America. Moreover, an economic partnership with the Caribbean was created. The continuation of the trade between the two regions has to be maintained for the beneficence of this strategic partnership. However, the perception exists the European Union would be too dominant in this story and pays too much attention to its own expansion and its immediate neighbouring countries. Nevertheless, the European Commission underlines that the Latin American alliance is key for both players, for present and future. Considering the small size of some Latin American countries, a joined regional market where goods and services can move freely is beneficial for both players (European Commission, 2006). It is safe to say the strategic partnership between the European Union and Latin America is from great value, for 58 sovereign states, over one billion people and over a quarter of this world's GDP are involved in this alliance (Krakowski, 2008). In the official protocol of 2009 between the European Economic and Social Committee (EESC) and the Euro-Latin American parliamentary Assembly (EuroLat Assembly), both parties recognise the importance of the participation of civil society organisations and above all of economic and social organisations, in order to create an effective dialogue between the two continents.

We shall investigate the economic relations between these two word players; moreover we pose and answer following questions: what are the main problems and challenges and what is the level of interdependence between these parties? What are the accomplishments so far?

Colonisation

The process of economic expansion and hegemony of Latin American countries increased on a fast level under European colonisation, when adopting European urban patterns and urbanisation models. During the first two centuries of Latin American colonial dependence, metal production became the major area of commerce in Latin America, mainly providing raw materials to the European Union market. Although the region de-colonised, interdependency continued, rather through economic structures of global markets than political structures. Still, the interest in raw materials is the essential in the international relations between the two parties. On a national level, this culture of interdependence can also be seen, for countries become largely dependent on the economic activities of their cities. The dominance of external markets has shaped the economic growth of Latin America (Izábal, 2012).

The Latin American regional groups

According to Krakowski (2008) Latin America can be divided in four regional groups in which integration processes have taken place: trade agreements CACM, CAN, MERCOSUR and CARICOM. In other words, they represent the three main regional integration grouping in the broader alliance Latin America. Two countries are not fully members of one of these sub-regions; Chile and Mexico. These pacts with these organisations are negotiated on a "region-to-region" level to further develop the regional integration process, for this is key to foster stability, progress and economic development in the region for the benefit of its citizens (Krakowski, 2008).

As formerly mentioned, CACM (Central American Integration System) or SICA is an economic and political organisation of Central American states. Members states are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Belize and the Dominican Republic. The Central American countries and the European Union have an ongoing dialogue for at least 25 years, establishing an advantageous trade environment for both regions (Roy, 2012). CAN or Andean Community is the name of the trade bloc of Bolivia, Ecuador, Colombia and Peru. In 2009 the European Union started negotiations with Peru, Colombia and Ecuador. In the case of the first two countries, results were successfully one year later. Ecuador was opting for delay, angering Bolivia. The country condemns Venezuela's decision to leave the Andean Community and join Mercosur. In other words, an internal crisis occurred (Roy, 2012). In order to create a comprehensive Association Agreement between both regions, negotiations started officially in Bolivia in 2007. One of the main goals is to increase and facilitate bi-regional trade and investments. Several agreements have been created, including a common starting-point for tariff reduction, however, this starting-point was achieved for only 79.8% of imports to the CAN from Europe. This reveals the diverging economic interests of CAN members, for Peru has a low level of tariff protection whereas Colombia protects more heavily its industry for example. Yet, the free movement of European goods in the region is still restricted, for the draft of common customs code has not been approved yet (Krakowski, 2008). In certain cases negotiations reached a dead end, therefore Europe developed some alternative approaches. An attempt to conclude a region-to-region Association Agreement did not have any result, EU therefore offered these members the opportunity to conclude a trade agreement with a regional perspective in 2012 (Commission of the European Communities, 2009). Its main objectives are to open their markets and increase the stability and predictability of the trading climate. In 2014, negotiations with

Ecuador to join this agreement were held and currently the country is following the internal procedure for its approval. Furthermore, the accession of Bolivia is taken in consideration (European Commission, 2015).

As earlier mentioned in the political part, MERCOSUR is a sub-regional trade bloc between Brazil, Argentina, Uruguay, Paraguay and Venezuela. Their main goal is to organise free trade and it aims to enhance fluid movement of persons, goods and currency. MERCOSUR is considered to be the most significant unit in Latin America and EU started a dialogue with this organisation as an economic bloc quite early. The European Union is the largest investor in MERCOSUR (Roy, 2012). For MERCOSUR is an important international trade partner, these negotiations also led to a strong link between the interregional dialogue and the multilateral debates within the World Trade Organisation (Krakowski, 2008). In 2001 negotiations for an Association Agreement started, based on the three pillars for this kind of relationship between European Union and Latin American groups: political dialogue, cooperation and free trade area (Roy, 2012). Negotiations between EU and MERCOSUR are currently continuing, as part of the bi-regional Association Agreement. Among others, this dialogue focus on trade in industrial and agricultural goods, customs and trade facilitation and technical barriers to trade. However, the two players are still preparing their market access offers, in other words, the exchange of market access offers has not been held yet (European Commission, 2015). The negotiations between EU and MERCOSUR continue regarding free trade. The EU is the main development partner of the Latin America and the Caribbean (LAC) region, its second largest trade partner and its first investor . The largest trade partner of the LAC region is the United States (EEAS, 2015).

Current state of affairs

Nowadays Latin America is considered to be an expanding economy in the international scene, in particular the influence of major players Brazil and Mexico is worth to point out. The Union has several reasons to focus and maintain this partnership, such as the opulence of raw materials and human resources and the export of agricultural products to EU. In other words, with a 4.3% growth in Latin America and 2.5% in the Caribbean in 2005, it is safe to say Latin America’s market is considered as highly valuable. Today, most Latin American countries have a democratic system and have undertaken several economic and social reforms. In the past twenty years European businesses made many investments in Latin

America. One of the reasons for this investment potential is the existing opportunities in several sectors, including information and communication technologies, energy and transport. Furthermore, the presence of these European businesses ensures growth and employment and can reduce social inequalities. Know-how is transferred and local businesses can get sub-contracts. The aim of the Commission is to stimulate the expansion of a legal climate to ensure the predictability and security of these investments. In the framework of World Trade Organisation, mutual standards and development in market access would allow business firm to trade and invest more easily (European Commission, 2006).

Reality has shown Latin America is not existing as a bloc, therefore bilateral approaches are necessary (Roy, 2012). Regarding its international trade policy, Europe traditionally assumed only multilateral agreements could evade the distortions. However, this opinion was reshaped after a meeting in Cancun, where the difficulty of substantial and rapid advance in multilateral negations became apparent (Krakowski, 2008). A shift from multilateral dialogue to bilateral dialogue can now be seen, in some way caused by the internal crisis of the Andean Community (Roy, 2012).

As previously mentioned, Brazil and Mexico are two major Latin American economies. As biggest country and largest economy in Latin America, Brazil is considered as a crucial global economic and political player. The EU and Brazil hold annual summits at the highest political level since 2007. Regarding regional integration, Brazil can take a leading role in regional integration and this is one of the major goals of the EU's strategy towards MERCOSUR (European Commission, 2006). Mexico is the second largest economy in Latin America. One of the very first Association Agreements between Latin American countries and EU concerned Mexico and Chile. The dialogue between Mexico and EU started in 1998 and was finalised one year later. These negotiations led to stronger bilateral relations and enhances political, economic and trade relations (Commission of the European Communities, 2009). Besides tariffs and agricultural products, the subject of the most important negotiations were rules of origin and services. This country appears to show the most dynamic growth of trade. According to Krakowski (2008) both Mexican exports and imports exposed the most important growth in foreign trade with Latin America, moreover, it surpassed the growth of the total European foreign trade. However, all Latin American economies are slightly small in comparison with major economies United States, Europe and Japan (Bezmen and Selover, 2007). Since 2000 free trade areas have been fully established in Mexico. Steps are undertaken in order to modernise these two agreements (EEAS, 2015). Miotti, Plihon and

Quenan (2002, pp.31–32) emphasise the effect of the introduction of the euro on Latin American countries. Economic ties between the two regions became more intense, especially because of the increasing flows of direct European investment toward Latin America and because of the fast growing commitment of European banks in the region. Two aspects are involved regarding the euro's impact on trade relations between Europe and Latin America; the transaction costs will be reduced and the competition will increase within the euro zone. Moreover, there will be variations in the euro exchange.

Import, export and investments

Data from the research of Krakowski (2008) appear to show that EU imports from Latin America and the Caribbean grew faster than EU exports to the region of the last five years. LAC countries had a trade surplus of 9 billion euros with the EU in 2005. The imports of the European Union from Latin America and the Caribbean amounted then 67.4 billion euros, exports to the region 58.2 billion euros. Agricultural products, raw materials and energy are the three key exports from Latin American countries to the EU, where the EU has a trade deficit with the LAC countries. The EU exports to the LAC countries tend to be more diverse, transport equipment and chemical products being the main sectors. Diverging approaches to the negotiations may be expected as the three blocs show different structures of trade with the EU. The import of Latin American sub-regions includes mainly machinery, transport equipment and chemicals. All three regions export a high number of food and live animals, only MERCOSUR and the Andean Community appear to export numerous basis manufactures and crude materials. The two regions are relatively rich in minerals. According to Bezmen & Selover (2007) much of the export of Chile, Brazil, Bolivia, Colombia, Mexico and Peru involve minerals and ores, whereas exports of Colombia, Ecuador, Mexico, Peru and Venezuela mainly consists of petroleum. Bananas, coffee, beef and cocoa are other important regional exports. Many of the Latin American countries are therefore dependent from the volatility of world commodity prices. When countries produce similar wares, these prices can bring the national business cycles into synchronisation. Brazil for example is significantly correlated with Peru, Paraguay, Ecuador and Colombia, but also with Europe and Japan. Europe tends to have the strongest influence upon Latin America and has a significant positive effect upon Argentina, Mexico, Brazil, Colombia and Venezuela. Europe has the largest impact on Brazil (11.05%). The same appeals for Mexico, Argentina and Colombia.

Since 2002, the European Union has noted a deficit in trade in goods with the seventeen countries composing Latin America. In 2010, the deficit amounted 5.9 billion euros, by far the low point since 2002. After the 20% drop in 2009, exports to Latin America rebounded with a 36% growth to reach a new high in 2010. Only Panama and El Salvador failed to share this growth. Brazil and Mexico are the main markets (Xenellis, 2011). Moreover, a significant increase regarding trade flows can be seen over the last fifteen years in absolute terms, however it should be noted that the growth potential of trade has been underutilised (European Commission, 2006). For the current seven-year period, the European Union has an impressive budget of 3 billion euros. Furthermore, each member state is maintaining its own development assistance programs as well, the same appeals for NGO's. Investment figures show that Foreign Direct Investment in Latin America and the Caribbean has continued the long term positive trend. Investment in South America has picked up after the economic crisis in 2008, while investment in Central America and Mexico remained steady. The European economic crisis certainly had its impact on the flowing towards Latin America, although Europe is still the major investor. United States invested 18%, Japan 8% and European Union around 40% (Roy, 2012). According to Bezmen and Selover (2007) the European business sector has to some extent a stronger influence upon most Latin American economies than the influence of the American business sector. According to the repercussion model an importing country will increase imports when experiencing an economic boom, thus stimulating the economy of the exporting country.

Economic relationship between Central and Eastern Europe and Latin America

Éltető (2014) examines the economic relationship between Central and Eastern European (CEE[1]) and Latin American and Caribbean (LAC[2]) countries. Nowadays, the economic contacts between CEE and LAC countries are less intense than during the socialist times in the CEE countries. Loans provided by the state promoted CEE export, while state-owned businesses exported to LAC countries. When the political system liberalised and the economies from the CEE countries were opened, these activities reduced significantly. The common economic relations and company interactions decreased heavily and due to the focus

[1] CEE countries considered include: Estonia, Latvia, Lithuania, Poland, Hungary, Czech Republic, Slovenia, Slovakia, Bulgaria and Romania. Cuba and Croatia are not included.

[2] The LAC countries under consideration in the study of Éltető are the following: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Peru, Panama, Paraguay, Surinam, Trinidad and Tobago, Uruguay and Venezuela.

on EU integration, the attention to Latin America faded away. However, in most CEE countries, a renewed interest can be noticed towards the LAC region from the business and government sector. It is safe to say trade among CEE-LAC countries increased to some extent in the past years. LAC countries export less than they import from the CEE region, in other words their trade balance is negative. The main Latin American partners for CEE countries are undoubtedly Mexico and Brazil. Mainly, the imports to CEE from LAC countries consist of fruit, vegetables, raw materials, minerals and metals. Regarding the foreign direct investment from LAC countries to CEE countries, a rather low volume and high year-to-year volatility can be noticed. Certain Central and Eastern European countries (Hungary, Latvia and Poland) developed specific strategies for enhancing their relations with Latin America during the past years. In 2011, the Hungarian government announced its "Southern Opening Policy" and one year later, a two-day-Hungarian-Latin American forum was organised by the Ministry of Foreign Affairs, in order to establish new relationships. Furthermore, a few high level visits between Hungary and LAC countries were established. Éltető also mentions some advantages of doing business with LAC countries, including the major growth and market potential LAC countries offer to CEE companies. The numerous free trade agreements between LAC countries and Mexico and Chile should also be taken into account, providing an advantage for CEE companies to improve their status in the regional market. However, certain difficulties can still appear in this attempt to manage mutual relations, like tariff and non-tariff barriers, policy towards foreign investors and the economic uncertainties in LAC countries, for example the possible devaluation of the LAC currencies.

Main problems regarding the Latin American – European relationship

Although numerous agreements and pacts were created between Latin America and European Union over the past years, the two parties are still facing some difficulties. On one hand European Union resists to reform the Common Agricultural Policy (CAP). This reformation implies opening its market to Latin American products, which are still subject to quality limitations and quotas. Furthermore, European Union member states also restricted immigration, in order to stop economic deterioration and the rising of unemployment in Europe, caused by the financial crisis. On the other hand, many Latin American countries (cases of Mercosur and Central America) refuse to liberalise their economies to the level of European expectations in specific areas. At the same time, they do not answer the call of EU regarding the formation of effective harmonisation of tariffs. Roy (2012) underlines the importance of the future impact of the financial crisis. Hence, the focus of this crisis is the banking industry, a major field in European activities in Latin America, thus raising questionable prospects for an increase of European influence in Latin America. Time is needed to oversee the precise impact of the crisis and its legacy on EU-Latin American relations. Also, European businesses are faced with particular difficulties which may obstruct their development, including an uncertain economic environment, access problems to tariff and non-tariff barriers, bureaucracy, regulations and standards and so on. Therefore, a way to facilitate trade and European investment in Latin America has to be found (European Commission, 2006).

Perera (1995, p.105) states the lack of an ambitious long term agenda, along with practical measures to face appearing challenges is a major issue. The most plausible course of events may be dominated by short-term problems and bureaucracy, if there is no strategic vision to guide the process of establishing more comprehensive relationships. Additionally, in 2010 social movements in Latin America and Europe were *criticising* the new European trade agreement. They claim the trade agreements emphasise too much on the economic aspect, while Europe always stated three pillars are central regarding this cooperation, namely political integration, development aid and trade. Eventually only the trade aspect remains in the agreement (De Walsche, 2010).

Krakowski (2008) points out that, so far, none of the negotiation processes between RTA (regional trade agreement) and EU have been concluded. Therefore, it suggests it is complex to negotiate between these two blocs. Moreover, when strong regional institutions in one of two blocs are missing, it causes certainly a problem. The author states this is clearly the case in the Latin American- European negotiation, for Latin American regional institutions are still rather weak. So, an agreement between two RTA's was never signed.

Interdependence

As formerly mentioned in the introduction, perception exist EU has too much power and Latin America is somehow dependent on the power of the European Union. The indicators of economic interdependence between two parties are the trade flows over time. In 1970, 33.5% of ten Latin American countries (excluding Mexico) went to Europe, 27.5% went to the

United States and 10.6% were traded within the ten Latin American countries. In 2000, a decrease in the importance of the European market can be noticed (18.4%) while the American market gained force (29.1%). Moreover, the intra-regional market highly increased (24.1%). Even though the United States is the major trading partner of most Latin American countries, the member states of the European Union as a group are an even more dominant trading partner of the Mercosur countries and Chile. Nevertheless, an increase of intra-regional trade can be seen over time, while trade to Europe is slightly weakening. It is clear most of the trade relations of Latin American countries are with the outside world, rather than with each other. This is mainly caused by the historically nature of the trading relationships in which Latin American countries mainly supply natural resources and agricultural commodities, whereas the developed world export many manufactured consumption and investment goods for Latin America. Nevertheless, this pattern is changing, for Latin American countries are nowadays exporting a larger percentage of GDP than before and an increasing percentage of trade is established with other Latin American countries (Bezmen and Selover, 2007).

According to Krakowski (2008) Latin American countries that lack a strong bureaucracy, a well-organised private sector and civil society risk losing the negotiation process regarding the free trade agreements with EU. The same applies to groups that lack strong regional institutions. Moreover, trade relations can also be seen as very asymmetrical. Latin America has not the same position in the EU total trade as vice versa: the EU is indeed the major trading partner of many Latin American countries, while Latin American countries do not have a high position on the European trade ladder at all (European Commission, 2006).

While investigating Mercosur and Chile, Bezmen and Selover (2007) conclude Europe appears to have an important effect upon almost all countries in the region, particularly on Uruguay and Brazil. Latin America still shares many cultural and ethnic ties with Portugal, Spain, Italy and Germany, this effect translates into trade in goods, capital, services, foreign investment and migration, moreover a macroeconomic influence can be seen. The authors highlight the overall strength of the transmission of Europe and the relative weakness of transmission from the United States to Latin America. In the case of the Andean Pact (Mexico included), Europe again appears to exert a greater transmission influence on the region with significant effects on Mexico, Colombia, Ecuador and Venezuela. The authors conclude the strongest ties of Latin American nations are with their major trading partners European Union, the United States and Japan, and not among the Latin American countries.

Challenges for a beneficial cooperation in the future

According to the European Commission (2006) one of the main goals for this partnership is to create a stable framework to attract more European investment in Latin America and in that way, stimulate economic development. A prosperous climate to trade and investment between Latin America and European Union should be created in order to strengthen this alliance and to ease the access to the commodity and service markets. More strict common rules on trade policy instruments (especially antidumping), services, investments, intellectual property rights should also be established. Technology transfers, productivity progress, the expansion of its infrastructure and diversification of its markets would be beneficial in Latin American terms, to develop and unite its market positions and to carry on a dynamic investment policy would be valuable in European terms (European Commission, 2006). European Union and Latin America should also organise a dialogue on barriers to trade and investment and a macro-economic dialogue to enhance macro-economic stability, a key factor in stimulating trade and investment. According to the European Commission, special attention should be paid to the productive investment for more and better jobs. In order to support Latin America in implementing policies to create jobs and decrease poverty, EU want to set up a bi-regional dialogue to share its experience regarding how to combine economic growth, employment and solidarity. Regarding the territorial integration and interconnectivity, a more efficient and coordinated infrastructure is needed in order to improve the trades of Latin American exporters. EU wants to support by means of interconnective network infrastructures, including energy, water, transport and telecommunications sectors (ec, 2006). The EU has to take into account the diversity of every Latin American country and also pay more attention to the current situation of each country or sub-region when negotiating in terms of political, trade and cooperation relations and the recent developments there. According to the Commission of European Communities (2009) various Latin American countries are still suffering from inequality and social exclusion, one of the key objectives of this strategic partnership is therefore establishing a dialogue on social cohesion in order to develop skills to meet labour market needs and improve youth employment.

Moreover, due to economic exclusion, numerous Latin Americans migrate to seek work abroad. Migration flows to Europe are increasing, therefore migration become a main challenge for the countries of origin, in economic, social and political terms (European Commission, 2006). Since 2005, the environment in which both parties operating has changed dramatically. Latin America and Europe have both experienced the serious effects of volatile food and community prices, caused by the financial and economic crisis. Due to economic reform and sustained growth in recent years, Latin America managed to slowly recover. Still, the level of foreign direct investment was affected, while exports are decreasing. Key is to reverse these trends to restore economic confidence (Commission of the European Communities, 2009). A high degree of macroeconomic interdependence among nations was revealed when facing the economic crisis in 2008, thus the assumption can be made macroeconomic policy practice in Europa can both influence the European countries and other economies, according to Dias, Dias and Punzo (2012). Some of the new strategies of the European Union include promoting global trade and investment and step up bi-regional macro-economic and financial dialogue. Designing cooperation programs with Latin America to generate sustainable growth and employment (Commission of the European Communities, 2009). In order to negotiate tariffs on a regional level, they should be somehow identical. One of the goals of the European Union is identical treatment of its exports at all borders and free circulation within the region. (Krakowski, 2008).

Lastly, a weakness regarding the integration process can be noticed. If the results of an agreement only apply to member states and not to all Latin American countries, their bargaining position is limited. The results of the negotiations may therefore be less ambitious than the bilateral dialogue with specific countries. EU prefers agreements with regional integration processes which pose a risk and is not necessarily sustainable. This approach should be reconsidered if the negotiations do not result in an acceptable outcome in a certain timeframe. Bilateral or multilateral agreements are the alternatives. It seems that bilateral negotiations with the most important trading partners could be the most attractive, as the multilateral approach may be rather difficult (Krakowski, 2008).

Conclusion

The research question that we posed at the beginning of the political chapter was: do the regional organisations have a relevant role in nowadays international relations? The answer is positive, even if the states are still more relevant than anything else. Considering the case study, it is possible to say also that the EU is becoming the sole European dimension for the international relations, even if the path to follow is far from over. For what concerns Latin America, the situation is still confused, and there is no clear evidence of which organisation could become the EU of this part of the world. Moreover, it has to be said that the international organisations are strong and work properly only when the states give them the power to do it. The EU is what it is because of the will of the European states to overcome their narrow perspectives. Thus, the Latin American organisations will work only when the states composing them will allow it. Therefore, another answer to the research question could be: the regional organisations have a relevant role until the states want them to have it.

It is clear the economic cooperation between Latin America and the European Union is still valuable, for numerous trade agreements and pacts have been established. Furthermore, EU is the largest investor in Latin America, although United States and China are emerging. The European Union has negotiations going on with four Latin American regional groups; MERCOSUR, the Andean Community, CACM or SICA and CARICOM. MERCOSUR is considered to be the most important group. The EU and MERCOSUR focus on trade in industrial and agricultural goods, customs and trade facilitation and technical barriers to trade. Notwithstanding this continuous dialogue, the exchange of market access offers has not been held yet. The EU also has individual agreements with Brazil and Mexico, which are considered to be the major economies of Latin America.

On one hand the two word players undoubtedly took benefit of the numerous agreements, such as the opulence of raw materials and human resources and the export of agricultural products to EU. Latin American and the Caribbean for instance had a trade surplus of 9 billion euros with the EU in 2005. Moreover, investment figures show that the foreign direct investment in Latin America and the Caribbean has continued the long term positive trend. On the other hand, we can say the economic relationship between Latin America and European Union still face some major challenges. Reality has proven the difficulty of the negotiation processes. Latin American countries have different interests and cannot be viewed as one homogeneous whole. For that reason, bilateral approaches are needed. Furthermore, Latin American products still have to face quality limitations and quotas on the European market and several Latin American countries did not liberalise their economy to the level of European expectations yet.

Regarding the interdependence question, we can state the economic dependency of Latin American countries still exists at some level, even at times of de-colonisation. Hence, Latin American countries became mainly dependent of economic activities of their cities. While the European Union is the most important trading partner of most Latin American countries, these Latin American countries are certainly not the major economic partners for Europe. Some

Latin American countries have a weak bureaucracy and private sector, for these reasons they can lose the negotiation process with the EU. Therefore, the European Union should respect the diversity of Latin American countries and take into account the current political and economic situation of each country, while negotiation. More European investment should also be attracted to Latin America, thus stimulating Latin American economic development. Moreover, common rules regarding trade policy instruments, investments and services should be more strict. Today, it is clear the cooperation among these two world players is a necessary, but challenging alliance.

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