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Europe and Latin America: Between Withdrawal and Convergence

Results of the Summit Meeting in Mexico

Susanne Grätius

Delegations from 58 Latin American countries, the Caribbean and the EU met on the 28th and 29th of May in Guadalajara, Mexico. It was the third inter-regional summit since 1999 and the first following the eastern enlargement of the EU. Two topics were at the center of the diplomatic event: Multilateralism and Social Cohesion. Beyond the usual declarations of intent, the announcement that the EU-Mercosur Association Agreement, negotiated since 1999, would be signed in October, was the most important result in the field of cooperation. On the political level, the joint declaration to strengthen multilateralism within the framework of the United Nation reflected a European-Latin American consensus of values that favors a closer partnership in international politics. The results of the summit were not spectacular, but on the whole satisfactory.

The EU and the USA are not competitors in Latin America, but rather have established an informal division of labor: Europe is predominantly responsible for development assistance and political dialog while the USA is the largest trade partner and most important destination for immigrants. Within the region, the USA leaves Mercosur to the Europeans and restricts itself to the rest of Latin America. The Caribbean, Central America and Mexico concentrate their economic relations on the USA, which accounts for over half of their foreign trade—in the case of Mexico almost 90%—and they benefit from the largest share of US direct investment. The North American area from

Mexico to Colombia is economically more tightly linked to the USA than ever before. In reference to South America, the EU has, in contrast to the USA, a clear time advantage: even before the existence of the FTAA free trade zone, it will sign an Association Agreement with Mercosur.

Impressions from Guadalajara

With this background, it was no coincidence that the Summit Meeting focused on themes such as the association with Mercosur, social cohesion and multilateralism. These are issues for which the EU is better positioned than the USA in Latin America.

The 104-point comprehensive closing declaration from Guadalajara is, as to be expected, very general and covers almost ever major topic in international politics. The lively debate initiated by Cuba and Venezuela about the torture of prisoners in Iraq was highly controversial. Finally, the Europeans pushed through a weakened formulation, in which the USA was not mentioned. The Helms-Burton Law, which toughens US Sanctions against Cuba, was not discussed. Therefore, Cuba, increasingly isolated internationally, signed the declaration with a reservation.

There were numerous cancellations before the meeting: among others, the heads of state and government from Argentina, Great Britain, Italy, Peru and Cuba did not attend. While his colleagues could not participate because of health problems or schedule conflicts, Fidel Castro, in a political declaration to the Mexican people, based his cancellation on the purely ceremonial character of the Summit Meeting and the deterioration of relations with Mexico and the EU, who in April supported a UN Resolution critical of the human rights situation in Cuba.

This year's Summit Meeting was principally organized by three countries: host Mexico, Brazil as Secretary Pro-Tempore of the Latin American Rio Group and by Ireland as the Chairman of the EU. The preparations were not very transparent. It was not clear until the last moment whether the second major theme in Guadalajara would be regional integration or multilateralism.

First of all, the Summit was poorly prepared by the Latin American side. As at the previous meeting in May 2002 in Madrid, the Latin American participants had neglected to state their own interests in a joint paper. The statement of Chancellor Schröder at the first summit in Rio de Janeiro in 1999, that the unity of Latin America lies in its variety, is not true anymore. Then, the region had nevertheless managed to present a joint agenda for closer cooperation with the EU. The respon-

sibility for the region's drifting apart is, on the one hand, the competition between the two largest countries Brazil and Mexico, and other hand the enormous differences in the level of development and size as well as significant interest differences among the 33 Latin American and Caribbean countries which prevent an intraregional consensus. As with the previous meetings, *mainly* the European Commission delivered the substantive guidelines for Guadalajara, which were rather passively accepted by the Latin American side.

The European idea of a group dialogue between two integrated regions, where each speaks with one voice is just an illusion, because although the partnership is formally equal, it is in reality very asymmetrical. The EU has accepted this and, beyond the rhetoric, conducts a policy with variable speeds and priorities. It has close political dialogue and has entered into free trade agreements with the most important economic powers Mexico, Chile and Mercosur. With regard to the Andean Community, Central America and the Caribbean, European engagement has been to a large extent restricted to development cooperation. The cooperation on an inter-regional level has essentially been reduced to rather symbolic politic dialogue in the context of the Summit Meetings.

The key points of the agenda such as trade liberalization, political dialogue, development cooperation and integration are no longer to be discussed with the entire region, but with seven different partners. Therefore, in addition to the plenary sessions, there were also special meetings of EU representatives with delegates from the Caribbean, Central America, the Andean Community, Chile, Mexico and Mercosur.

The EU-Mercosur Association

The EU is by far the most important economic partner for Mercosur. The majority of direct investment flows from Europe, and in 2003 a quarter of Mercosur's exports and imports were with the EU. In contrast,

in 2003, Mercosur represented only 2.5% of the foreign trade of the EU, but it accounted for half of European imports from and exports to Latin America. Moreover, two-thirds of the European direct investment in the entire region went to the four Mercosur states: Argentina, Brazil, Paraguay and Uruguay.

Although the mini-summit between the EU and Mercosur did not take place because of the cancellation of Néstor Kirchner and the early departure of Lula, both sides agreed in Guadalajara to sign an Association Agreement before the end of the year. It would be the first agreement between two customs unions.

At the last summit meeting in May 2002 in Madrid, the EU and Chile had already announced the successful conclusion of a free trade agreement. Like the existing EU agreements with Chile and Mexico, the agreement with Mercosur should cover not only trade liberalization but also development assistance and the a political dialogue on all levels. In the case of Mercosur, the agreement will also include the transfer of integration know-how. The offer of the EU goes further than the offer of the USA, which is limited to free trade, and is therefore considered (in the jargon of the European Parliament) to be an "FTAA with soul."

After five years of pulling teeth and 13 rounds of negotiations, the Mercosur and the EU positions on sensitive trade issues seem to have principally converged. The EU has agreed to a broader opening of its agricultural sector while Mercosur in principle wants to make its markets in the areas of services and public contracts more accessible. The sensitive topic of agricultural subsidies should be handled within the WTO.

It is particularly in the interest of Mercosur to finish the negotiations by October, given that the new and enlarged European Commission following the admission of the 10 new countries is set for November 1. Even if the negotiations are completed in October, the agreement of the EU with Mercosur will be the first that requires the agreement of the new member states. This

new constellation could substantially delay the ratification process of the Association Agreement.

The agreement with Mercosur sets a provisional point of conclusion for the free trade process between the European Union and Latin America. In 2003, the Central American countries signed a general framework agreement with the EU for political dialogue and cooperation, which does not state a time for possible free trade negotiations. According to its integration approach, the EU wants to negotiate only with the Andean Community and the Central American Common Market, not with individual countries. Apart from that, it has linked all further free trade agreements to the results of the Doha Round of the WTO.

Thus, in view of the stagnating multilateral negotiations and the internal coordination problems in Central America and the Andean Community, the division of labor between the USA and Europe will be set: the enlarged North America is under the influence of the USA and the EU has secured, through the Association Agreement with Mercosur, its already privileged access to the South American market.

Europe as a Social Policy Partner?

Social Cohesion was a central topic of the Summit Meeting. In Guadalajara, a socio-political exchange of experience between the European Union and Latin America was agreed upon, which should provide closer cooperation in this field. This makes sense because on one hand, social reforms are necessary in both regions, and on the other, the EU is Latin America's most important source of development assistance.

"Social cohesion" is a new catchword, which means everything and nothing. In Guadalajara it meant the passing on of European ideas of social justice and solidarity to Latin America. The European-designed welfare state offers the Latin Americans an alternative to the American laissez-faire capitalism.

This topic has been discussed since 2003, when, at the suggestion of external relations commissioner Chris Patten, the European Commission held a special conference on social cohesion in Brussels with the Inter-American Development Bank (IABD). In January 2004, under a similar motto (the fight against poverty), a Special Summit of the Americas was held in the Monterrey, Mexico. It is desirable for the USA to be more strongly involved in Latin American development policy. Similarly, in consideration of the enormous social challenges, closer development policy cooperation between the EU and the USA would be useful.

The topic of social cohesion plays a central role for three different reasons:

First, Latin America has been for years the region with the most inequitable income distribution in the world. Like the example of the politically unstable Andean countries, the two states with the largest social disparities, Guatemala and Brazil, also show how the social gap negatively affects democratic development and (through increasing crime rates) the regional security situation.

Second, the EU, with a 40% share, is Latin America's most important donor of development assistance. However, this was ineffective in many countries. In spite of external support, poverty in the region is steadily growing: in 1997 39% of Latin Americans were classified as poor, today it is 44.4%. Even in OECD member state Mexico, over half of employed people have no social security.

Third, in most countries, because of the high external debts, there is very little scope for an efficient national social policy. Brazil must roughly apply over half of the national budget for debt servicing, and Argentina's external debts amount to over 100% of its gross domestic product.

For all these reasons, the topic of social cohesion is controversial and therefore is not a very suitable "element of a strategic partnership," as it is called in the declaration of Guadalajara.

For the EU, the question arises, in light of the modest results of past development cooperation with Latin America, whether it should link its assistance to far-reaching reforms of the political, economic and social structures in the recipient countries. Furthermore, after the eastern enlargement, the social cohesion theme has been moved back on the agenda of the EU, which will reduce its capacity to support other regions of the world.

From the Latin American perspective, the EU should create, through wide-ranging debt relief, the reduction of its agricultural subsidies and an increase in development assistance, the external conditions necessary for the social reform process in Latin America. Only if this happens, would an increase in social spending, demanded in Guadalajara, be at all possible in many countries.

A positive outcome from the debate on social cohesion is the rediscovery and (late) realization that growth is not by any means equivalent to development. Now, the state, whose size was drastically reduced in Latin America following recommendations of international finance organizations (such as the IMF and World Bank) in the 90s, should provide more distributions and social equity. In many countries in the region, especially in the Andean region, the state is however just one actor out of many and it can neither guarantee the citizens' security nor implement an efficient social policy. In most countries, the strengthening of the state apparatus and/or restructuring of the state would be required. On the other hand, additional resources and structural reforms would also be necessary for this goal, but frequently they are politically not feasible. In countries such as Bolivia, Ecuador or Venezuela, where the informal sector is more important than the official economy, many public institutions are corrupt and the elites refuse to make contributions, an efficient tax policy, as a redistribution mechanism, is inevitably doomed to fail.

The new, but hardly innovative Program

of the European Commission for Social Cohesion in Latin America (“EUROSocial”), with a modest five-year budget of 30 million euros for 530 million inhabitants, will do little to change this structural deficit. The intended fields of cooperation, health, education and law are already included in other programs; the only new issues are labor market policy and tax policy. The program will be, in part, managed by the ILO and implemented – after the appropriate call for tenders – by four European–Latin American consortia. A joint committee composed of representatives of the EU Commission, the IBD, ECLAC and the UNDP will oversee its implementation. Like the experience of the past few years, these separate measures, whose organizational costs have no relationship to the available resources, will be little more than a drop of water in a bucket if they are not accompanied by far-reaching reforms in the co-operating countries. Instead of bringing to life a new individual program with high administrative costs at each summit meeting, it would make more sense to bundle the Commission’s 8 total development policy initiatives for Latin America into one long-term, coherent strategy adopted by the Council.

Even if the EU provides the majority of development assistance to Latin America, the region is by no means a priority for the European Commission: Latin America received 329 million euros in 2003, only 6.6% of total development assistance (agricultural subsidies amounted to 136 times more). In the last five years, the European Commission funds for Latin America have not increased. This will barely change in the future, because the eastern enlargement presents the EU with the challenge to reduce internal imbalances – the new members account for less than half of the GDP of the “old EU.” The first sign of a negative trend was the reduction of funds for Latin America in fiscal year 2004. However, an increase of the support is urgently required because currently in Latin America there are more and more

programs and fewer and fewer resources available.

Multilateralism instead of Unilateralism

The multilateralism theme is a forward-looking one for European–Latin American relations. The often-referred to “community of western values” between both regions should now be put to the test in a concrete field of action: the defining of joint positions in international politics. European and Latin American efforts in pursuit of global governance could develop into a strategic interest alliance in the political sphere. The strengthening of multilateralism through the enhancement of international organizations such as the United Nations (UN) as well as the International Criminal Court or the WTO is equally a European and Latin American matter of concern.

Both Latin America and the European Union, as the most tightly integrated regions in the world, are interested in solving international conflicts not by military means but with diplomacy and cooperation within the framework of the UN. They are further interested in limiting the unilateral efforts of the USA through the establishment of binding international rules. With the goal of creating a “multilateral security system,” the role of the UN should be strengthened in worldwide conflict prevention and settlement and in international peacekeeping missions. In the third point of the closing declaration from Guadalajara, both partners declared their support for, also in connection with the fight against terrorism, strict adherence to international law as well as to the principles of non-intervention, sovereignty, popular self-determination, the rule of law and equality among nations. Moreover, the EU and Latin America challenge all countries to ratify the Kyoto Protocol and the Statute for the International Criminal Court.

These statements and the condemnation of the torture of prisoners in Iraq with

reference to the Geneva Convention are indirect swipes at the USA, without specifically referring to it in the declaration of Guadalajara. It remains to be seen whether that alone results in a “counterweight” to the dominant role of the USA in international politics.

In light of the multitude of actors, inter-regional arrangements and joint positions in international fora could fail because of conflicting interests in Latin America as well as in the EU. At present, closer cooperation in international circles between individual countries of both regions seems more realistic. An example here was the consensus in the UN Security Council among France (in close coordination with Germany), Chile and Mexico on the Iraq crisis. For the new resolution on Iraq due to be dealt with, there could again be cooperation between Brazil and Chile on one side and France and Germany on the other.

The dispatch of soldiers for peacekeeping in Haiti is a second concrete field for intensified European–Latin American cooperation. At the request of Brazil, which leads the UN mission in Haiti, Spain announced that it would send soldiers. In addition to France and Spain, the members and associate members of Mercosur are also taking part in the peacekeeping mission in Haiti.

Similarly, the reform of the United Nations and the admission of additional countries into the UN Security Council offers another opportunity for close coordination between both regions. As potential candidates for a permanent seat in this UN committee, Brazil and Germany are especially interested in such cooperation.

New Trends in Relations

As expected, the Summit in Guadalajara pointed out few new directions for European–Latin American relations. It was nonetheless more than just a photo opportunity. In particular, regarding international politics, the sought after closer cooperation between Europe and Latin America in support of a – as Gerhard Schröder called it –

“new multilateral world order” was appreciated. On the inter-regional level, the forthcoming conclusion of the Association Agreement with Mercosur can be considered as an important political signal for the presence of Europe in South America.

However, after the eastern enlargement, a decline in importance for Latin America in EU foreign policy is to be expected. The ten new member states have virtually no historical or economic ties with Latin America. Moreover, the eastern European countries, which now will profit from the subsidies of the EU’s Common Agricultural Policy, will compete with Latin America in agriculture.

The Summit Meeting in Guadalajara again made it clear that, for now, European Latin America policy is firmly in the hands of Spain and the European Commission. In comparison to the 80s and 90s, Germany today plays a secondary role in European–Latin American relations. Since then, Germany has ceded to Spain its position as the leading investor and donor of development assistance. For the first time, the German foreign minister was not represented at an EU–Latin America Summit. Chancellor Schröder’s most important mission in Guadalajara was not so much the intensifying of relations but to serve national interests by getting the support of Latin America for a German seat on the UN Security Council.

In contrast, the recently elected Spanish Prime Minister José Luis Zapatero stressed in Mexico that he wanted to place Latin American at the center of his foreign policy. Building on that, Brazil’s President Lula suggested the establishment of a permanent secretariat for European–Latin American Summit Meetings in Madrid. Thus, Spain would considerably mould not only the Iberoamerican but also the European–Latin American summits. Spain is acting stronger than ever before as the bridge between the EU and Latin America. That is positive for Latin America, but at the same time Madrid will lose influence in the enlarged EU because the center of the new

Europe lies eastward, with Germany as the new geographic focal point. From this perspective, the Latin Americans should by no means limit relations with the EU to Spain.

Even though many European heads of state did not travel to Guadalajara, the European Commission, with President Prodi and four commissioners – for external relations, trade, agriculture and development – was over-represented. Given that the Council and the European Parliament only rarely deal with Latin America, the EU policy towards Latin America is substantially directed by the Commission, where the Spaniards dominate within the responsible departments. In sum, the Commission has, together with Spain, distinguished itself as Latin America's most important European partner.

Lessons from the Summits

It remains to be seen whether, in the long term, summit meetings will continue in the format from Guadalajara. The divergent interests of the individual Latin American countries and groups, few links with the French and English speaking Caribbean as well as the enlargement of the EU to 25 countries with predominantly little interest in Latin America suggests that it will not.

The results of the previous summit meetings were also not spectacular: the most important result from Rio was the vision of a "strategic partnership" between the two regions, in Madrid security- and political themes were the focus and in Guadalajara, the discussions were about social cohesion and multilateralism. Moreover, the real controversies were excluded: none of the problem countries Cuba, Colombia or Venezuela, or issues such as agricultural subsidies, external indebtedness or immigration, were ever discussed at the Summit. Thus, the dialogue between the two regions, originally pushed by the EU, lost meaning long ago and common interests among 58 countries can barely be identified.

It would be more useful to allow action

to follow the political rhetoric rather than organizing further diplomatic meetings with new topics. That would mean increasing the EU's development assistance for Latin America and organizing it more efficiently, opening the European market to Latin American exports, designing an immigration policy for Latin America and negotiating association agreements with Central America and the Andean Community. A long-term policy for Latin America adopted by the EU Council would similarly contribute to consolidating Europe's relations with the so-called "Far West." In this sense, Spain and the European Commission, together with Germany as the largest country of the EU, should intensify relations with Latin America.

However, new initiatives for relations with Europe must also come from Latin America. In the run-up to Guadalajara, the Latin American and Caribbean policy coordination forum, the Rio Group, did not even manage to prepare a joint list of demands for the EU. Closer cooperation between regional heavyweights Brazil and Mexico would be desirable. A first positive signal was Mexico's recently expressed interest in a closer partnership with Mercosur. If it is not possible to define a European policy for the entire region, at a minimum individual Latin American partners should follow the example of Mercosur and develop their own policies towards the EU. This would be the minimum requirement for the emergence of an alliance between Latin America and the EU.

Five years after the first Summit Meeting in 1999 in Rio de Janeiro, the EU and Latin America are still far from implementing the –at that time– enthusiastically announced strategic partnership. A strategic economic relationship remains an illusion: Latin America accounts for a smaller amount of the external trade of the EU than Switzerland. Nevertheless, some progress was made in the economic sphere via the free trade agreements with Mexico and Chile. As a result of the future Association Agreement, the European-influenced

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Mercosur could, as the only example of a relatively successful (and European aligned) integration process in Latin America, grow in strategic importance for the EU. Just as Mercosur is the EU's most important regional economic partner, in the long term all of Latin America could prove to be a close ally of the EU in international organizations for building an efficient multilateral system. Even if Latin America is not currently a hot topic in international politics, the region is very important for the EU, because it is politically and culturally closer to Europe than the USA. In the changed international environment, this is not the worst condition for a strategic alliance which will promote a rules-based multilateral world order. However, closer coordination within both regions would be required for a strategic partnership on a political level.

There are only two years left until the IV. European-Latin American Summit Meeting, which will take place in mid-May 2006 in Vienna. Hopefully both sides will use this time period to strengthen their relations. Guadalajara has at least shown, that in spite of other foreign policy priorities, Europeans and Latin Americans cannot lose sight of each other completely.