



# Economic and cooperation relations between Latin America and the Caribbean and the European Union

(Update of the study released in 2014)

## Extra-Regional Relations

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**F O R E W O R D**

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*This study aims to update the contents, conclusions and recommendations of the document prepared in 2014 on the economic relations between Latin America and the Caribbean and the European Union countries in relation to the CELAC-EU Summit, in order to help in setting up the position of the Member States of SELAC vis-à-vis the II CELAC-EU Summit, scheduled for June 2015 in Brussels.*

*The study consists of three sections, dealing with the following topics: i) Interregional mega-agreements: recent developments in TTIP negotiations; ii) Evolution of partnership agreements and bi-regional cooperation agreements; and iii) Conclusions and recommendations.*

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## INTRODUCTION

The aim of this document is to update the study on relations between Latin America and Caribbean (LAC) and the European Union (EU), prepared by SELA in October 2014.<sup>1</sup> In fact, it addresses items or topics that, based on important developments occurred in recent months, can help design and specify the agenda and position of the Member States of SELA at the Summit between the EU and the Community of Latin American and Caribbean States (CELAC), to take place in Brussels on 10 and 11 June.

The 2014 report noted that in recent years bi-regional relations have evolved within the context of the persistent economic crisis in Europe, and that there were warning signs of a weak recovery in the old continent. Such signs were confirmed in late 2014 and early 2015 in view of the performance of some key variables, specifically the depreciation of the euro, which has contributed to increasing European exports, and the drop in oil prices, which enhances purchasing power and domestic demand in Europe. However, this does not substantially change the low growth scenario characterizing the EU. As indicated in the 2014 report, vis-à-vis the structural problems that hinder progress in productivity and affect potential growth in the EU, it is essential to implement additional policy measures in order to fully restore confidence, revive growth and create jobs, clean up banks' balance sheets, complete the banking union, support demand at the fiscal and monetary levels without putting into question the credibility of the adjustments underway, and make progress towards the implementation of structural reforms. One of the pending issues that must be resolved in order to avoid a loss of confidence in the sustainability of the Euro zone is materializing a definitive agreement between the newly-elected Greek Government of President Alexis Tsipras, the IMF and the European authorities.

With respect to the performance of Latin America and the Caribbean (LAC), it has been confirmed that, in the last few months, the region has shown a mediocre growth rate, mainly as a result of the less favourable international context (especially due to the drop in raw material prices, the weakness of Chinese demand – which has had a negative impact on South American countries – the prospects of an increase in interest rates in the United States – which could affect the cost and volume of external financing – and the aggravation of the internal imbalances in some countries).

Within this framework, characterized by rather modest growth in both regions, the EU and CELAC countries share a common interest in optimizing bi-regional economic and cooperation relations. Precisely, as noted in the 2014 report, the countries of the region should promote rapprochement between public and private sector actors and try to take advantage of the proliferation of initiatives undertaken in several European countries – particularly Spain, Germany and France – with the purpose of maintaining and even reinforcing their relations with CELAC countries.

In this context, this document contains three sections. The first section deals with the issue of the trends of negotiations to materialize strategic "mega-agreements" between regions, analyzing the steps taken in recent months as part of the negotiations to establish a Transatlantic Trade and Investment Partnership (TTIP) between the EU and United States, which may have important implications for LAC, as stated in the 2014 report. The second section underscores the most important and recent developments as regards the evolution of bi-regional partnership agreements and cooperation initiatives between the two regions. The third section contains some conclusions and considerations about the context in which bi-regional negotiations have evolved during the final stage of the preparation for the Brussels Summit – particularly the priorities and the factors for concern among the leaders of both regions, as well as the main recommendations stemming from the analysis.

<sup>1</sup> SELA, *Las relaciones económicas y de cooperación de América Latina y el Caribe y los países de la Unión Europea: situación actual perspectivas ante la II Cumbre CELAC-UE de 2015*. SP/RRSASEUIPALC/DT N° 2-14/Rev. 1.



## **I. INTERREGIONAL MEGA-AGREEMENTS: RECENT DEVELOPMENTS IN TTIP NEGOTIATIONS**

The various negotiations underway to implement strategic "mega-agreements" among regions will have effect on all the major actors of the international arena and LAC in particular, but it is clear that the negotiation of a treaty between the United States and the EU to form a single market of the North Atlantic (there is already an agreement with Canada, the so-called CETA, which was analyzed in the 2014 report) will have a greater impact on the world economy and the CELAC region. In fact, integrating even further an already integrated space that represents almost half of the world trade and world GDP and around three-quarters of global financial markets will necessarily have effects on the world growth that are very difficult to measure, especially its quantitative effects. The intense discussions on this initiative are largely due to this difficulty to measure its possible effects.

### **1. The TTIP "philosophy"**

Basically, the TTIP (Transatlantic Trade and Investment Partnership) revolves around three pillars: 1) improving traditional access to markets of goods, services and investment (tariffs, rules of origin, public markets); 2) reducing non-tariff barriers through regulatory cooperation to ensure consistency without compromising efficiency or sovereignty of the contracting parties; and 3) establishing common rules on investment, intellectual and property rights, labour, environment, industrial policy, public companies and other issues of global concern. However, it is not a "traditional" trade agreement that would aim to achieve a final text with "fixed" results. It is rather a dynamic and flexible process to reposition the economies of the United States and the EU in the global competition in their relationship with the emerging world and to take a leading role in setting the rules of the "world economic order."

In recent months, discussions, analyses and adaptations of actors have provided a clear vision on the development of negotiations and the goal of the TTIP.

As already discussed in the previous report, the TTIP represents a "new animal" on the stage of commercial negotiations and international geopolitics, a "new frontier" according to the High Representative of the Union for Foreign Affairs and Security Policy, Federica Mogherini.<sup>2</sup> While it is true that at first sight the agreement aims to take a new step towards a liberalized market between the two "traditional" economic powers, a deeper analysis indicates that it is in fact a trade policy strategy that focuses on standards and regulations. The forces pushing for an agreement not only have a liberalization objective (the average rates amount to 3% between the EU and the United States, but with a few "peaks" in certain sectors, and in agriculture) or deregulation objective (standards in both cases in the field of health and consumer protection are among the highest in the world). The central objective of the TTIP is, in fact, a joint response by the EU and United States to three "global" facts: the deadlock in the WTO Doha round negotiations, the need to consolidate the positions of both parties in the field of regulation against the growing weight of China and other emerging economies in global value chains, and the need to find new sources of growth by increasing the efficiency of two markets blocked by over-indebtedness.

If the objective to strengthen the weight of the United States and the EU in global production chains may present negative aspects for the rest of the world, one of the positive aspects is the

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<sup>2</sup> Mogherini, Federica. 2015. "Remarks by Federica Mogherini, High Representative of the European Union and Vice-President of the European Commission, at the Brookings Institute," Brookings Institute, 20 January.

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fact that the materialization of the TTIP could prevent a “downward” pressure in global competition rules. There is no doubt that the TTIP also tends to encourage a search for “higher” universal objective standards, and this can be beneficial for all stakeholders in the world economy. Ideally this objective should be reached multilaterally through the WTO. Given that negotiations in this instance are going nowhere, the TTIP could channel efforts towards favourable convergence and a multilateral agreement on the facts.

Countries of the CELAC region have a common interest in closely monitoring the process of the TTIP with the aim of developing a strategy that does not exclude them. One of the available options that are worth being discussed by SELA and CELAC consists of bringing this issue to the CELAC-EU Summit of Heads of State and Government. The EU would have to take a position and decide if it is willing to exchange ideas with CELAC on this crucial issue in order to strengthen the common interests of both regions. The EU could be a useful partner for the region if it takes into account the CELAC interests in its own negotiations, given the existing free trade agreements with a portion of the Latin American and Caribbean countries.

### 2. The European strategy

Since the seventh round of the TTIP, held in October 2014, the European Commission has expressed its interest in improving the transparency of negotiations and the European public perception of this treaty. In fact, for a significant part of public opinion, the negotiations have been considered “under the influence” of lobbies and large companies. For this reason, in October 2014, the negotiating mandate given to the European Commission was published and a transparency effort was made to avoid confusion and misunderstandings. In addition, a wide public consultation was launched in 2014 about one of the most controversial aspects of the TTIP: protecting investments and dispute settlement mechanisms. The results were published at the beginning of 2015 and serve as a basis for the Commission’s current proposals.<sup>3</sup> Furthermore, since the entry into force of the Lisbon Treaty, the European Parliament is forced to ratify the final agreement. This results in the requirement for Parliament to be informed by the Commission before and after each round of negotiations. Thus, the TTIP for the first time raised the concern to ensure follow-up and a democratic support for the process of negotiations that is effectively applied.

The Commission also tries, with some success, to exercise its “soft power” over the United States. The EU has managed to gradually instil a view of trade as an instrument of social progress and for the promotion of values into its negotiations with the United States. Such is the case of the concept “responsible supply chains,” through which development, human rights, protection of labour and environment rights are encouraged.

One of the most contentious points in public discussions is the issue of dispute settlement mechanisms between investors and States. The European Commission is making huge efforts towards introducing significant innovations in international law in the field of foreign investment that have raised the strongest criticisms against the TTIP.<sup>4</sup> In particular, it is clearly stated that the investor’s right of “fair treatment” should not undermine a country’s right to regulate. These proposals by the Commission were already introduced in the CETA with Canada and are reinforced in the negotiation of the TTIP, but in this case they are aimed at widening their implementation and considering the long-term possibility of creating a “multilateral international court” as a

<sup>3</sup> [http://ec.europa.eu/commission/2014-2019/malmstrom/blog/investments-ttip-and-beyond-towards-international-investment-court\\_en](http://ec.europa.eu/commission/2014-2019/malmstrom/blog/investments-ttip-and-beyond-towards-international-investment-court_en).

<sup>4</sup> Commission Concept Paper, Investment in TTIP and beyond – the path for reform, May 2015  
[http://trade.ec.europa.eu/doclib/docs/2015/may/tradoc\\_153408.PDF](http://trade.ec.europa.eu/doclib/docs/2015/may/tradoc_153408.PDF).

dispute settlement mechanism in the field of foreign investment. This is also an example of the TTIP's potential to boost multilateral regulation.

### **3. Ninth round of negotiations in April 2015**

As regards the development of the process of negotiations of the TTIP, two rounds took place in the first half of 2015 (in February and April) and a third one is scheduled for before August. The ninth round of negotiations, which was held in New York from 20 to 24 April 2015, focused essentially on pillars 2 (regulatory cooperation) and 3 (standards), which have a distinctly strategic character and about which negotiators want to obtain results in September of this year at the latest.

As regards pillar 2, progress has been made in horizontal issues, as well as in nine sectors (automotive, pharmacy, medical services, cosmetics, engineering, textiles, chemistry, pesticides, ICTs). As for horizontal issues (cooperation among regulators, technical barriers to trade, phytosanitary measures), negotiators laid the foundations for a cooperation agreement among regulators in compliance with the procedures in force in each place. This allows the implementation of a positive cooperation without having to give up sovereignty and the respective protection standards. The EU insists on trying, simultaneously, to strengthen protections for consumers and the environment and to eliminate barriers to trade through a permanent cooperation among regulators. The goal is to reduce the misuse of differences in regulations for commercial purposes. The text of the European proposals for regulatory cooperation<sup>5</sup> -which, if adopted, would mean important progress in transparency- was released on 4 May and represents a radical innovation in the type of proposed trade policy, which becomes dynamic and cooperative to achieve the goal of eliminating barriers to trade.

In pillar 3, related to "rules," the work was intensified as a result of the interest of both sides in playing a decisive role in the development of global standards and international technical standards. Particular progress has been made in competition, energy, raw materials and cooperation development with third parties. One of the chapters that the EU wants to incorporate is that related to energy and raw materials, in particular the issues of non-discriminatory third party access to the energy transport infrastructures and cooperation in the field of energy efficiency. However, the final decision to include these issues has been postponed. The European Commission underlined, thanks to new research, the barriers to SME access to the U.S. market, and discussions focused on methods to eliminate these obstacles. In particular, discussions revolved around the operational tools that could be offered to SMEs to promote transatlantic trade and to alleviate customs barriers. As regards the environment, work focused on the agreement to combat illegal fishing. It should be noted that these aspects also entail potentially positive effects for the rest of the world.

Pillar 1 of TTIP (market access) was not addressed directly in New York, since the work is being carried out remotely without major problems. The goal is to eradicate the remains of distortions created by the tariff "peaks" in the case of certain products and reduce the very low rates that affect important exchanges. As regards services, there is already an agreement in principle, although the European demand to include financial services has not been resolved. Crucially, the European position of guaranteeing the freedom of Governments to provide and manage public

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<sup>5</sup> Publication of the revised EU proposal on Regulatory Cooperation in Transatlantic Trade and Investment Partnership (TTIP)  
[http://trade.ec.europa.eu/doclib/docs/2015/may/tradoc\\_153432.1%20Explanatory%20note%20-%20revised%20Regulatory%20cooperation%20EU%20legal%20text.pdf](http://trade.ec.europa.eu/doclib/docs/2015/may/tradoc_153432.1%20Explanatory%20note%20-%20revised%20Regulatory%20cooperation%20EU%20legal%20text.pdf).

services and goods is imposed. This contradicts what has been raised by the TTIP opponents, who have argued that this will force the dismantling of public services.<sup>6</sup>

Negotiations are continuing from a technical point of view. An important round is scheduled at the beginning of the northern autumn. However, it seems unlikely that an agreement will be reached in 2015, as was initially notified, and everything seems to point to 2016 as the date for the completion of negotiations. Once a full agreement is reached, the legislative powers will have the final decision in their hands: the US Congress, the European Parliament, the European Council, and in certain cases the national parliaments. Therefore, the ratification will not be automatic, if an agreement is reached among negotiators.

#### **4. Controversies regarding the TTIP**

In terms of European public opinion, the TTIP debate has intensified during the year 2014 and the first months of 2015. Movements against the TTIP organized rallies in major demonstrations in several European cities. However, according to a survey released in November 2014,<sup>7</sup> 58% of Europeans are in favour of the TTIP (only France and Austria have a majority against it), and 53% of public opinion in the United States is in favour.

The main criticisms point to the regulatory harmonization: the TTIP is considered a threat to the European social model, public health and sovereignty posed by the multinational companies, despite the assurances already received by the Commission in the negotiations on these aspects. These critical considerations are based on the hypothesis that the primary goal of the TTIP is to eliminate non-tariff barriers and differences in regulations and that, given that Europe is "more regulated," the Treaty would mean a dismantling of protections to consumers or workers, i.e. to the detriment of the Europeans. Without discarding such effects due to the increased competition, this argument rests on a static implicit model: regulations would necessarily be good and well-founded, without protecting e.g. independently wealthy persons, and additional competition would be necessarily grim, which is obviously inaccurate.

Another type of criticism has been raised by certain public opinion movements that consider that the TTIP threatens the development of the European identity to water down it in an Atlantic area. Thus, this Treaty would be contrary to the strengthening of the European integration by risking non-fully integrated economies, characterized by weak governance, against a more united and organized competitor with powerful lobbies that dominate the orientation of negotiations. This argument of asymmetry between the two parties and of internal heterogeneity of Europe would lead to an unequal distribution of benefits of the agreement to the detriment of the old continent. Although this argument is based on elements that deserve attention, it is also possible to consider that the "American pressure" could stimulate the European cohesion to overcome its weaknesses in the areas of organization and integration. It could also be argued that the non-participation in the harmonization of standards with the United States will not prevent others from imposing their standards if the problem lies in the lack of unity in Europe.

In general, the TTIP can be considered an attempt to maintain the "domination" of traditional powers (if analyzed in static terms), or an incentive to adopt global standards in the context of a "rally" of liberalization agreements (if analyzed in dynamic terms). The created movement could ultimately lead to a generalized reduction in trade barriers, which would facilitate, in a second

<sup>6</sup> Ambassador Froman and Commissioner Malmström, Joint Statement on Public Services Brussels, 20 March 2015  
[http://trade.ec.europa.eu/doclib/docs/2015/march/tradoc\\_153264.pdf](http://trade.ec.europa.eu/doclib/docs/2015/march/tradoc_153264.pdf)

<sup>7</sup> Dullien, Sebastian, Garcia, Adriana and Janning, Josef. 2015. "A Fresh Start for TTIP." ECFR. Policy Brief. February.

stage, multilateral negotiations and a "return" to the WTO. As an additional beneficial effect, the risk of "trade war because of the rules" could be reduced.

In any case, it seems clear that the TTIP can change the global geopolitical scenario, have global economic impact and affect the balance inside the WTO. Even if the trade creation effect prevails over diversion and the TTIP reduces costs and promotes overall productivity, the distribution of profits that it generates will depend not only on answers from the EU and the United States, but also on the attitudes shown by third countries.

### **5. Effects on the CELAC region: need for a regional strategy**

For the region CELAC, the effects of the TTIP will be strong. On the one hand, economies already integrated by means of agreements with stakeholders and negotiators of the TTIP might be benefited by the "growth effect" that this agreement could make in the North Atlantic, by greater access to these markets and by the possibility of making better use of returns to scale with lower entry costs as a result of the unification of standards (effects that might be even more significant for SMEs in LAC). In addition, the competition inside LAC markets should increase, with positive net effects on costs and income due to higher productivity. On the other hand, the economies without agreements with the EU or the United States could be discriminated. Such is the case of the Mercosur countries, which have not reached partnership or free trade agreements with any of the two players of the TTIP. According to simulations carried out by the Getulio Vargas Foundation,<sup>8</sup> in the case of Brazil, losses would be associated with a decline of 10% in their exports. However, if Brazil could join the negotiations and enter simultaneously into the same type of agreement, according to this study, its exports would rise significantly. Thus, minimizing the negative effects and taking advantage of the possibilities offered by the TTIP would enable Brazil and MERCOSUR to conclude a partnership agreement with the EU and the United States. But it appears that the eventual practical implementation of these agreements could take more time than the completion of the TTIP.

In short, as it was stressed in the 2014 report, CELAC should undertake a cohesive strategy vis-à-vis the likely impacts of this mega-agreement. In view of its negative and positive effects, the TTIP offers an opportunity for "reactive cohesion" inside CELAC.

## **II. EVOLUTION OF PARTNERSHIP AGREEMENTS AND BI-REGIONAL COOPERATION INITIATIVES**

This section addresses the evolution of the ongoing negotiations in bi-regional partnership agreements. As widely known, the process in this area started in the early 2000s with the signing of comprehensive partnership agreements between the EU and Mexico, the EU and Chile, the EU with Central America, and with the countries of CARIFORUM, and two separate free trade agreements with Peru and Colombia. The process received a renewed boost with the trade agreement reached between Ecuador and the EU in July 2014 and the renewal of the dialogue and negotiations between Cuba and the EU in February 2014 with a view to cementing a cooperation agreement. This section focuses on reviewing the most recent steps taken in the process of dialogue and negotiation between the EU and Cuba, which has gained greater significance after the start of the process for the normalization of relations between Cuba and the United States and the persistent stagnation of the negotiation between MERCOSUR and the EU. It also makes a brief analysis of the

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<sup>8</sup> Thorstensen Vera y Lucas Ferraz, The impacts of TTIP and TPP on Brazil, Fundacao Getulio Vargas, 2014  
[http://ccgi.fgv.br/sites/ccgi.fgv.br/files/file/Publicacoes/TTIP%20e%20TPP%20\(ENG\)%2016.01.14.pdf](http://ccgi.fgv.br/sites/ccgi.fgv.br/files/file/Publicacoes/TTIP%20e%20TPP%20(ENG)%2016.01.14.pdf).

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new initiatives and action lines for cooperation that should be announced at the upcoming Summit in Brussels.

## 1. Renewed impetus in EU-Cuba negotiations

As indicated in the 2014 report, the relations of the European Union with Cuba have experienced a favourable evolution since early 2014. Cuba is the only country in the region with which Europe does not have a bilateral agreement; furthermore, the EU maintains the so-called "common position" on Cuba, which limits the links between both parties.<sup>9</sup>

As a matter of fact, in February 2014, an announcement was made about the start of negotiations with a view to establishing a political dialogue and reaching a cooperation agreement, which evidenced a more flexible stance by the EU, resulting from a positive assessment of the changes undertaken by the Cuban authorities with their process of economic "update". It was also the result from the interest in the possibilities of investment and trade that may be offered to European businesses by the ongoing transformations; particularly the opportunities arising from the new foreign investment law passed in Cuba in March 2014<sup>10</sup> and the prospects opened up by the establishment of the Special Development Zone of Mariel (ZEDM),<sup>11</sup> which are very attractive. From the standpoint of Cuba, it is clear that reinforcing relations with the EU can provide the technology and capital needed for the development and modernization of the country. Another boost was provided by the statements made by Presidents Barack Obama and Raúl Castro on December 17 2014, announcing the start of a process to normalize bilateral relations between the United States and Cuba which, without a doubt, provided a more favourable setting for an agreement between the EU and Cuba.

Several negotiations rounds have been conducted since the announcement of the re-launch of the EU-Cuba negotiations. The first round, which took place in Havana in late April 2014, allowed for outlining a road map on the negotiation process and the central elements of the general structure of the future agreement. The second round, which was conducted in Brussels in late August 2014, focused on topics related to cooperation. It included the drafting of some Articles<sup>12</sup> for the agreement, as well as a presentation by the EU on its points of view as regards trade and investments.

The third round was conducted in March 2015 and dealt with more complex and sensitive issues: the political dialogue, governance, human rights and cooperation vis-à-vis global challenges. These topics were widely discussed but no agreements were reached. Certain technical achievements were made in the areas of labour, culture, education, health, agriculture, trade and assistance. In addition, the visits made to Cuba by Federica Mogherini, the High EU Representative for Foreign Affairs and Security Policy, on 23 and 24 March 2015, and by Bruno Rodríguez, Minister of Foreign Affairs of Cuba, to Brussels on 22 April, have helped strengthen the dynamics of the negotiations, which are taking place within a "respectful and constructive" framework.<sup>13</sup> At the

<sup>9</sup> The "common position" was adopted in 1996 and has resulted in a very restrictive policy of the EU towards Cuba. From the European point of view, such position conditions the relations with Cuba to "making progress in the areas of democracy and respect for human rights" on the Caribbean country. This "common position", which cannot be removed unless the 28 Member States of the EU make a unanimous decision in this regard, has been criticized by Cuba as being contrary to the principles of sovereignty and self-determination.

<sup>10</sup> See <http://www.gramma.cu/cuba/2014-04-16/asamblea-nacional-del-poder-popular>.

<sup>11</sup> The ZDEM is a mega-project intended to become the main gateway for entrance and departure of Cuban foreign trade flows and a key maritime traffic centre in the Caribbean.

<sup>12</sup> <http://www.diariolasamericas.com/america-latina/ue-cuba-logran-progresos-cooperacion-cara-acuerdo.html>.

<sup>13</sup> <http://www.infolatam.com/2015/04/21/reunion-del-canciller-de-cuba-con-la-ue-sobre-dialogos-politico/>.

beginning of the negotiation process, it was thought that progress would be slow. However, after the visits of Mogherini and Rodriguez an agreement has been reached to speed up talks in order to try to ink an agreement by the end of 2015. The next round is scheduled for June this year in Brussels.

At any rate, it is clear that Cuba's parallel negotiations with the United States are exerting an obvious pressure on both sides to strengthen relations. With such prospects of intensifying relations with the United States, Cuba needs to maintain a certain balance in its global foreign relations. At the same time, from the Cuba's standpoint, Europe can bring about an interesting offer in the approach and praxis of the transformations that must be implemented in the country in coming years. Against the U.S. offer, a more attentive European approach to social cohesion and sustainable development can provide interesting options to Cuba's modernization process.

From the point of view of the EU and its member countries, it is clear that they want to maintain their economic positions and participate in Cuba's process of opening-up and modernization. Trade missions from various European countries (England and Spain, for instance) and the official visit of French President François Hollande, on 11 May 2015, are a proof of the renewed interest of the EU in strengthening relations with Cuba.

Undoubtedly, economic factors explain such renewed interest. The EU is Cuba's second trade partner (22% of its trade exchanges) and the main investor in the island. One-third of the tourists welcomed in Cuba come from the Europe. For the period 2008-2013 the EU provided about 85 million euros for identifying cooperation projects to be implemented in Cuba aimed at contributing to sustainable development in the country. Compared to the 2014-2020 period, the Multiannual Indicative Programme for Cuba (bilateral cooperation)<sup>14</sup> provides 50 million euros for projects to be identified during the stage, and the priorities will continue to be similar to the previous cycle: 1) food security; 2) environment, climate change and energy; and (3) support to the socials and economic modernization of the country. The initiatives in the cultural, patrimony and social areas may be financed with additional funds coming from the thematic lines (5 million euros).

But the renewed interest of the EU in Cuba is also due to strategic and geopolitical factors. Cuba is recognized by the EU as a very important stakeholder in the creation process of CELAC, and as having a strong participation in multilateral forums at the regional and international levels. Within this context, the two parties share similar goals in the Caribbean region: the fight against drug trafficking and organized crime, the reconstruction of Haiti, and the fight against climate change. Moreover, it is quite likely that the progressive normalization of its relations with the United States may reinforce Cuba's leading role in the region. Cuba can even become a supplementary vector for strengthening the EU's relations with the rest of the countries of the Caribbean.

## 2. Deadlock in MERCOSUR-EU negotiations persists

One of the main pending tasks for the process to materialize partnership agreements has to do with the relationship between MERCOSUR and the European Union. As widely known, the negotiations between the two blocs were interrupted in 2004 and relaunched in 2010. As discussed in the 2014 report, the decision to relaunch negotiations at the sixth Bi-Regional Summit held in Madrid reflected the fact that the existing impasse since 2004 had very negative effects on bi-regional relations.

<sup>14</sup> [http://eeas.europa.eu/delegations/cuba/documents/cooperacion/20141118\\_cubamip.pdf](http://eeas.europa.eu/delegations/cuba/documents/cooperacion/20141118_cubamip.pdf).

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However, subsequent developments confirmed a widely shared idea: the prospect of rapidly achieving an agreement was not likely. After the numerous negotiation rounds conducted since 2010, the parties have not been able to complete the exchange of offers. Other factors that have made it even more difficult to reach an agreement compound the well-known disputes (reluctance of several EU countries to make concessions on trade in agricultural products, positions against opening-up in the area of public procurement or against the liberalisation of services in the case of some sectors of MERCOSUR) which have turned the EU-MERCOSUR negotiations into the most complex bi-regional relation in terms of the importance granted to sensitive sectors. On the European side, the economic crisis was the focus of attention during the hardest times (i.e. between 2010 and 2012). The crisis itself in the case of the EU, the instability and uncertainty that have prevailed at the international level, as well as the slowdown in South American economies over the past two years, have exacerbated the protectionist bias.

In the first months of 2015, the stalemate situation has worsened, and it seems difficult if not impossible to envision quick results from the EU-MERCOSUR negotiations. As stated by leading analysts of the relations between these two integration blocs, the "exchange of offers remains delayed and it can be asserted that, at least this time, the ball is stopped on the European side". At present, the only movements that can be seen are rather aimed at the typical "blame game" practiced when an international trade negotiation is stagnant. There are no initiatives to make the negotiation between the two regions more feasible, through a flexibilization of the objectives in terms of time frames and coverage of the trade exchanges subject to tariff reductions, and there seems to be no political will to overcome the current impasse,<sup>15</sup> even though the officials involved in the negotiations often declare their willingness to resume talks.<sup>16</sup>

Nevertheless, there are factors that should favour a revival of the negotiating process. In the case of MERCOSUR, as already noted, the possible implications of the TTIP being negotiated by the EU and the United States are a factor that must be taken into consideration.

### 3. New cooperation initiatives

As already noted in previous reports, in the Bi-Regional Summit that took place in Madrid in May 2010, the bi-regional cooperation relations were enriched and structured thanks to the definition of the so-called Madrid Lines of Action. As a matter of fact, the annex to the Madrid Declaration contains the EU-LAC Plan of Action,<sup>17</sup> which, according to the major issues of the bi-regional agenda and the priorities set forth at the VI Summit, identifies instruments and activities that should help to produce concrete results in six areas, namely: 1) Science, research, innovation and technology; (2) Sustainable development; environment, climate change, biodiversity, energy; (3) Regional integration and interconnectivity to promote social inclusion and cohesion; (4) Migration; (5) Education and employment to promote social inclusion and cohesion; (6) The world drug problem.

<sup>15</sup> See the recent studies conducted by Félix Peña:

<http://www.felixpena.com.ar/index.php?contenido=negociaciones&neagno=informes/2015-04-importancia-diversidad-corredores-comercio-transporte> and

<http://www.felixpena.com.ar/index.php?contenido=negociaciones&neagno=informes/2015-05-adaptacion-mercosur-realidades-dinamicas>.

<sup>16</sup> For instance, the governments of Argentina and Brazil have done so recently, insisting on the need to resume the negotiations between MERCOSUR and the EU: [http://www.cubadebate.cu/noticias/2015/05/09/gobiernos-de-brasil-y-argentina-buscan-un-tratado-de-libre-comercio-entre-unasur-y-la-union-europea/#.VVcI8\\_ntHw](http://www.cubadebate.cu/noticias/2015/05/09/gobiernos-de-brasil-y-argentina-buscan-un-tratado-de-libre-comercio-entre-unasur-y-la-union-europea/#.VVcI8_ntHw).

<sup>17</sup> See: [http://www.eu2010.es/export/sites/presidencia/comun/descargas/Cumbre UEALC/may18\\_actionES.pdf](http://www.eu2010.es/export/sites/presidencia/comun/descargas/Cumbre UEALC/may18_actionES.pdf).

The prospects opened up with the Madrid Lines of Action were reinforced in the next bi-regional event. In fact, one of the innovative elements of the Summit held in Santiago de Chile in January 2013 was the expansion and deepening of the dynamics resulting from the launching of the Plan of Action. Thus, a decision was made to add two new chapters, on gender and investment and entrepreneurship for sustainable development, in the EU-CELAC Action Plan 2013-2015. As indicated in the 2014 study, it is clear that the two new chapters included in the Lines of Action deal with issues that have gradually gained ground in the bi-regional relations and that may result in important contributions for reinforcing relations in the near future.<sup>18</sup> Gender issues are gaining relevance in both continents. In the case of Latin America and the Caribbean, women play a strong, high-level political role. In addition to the number of women who have held the post of President in several countries of the region, the proportion of women who have served as Parliamentarians in Latin America and the Caribbean is higher than in other continents. However, this fact has not radically changed the socio-economic macro-trends as regards the gender issue. In the case of Europe, the crisis has led to a social regression that has mainly affected women. Moreover, in both continents there is a high – and in many cases growing – level of domestic violence and femicide.

In turn, investments in the bi-regional relations have clearly gained relevance, to such an extent that it was the most debated issue during the Summit of Santiago de Chile. Without downplaying the reasons for conflicts and differences – such as the protectionist positions reinforced by the global crisis and the disagreements as regards legal security, which have hindered the development of bi-regional relations at many levels – this new chapter on investments, which deals with one of the most dynamic flows of the bi-regional economic relations, opens up considerable opportunities for partnership and collaboration. Thus, the promotion of investments with social and environmental quality contributes to create a space for reflection and action, so as to promote a better insertion of both regions into global value chains.

The studies conducted as preparation for the Bi-Regional Summit held in Brussels propose an expansion of the Lines of Action with two additional chapters: One on Citizen Security and the other on Higher Education.

The Chapter on Citizen Security deals with a concern that has lately emerged in the bi-regional dialogue,<sup>19</sup> an issue on which CELAC is making emphasis. Particularly, the Central American countries have insisted on including this issue in the CELAC Action Plan. Thus, they reinforced the idea that is essential to "raise awareness that Citizen Security is one of the main concerns of Latin American and Caribbean countries, and strengthening in this area is crucial for promoting the development of the region and decisively improving the quality of life and well-being of its citizens, as well as promoting public policies on this issue".<sup>20</sup> Outlining a joint strategic agenda on this topic, which creates synergies and complementarities, can considerably contribute to reinforcing the credibility of the bi-regional relations vis-à-vis the public opinion in both regions.

The launching of a specific Line of Action on Higher Education, as suggested in the 2014 report, is a very important step towards strengthening bi-regional relations. The prospects of strengthening a common space for Higher Education between Europe and Latin America and the Caribbean – aimed at facing the challenge of improving the quality of education in a globalized world, and mainly involves increasing the mobility of students and teachers, creating a common accreditation

<sup>18</sup> SELA, *op. cit.*

<sup>19</sup> See the study by Verdes-Montenegro Escámez, Francisco, *Seguridad e interregionalismo entre la UE-ALC: Más problemas que política*, in Anuario de Integración 10, 2014:

<http://eulacfoundation.org/sites/eulacfoundation.org/files/pdf/Seguridad%20y%20interregionalismo.pdf>.

<sup>20</sup> <http://www.alainet.org/es/active/70919#sthash.rmugnBaR.dpuf>.

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system based on quality indicators and parameters, and coordinating this process involving the joint participation of institutions from both regions in innovation and scientific and technological development programmes – were renewed with the conduction of the first Bi-Regional Academic Summit, which took place in Santiago de Chile on 22 and 23 January 2013, ahead of the latest Summit of Heads of State and Government. At this level, there is a great potential for cooperation both in the areas of higher education and science, technology and innovation. Both regions are faced with the global challenge of education for knowledge society, but the specific situations of each region open up ample spaces for complementarity.

In the case of Latin America and the Caribbean, the promotion of Higher Education and its internationalization, as well as scientific and technological development, is a *sine qua non* condition for consolidating the progress made in recent years, for strengthening social cohesion, and improving the quality of international specialization and the national productive apparatuses. In turn, Europe, which is mostly made up by high-income countries, is a power in the areas of education, science and technology, and its cooperation offer at this level is very much attractive.

## CONCLUSIONS AND RECOMMENDATIONS

In the months and weeks before the Summit in Brussels, several factors led to think that the political context during the first half of 2015 was not the best one for organizing a Bi-Regional Meeting that could have satisfactory results. In Latin America and the Caribbean several countries suffered a degradation in their economic situation, with allegations of corruption and other factors that have adversely affected the image of political leaders and have become top issues in the political agendas and the mass media. This has distracted the attention of governments on the strategic issues and their foreign policy, probably taking away priority from issues such as the preparation for the Bi-Regional Summit.

Something similar can be said about the European Union. There is no doubt that the attention of national governments and EU Community institutions has been lately focused on issues such as the crisis in Ukraine and the tensions between Europe and Russia, the networks of migrant smugglers, the security and surveillance of the Mediterranean Sea, the political and financial situation in Greece and the elections aftermath, the permanence of England in the EU. In addition, the diplomatic frictions between Spain and Venezuela have deteriorated bi-regional negotiations.

However, despite these factors that negatively affect the preparation for the EU-CELAC Summit, on the basis of some recent positive developments, the upcoming Summit in Brussels could provide a boost to bi-regional relations. From a factual point of view, the momentum gained by the negotiations between the EU and Cuba to reach a cooperation agreement is a very positive factor for bi-regional relations.

At another level, the reflections on the future of bi-regional relations organized by the EU-LAC Foundation, which resulted in a recently published document,<sup>21</sup> underscore the need for launching a "renewed political dialogue" in order to overcome the "fatigue" period that the relations between the EU and CELAC are going through. The document states that bi-regional relations and their international projection should be strengthened, focusing on a limited and truly strategic agenda, that takes into account the new political arrangements in which both regions are participating, the new negotiation processes on "mega-regional" agreements, and the new challenges to bi-regional cooperation arising from the agenda of global governance for development.<sup>22</sup> This means that there has been progress in the EU-CELAC dialogue as regards the major issues to be addressed within an overall framework in 2015-2016: the Agenda on sustainable development after 2015, the new Convention on climate change, which should be adopted in the COP 21 to be held in Paris in December 2015, and the Special Session of the United Nations General Assembly on the World Drug Problem that will take place in 2016.

Such prospect has been reconsidered by the EU Ministers of Foreign Affairs, who, in addressing the issue of relations with the CELAC, in late April, endorsed the idea of dealing with global challenges jointly.<sup>23</sup>

Latin American countries should take advantage of this prospect, of the conclusions from the reflections aimed at revitalizing bi-regional relations and overcoming the problems arising from the current political context which adversely affected the process of preparation for the Bi-Regional Summit. This involves giving great importance to using the Bi-Regional Summit to address global issues in order to promote joint actions by the EU and CELAC on the international scene and strengthening some key aspects of bi-regional relations.

<sup>21</sup>See Sanahuja, José Antonio, *La UE y CELAC: Revitalización de una relación estratégica*, Hamburg, 2015. [http://eulacfoundation.org/sites/eulacfoundation.org/files/EULAC\\_Relations\\_published.pdf](http://eulacfoundation.org/sites/eulacfoundation.org/files/EULAC_Relations_published.pdf).

<sup>22</sup> Sanahuja, *op. cit.*

<sup>23</sup> <http://www.infolatam.com/2015/04/20/union-europea-aboga-por-estrechar-los-lazos-como-iguales-con-latinoamerica/>.

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With regard to global issues, the 2014 report – as well as this report – underscored the importance of opening up a macroeconomic dialogue between the EU and CELAC in order to present their positions on the issue of the reform of the deficient international financial architecture.

Along the same line is the insistence on opening up a space for joint reflection between the EU and CELAC on the competitive dynamics created by the negotiations to reach mega trade and investment agreements between regions, such as the TTIP. As reported in this study, the negotiations continue at a technical level, and even though it seems that an agreement can hardly be reached in 2015 as planned, it is likely that there are some definitions by 2016. As stated here, both the negative and the positive effects of the TTIP offer an opportunity for "reactive cohesion" within CELAC. It is worth noting that CELAC faces an excellent opportunity for concertation among its Member States, firstly to assess the effects and risks of the TTIP for the countries of the region, and secondly to formulate a common position in multilateral organizations and in its bilateral relations with the two negotiators of this mega-agreement. This dynamic challenge seems to be the most important thing for the region: the need for coordination among the members of the CELAC in order to outline a common strategy vis-à-vis the imminent emergence of transatlantic or global standards and norms. If this topic is the subject of analysis and reflection at the bi-regional summit it could be possible to hold a transatlantic dialogue at the bi-regional level with the EU.

The global agenda also includes the need for the EU and CELAC to take advantage of the next bi-regional meeting to jointly deal with the Agenda on Sustainable Development post-2015, so as to make strides with the conceptual definitions and practices on cooperation between high-income countries (the EU) and average-income nations (most countries of CELAC). Such cooperation among partners on an equal footing allows for developing exchanges of experiences and joint programmes on topics such as land development, environmental policies or the treatment of asymmetries in regional integration processes.

At the strictly bi-regional level, many issues can be dealt with. However, in the final stage of the preparation for the bi-regional meeting and the negotiations on the Declaration stemming from the Summit two major topics should be emphasized.

On the one hand, it is necessary to return to a positive dynamics for the EU-MERCOSUR negotiation. As argued above, for the MERCOSUR countries the absence of an agreement with the EU can expose them to the negative consequences that could result from the TTIP being negotiated by the United States and Europe. Therefore, it would be advisable to take advantage of the Bi-Regional Meeting to carry out a high-level rapprochement between the EU and MERCOSUR to relaunch the negotiating process on a solid basis.

On the other hand, in the next Summit there should be a decisive breakthrough towards consolidating an EU-LAC space for higher education, science, technology and innovation. The creation of a new line of action concerning this issue – which is one of the proposals made in previous reports – would be a great achievement. I would open up a new stage in which proposals to strengthen the integration of the higher education systems and the scientific and technological research centre from both continents must be adopted. This would imply making progress in the creation of regulatory and financial conditions to increase the mobility of students and teachers, taking steps that would lead to the emergence of a common bi-regional accreditation system based on parameters and quality indicators, and coordinating such process with the joint participation of institutions from both regions in innovation and scientific and technological development programs. The Second EU-LAC Academic Summit, which will take place in Brussels on 8 and 9 June, will address these issues and will deliver a statement with specific proposals to the EU-CELAC Summit of Heads of State and Government. The Latin American and Caribbean countries must promote the broadest possible participation of their university communities in the Second EU-LAC Academic Summit, which is now in its final phase of preparation and has already registered several hundreds of participants.

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