



# BULLETIN

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## Unused Potential of an EU–LAC Partnership

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*On 10–11 June 2015, the EU–Latin American and Caribbean States summit will be held in Brussels. It will be an occasion to enliven the bi-regional dialogue that due to the eurozone crisis and the growing presence of China in the Americas, among other reasons, has been latent of late. Poland and the rest of the EU have a chance to strengthen cooperation with this region. The first steps toward this goal should be to complete negotiations of the EU–Cuba Political Dialogue and Cooperation Agreement and to sign new trade agreements (with Mercosur) and update existing ones (with Chile and Mexico).*

Since 1999, when the EU and Latin American and Caribbean (LAC) states established a strategic partnership, they have been gradually enlarging the areas of cooperation. Nevertheless, economic relations are critical to the partnership, proven by the statistic that the EU is still the first foreign investor in the region and the LAC's second trade partner. The regions try to work together on a number of joint initiatives related to such areas as the environment, climate change, migration, gender issues, investments and entrepreneurship for sustainable development. Despite 15-plus years of bi-regional dialogue and efforts devoted to these issues, summit declarations are often not followed up by deeds. There is a general impression that both regions do not place each other high enough in their foreign policy priorities. While both sides are culpable, to some extent the formula itself is at fault.

**Dissimilar Priorities.** Because the situation in bordering countries has a direct impact on the security of the bloc, the EU's external policy must focus on these areas. In challenging times like today with the crisis in Ukraine and the unprecedented wave of migration from the south to Greece and Italy, the EU naturally puts more efforts into its relations with European Neighbourhood Policy (border) countries. In doing so, it also diminishes its presence in other regions. That is why the EU pays most attention to North Africa and the Middle East and Eastern Europe. The economic slowdown and eurozone crisis are also not irrelevant here because they keep the EU also focused on its internal problems, including the economic health of Spain.

In terms of LAC, Spain is known in the EU as a supporter of closer links between the two regions. Spain has had great input into the organisation of the bi-regional summits, in shaping EU policy on Cuba, and in funding the intergovernmental EU–LAC Foundation. Finally, Spain's room for manoeuvre in terms of "latinoamericanisation" of EU policy was diminished when the Lisbon Treaty entered into force in 2009 as it reduced the competences of the presidency of the Council.

On the other hand, due to the size of the Americas, the most important countries for LAC are fellow states in the region as well as the U.S., and recently, Asia and Pacific countries. In 2009, China overtook the EU as in trade in Argentina, Brazil, Chile, Colombia and Uruguay. Thanks to the LAC states' favourable economic outlook (the OECD reports that in 2004–2014 their economies grew by about 4.1% yearly) they are developing economic ties with alternative markets. The EU overall became less important as a LAC export partner. According to CEPAL, although LAC exports to the EU remain roughly at the same level (on average 18% of total exports), LAC exports to China doubled (from 6% to 12%). The best examples of LAC's pivot to Asia are two initiatives. First is the proposed Trans-Pacific Partnership, a regional free trade agreement now being negotiated between the U.S., Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Second is the regional trade integration initiative called the Pacific Alliance, composed of Chile, Colombia, Mexico, and Peru. Its main purpose is for members to form a regional trading bloc and forge stronger economic ties with the Asia-Pacific region. Finally, it is worth mentioning the openness of the LAC markets (above all Brazil, Argentina, Ecuador and Uruguay) in cooperation with Russia, which was hit by European sanctions and has been looking for alternative markets in the Americas.

**Polyphony Rather than Dialogue.** The formula for the dialogue between the European Union and the LAC, in which 61 countries participate in total, also limits the bi-regional conversation. Mainly for pragmatic reasons the EU encourages bilateral ties with specific countries rather than investing in strengthening bi-regional ties. From a political point of view, the tactic is understandable. This viewpoint also has its roots in difficulties related to the dialogue with other integration organisations in the region, the stagnation of the EU-Mercosur relations being the best example. Furthermore, as opposed to the European Commission, CELAC does not have a legal personality, therefore it cannot act as the sole voice of the region.

**Areas for Cooperation.** The EU policy towards LAC should focus on four elements. First is to complete the negotiations of the EU-Cuba political dialogue and cooperation agreement as soon as possible. Despite a common position established in 1996 (which does not include sanctions but makes cooperation with Cuba dependent on improvements in human rights and political freedom), the EU kicked off talks on a new agreement. Given the beginning of normalisation of U.S.–Cuba relations, most probably systemic transformation on the island is unavoidable. Since some of the EU Member States (14) have already signed an agreement on economic cooperation with the island, the signature of an EU–Cuba political dialogue and cooperation agreement seems to be a minimum for the Union. Even though the agreement is focused on political cooperation, it will probably encourage economic cooperation, too. Although the Cuban market is small (population of 11 million), the shortage of basic goods, such as food, hotel infrastructure, medicine, medical appliances and others, and the lack of modern technology mean the Cuban market is unsaturated. An official visit to Cuba by French President François Hollande in May 2015 shows that the Member States will act so as not to lose momentum. The sooner the EU establishes a framework for cooperation with Cuba, the less likely the Member States will be to pursue bilateral actions.

On the second element, to boost economic cooperation the EU should make it a priority to sign new free trade agreements (with Mercosur) and update existing FTA's with Chile and Mexico. The EU has so far taken a cautious approach to the issue, which means that it waits for the outcomes of expertise on the functioning of an FTA before acting. This approach may, however, lead the EU to lose its position as an important trade partner in favour of other countries with which they negotiate similar treaties. Chile and Mexico can more easily set their priorities in the Americas and in Asia and the Pacific, leaving behind the EU. Despite these difficulties, the EU should strive to complete the negotiations with Mercosur, which foremost would lead to an FTA with Brazil—the biggest economy in Latin America.

Third, the EU should reinforce cooperation on Common Security and Defence Policy (CSDP) with interested partners in the region. The main goal would be to boost EU legitimacy as a security provider in the eyes of Latin American leaders. It is worth mentioning that, for example, Argentina, Brazil and the Dominican Republic have already participated in EU crisis-management operations in the Democratic Republic of Congo, Haiti and Bosnia and Herzegovina. What is more, in 2014 Chile and Colombia signed up to Framework Participation Agreements, which confirmed their willingness to contribute to CSDP missions and operations. Negotiations with Brazil are ongoing.

Fourth, the EU should focus on cooperation in the field of education and innovation. Despite a golden decade for LAC, the economic slowdown that began in the region in 2010 is continuing. According to preliminary data, the region's economy grew slightly over 1% in 2014 (compared with 2.5% in 2013 and 2.9% in 2012). Education and innovation are key areas that would enable more Latin American countries to escape the so-called middle-income trap. Since the EU also has struggled with slow economic growth and job creation, especially for young people, both regions could share common solutions.

**Polish Interest.** While LAC states occupy a marginal place in Poland's foreign policy, and as a result there is a shortage of Polish civil servants who work on issues related to the region, the country could channel its capabilities into two issues: Cuba and FTAs. First, Poland can continue to express its support for the ongoing EU–Cuba talks. On the other hand, and following the example of France, Hungary, Spain and the Netherlands, Poland should consider paying an official visit to Cuba and holding political and economic consultations. The second issue is support for Chile and Mexico in their efforts to update FTAs with the EU. If the agreements are renewed, Polish companies could benefit from the further liberalisation of trade. It is worth mentioning that the biggest Polish foreign investment is located in Chile (Polish copper company KGHM's investment in the Sierra Gorda mine), and the attractiveness of this country will increase, especially for entrepreneurs from the mining sector. Mexico is also a prospective market (officially tabbed by the Polish Ministry of Economy in 2014), and it will keep attracting Polish companies. In fact, Polish exports to Mexico in the last decade have increased by six times.

Poland and the EU should keep improvements in LAC cooperation among their policy priorities and do what they can, despite many other areas of focus, to enhance their competitiveness in this region.