THE EUROPEAN UNION'S RELATIONS WITH LATIN AMERICA

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In the earlier decades of the formation of the European Community, Latin America was neglected in European policies. Latin America was perceived as a US sphere of influence and owing to geographical remoteness there was no threat of mass migration, which could be controlled through economic assistance or investment. This region got slight recognition when the UK joined the EEC in 1973, but the accession of Spain and Portugal to the Community in 1986, brought the region into the limelight. However, Latin America was not an unknown region for Europe, for European colonialists arrived in Latin America at the end of 15th century. Spain and Portugal were the principal colonizers of this region along with France and Britain.

Several millennia before the arrival of European colonizers, the indigenous people of the continent migrated from the Asian mainlands and settled in this land. These indigenous people belonged to around 350 groups, and most of these groups or clans were socially, culturally and linguistically independent. The European conquistadors and colonizers however, called them 'Indians'. Since these so-called Indians were dark-skinned, they were considered as inferior beings and the colonizers, with a mix of missionary and political motives arbitrarily divided the indigenous population into countries of various shapes and sizes.[1]

European colonialism in this region ended in the beginning of the nineteenth century, but a large number of Europeans already settled during the colonial period in the largest countries of the region – Brazil, Argentina and Uruguay, preferred to stay back. European settlement in Latin America affected the region in two ways: Firstly, native languages, religions and customs of the indigenous people became nearly extinct and secondly, extreme social and economic disparities became endemic in the

[1] www.britannica.com/topic/South-Americas-Indigenous-Peoples-555848.

societies of South American countries. This inequality still persists, and it impacts upon growth and development in these countries.[2]

Although, many Latin American countries got independence in the nineteenth century, they were not economically independent. They became victims of forces beyond their control, and the violent conflicts among and within these states often encouraged by outside powers, alongwith authoritarianism and corruption, dragged them into the depths of despair and degradation. The borders of the states had been drawn by the colonizers without taking into consideration the ethnic composition of various regions. The colonial masters were only concerned about promoting their own political and economic interests.

Thus, after 'independence' the Latin American countries largely relied on foreign aid and became victims of another kind of colonialism. The European Community's relations with Latin America were established in the 1970s on sub-regional basis.[3] It is pertinent to note that before the entry of the European Community in the continent it was already divided in sub-regions.

The term 'Latin America' is used for 20 independent republics and is divided into three groups. The first group comprising six Central American states, viz. Panama, Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala were part of Mexico during the colonial era and are still closely tied with it, but Mexico is now not considered part of the group.[4] The second group is known as the Andean Community, named after the Andes Mountain. This group comprises Columbia, Ecuador, Peru and Bolivia. The third group is MERCOSUR which has been the EU's most favoured sub-regional bloc in Latin America. It is composed of Argentina, Brazil, Paraguay and Uruguay.[5]

Latin America is a large land mass with long stretches of land near to the sea coasts. This is a big advantage, for it decreases the internal and external transport costs. Around 27% of Latin America's total land area is within 100 km of the coast or an ocean-navigable river and nearly 40% of the Latin

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[2] www.newworldencyclopedia.org/entry/European_Colonization_of_the_Americas.
[3] http://www.europa.eu.
[4] http://www.cardiff.ac.uk/insrv/resources/edc/EU-Latin_America_Relations.pdf.
[5] Ibid.

American population lives within a 100 kilometers of the sea coasts or ocean-navigable rivers. Thus easy access to the sea has a beneficial impact on development.[6] In comparison to Africa and South Asia, Latin America is considered as more developed. Another factor which has helped in the development of the continent is an urbanized population. The majority of Latin America's population is highly urbanized, while other developing regions are mainly rural. However, Latin America is also confronted by a range of problems such as extreme poverty, inequality, lawlessness, corruption, discrimination and exploitation.[7]

It is a known fact that better infrastructure reduces the transport and communication costs, which not only enhances foreign trade but also helps integrate regional markets.[8] Thus, we find more regional integration in Latin America than other developing regions. But at the same time, Latin America is one of the most unequal and imbalanced regions in terms of wealth distribution and access to resources and services. The economic gap between the rich and poor is often very wide. Such inequalities increase poverty and do not allow a country to achieve a high level of per capita income.[9] It has been observed that in former colonies in Asia, Africa and Latin America, where the descendants of colonialists have settled down, socio-economic inequalities are more acute. The imperial settlers made it a point to develop only those regions where they were settled or those regions which had an abundance of natural resources. They developed political and administrative institutions only in the resource-rich areas, so as to facilitate the extraction of natural resources. In this regard, the unequal distribution of land during the colonial times and the land tenure system is also important, because the quality of land and access to markets and services are also factors contributing to the perpetuation of inequalities.[10]

It is also a bitter truth that poverty in Latin America is mostly related to ethnicity and people of non-European descent have less access to

[6] http://siteresources.worldbank.org/INTABCDEWASHINGTON2002/Resources/wood.pdf.
[7] Ibid.
[8] Adrian Wood, Could Africa be like America? http://siteresources.worldbank.org/INTABCD WASHINGTON 2002/Resources/Wood.pdf.
[9] Ibid.
[10] Ibid.

resources.[11] Today, the rapid growth in population is also a factor breeding inequality because it increases the pressure on resources to which the majority of people still have limited access or none at all. Like in most other areas of the South, the Latin American population is growing at an incredible rate. In 1950, the population of the continent was 175million which rose to 515 million in 2000 and in 2050 it is estimated to be around 800 million.[12] The people are of diverse cultural origin. The population includes an interesting mix of descendents of Europeans, Africans, Asians as well as numerous aboriginal groups.[13]

A generally inept and corrupt leadership and the colonial legacy are still rooted in Latin American polities, which keep alive racial and ethnic differences, and the gap between rich and poor. The situation curbs people's access to education and healthcare. On the other hand, we observe a surge in democracy, alternating with a tendency to revert to authoritarianism.[14]

The EU's relations with Latin America

The EU's relations with Latin America can be classified at three levels:

i) At the regional level, in which programmes are offered for the entire region.
ii) At the sub-regional level, such as with Central America, the Andean Community and Mercosur.
iii) At individual country level, through bilateral agreements e.g. with Mexico and Chile.

The EU is the leading investor in the region, but it is important to note that a few countries such as Brazil, Mexico, Chile and Colombia get the bulk of FDI.[15] But this trend is changing with the entry of China as a big investor in the region. In terms of development aid, the EU remains the major donor and the second largest trading partner after the United States. The EU

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[11] http://www.culturaldiplomacy.org/academy/inde.php?en_cdea_european-latin-american-relationship.

[12] Jorge A. Brea, Population Dynamics in Latin America, Population Bulletin, Vol.58, No.1, March 2003, p.3.

[13] www.igwg.org/source/58.1PopulDynamicsLatinAmer.pdf.

[14] Joaquin Roy, European Union-Latin American Relations in a Turbalent Era, Jean Monnet/Robert schuman paper series, vol.12, December 2012.

[15] https://issuu.com/idb_publications/docs/book_en_15398.

represents 13 percent of the region's total trade. Emigration from Latin America to Europe has resulted in creating new social and economic ties, as remittances have become an important source of economic linkage.[16] The largest numbers of immigrants of Latin American origin are found in Spain, Italy and Portugal.[17]

The strategic partnership between the EU and Latin America was launched at the first bi-regional summit held in Rio de Janerio in 1999. Since then biennial summits were held between the two regions and many major decisions were taken at these summits.[18]

At the 1999 summit, a joint declaration was adopted which enumerated the priority areas of cooperation. Some of these were: Strengthening of democracy, the rule of law, international peace, political stability and the quality of education in the continent.[19]

The second summit was held in Madrid in 2002. Along with the priority areas mentioned in the 1999 declaration, this time sustainable development, poverty eradication, cultural diversity, justice, enhancement of investment opportunities and trade relations were also included in the joint declaration. The EU also launched an ambitious scholarship programme 'ALBAN' for Latin American post-graduates wishing to complete their studies in European universities. The total financial contribution of the EC to ALBAN amounts to € 88.5 million over 9 years (2002-2010).[20]

Prior to the Guadalajara summit held in 2004, the European Commission published a communication that outlined the objectives of EU-Latin America relations. Regional integration and social cohesion were projected as the basic objectives.[21]

The Guadalajara Declaration underlined the fields of cooperation, which included science and technology, innovation and education along with

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[16] Ibid.
[17] www.igwg.org/source/58.1PopulDynamicsLatinAmer.pdf.
[18] http://www.cardiff.ac.uk/insrv/resources/edc/EU-Latin_America_Relations.pdf.
[19] Ibid.
[20] Europa.eu/rapid/press_release_MEMO_02_93_en.htm.
[21] Ec.europe.eu/europeaid/regions/latin-america/eurosocial_en.

promotion and protection of human rights and democracy, and building of participatory, equitable, tolerant and inclusive societies.[22]

The fourth EU-Latin America summit took place in Vienna in 2006. The overall theme of the Vienna summit was “Strengthening the Bi-Regional Strategic Association”. The participants of the summit emphasized on the need to cooperate in the areas of multilateralism, strengthening regional integration and social cohesion, eradicating poverty and building a conducive investment climate. The most important measure taken by the summit was the establishment of the EU-Latin America Parliamentary Assembly (EuroLat).[23]

For the Lima summit held in 2008, the European Commission, which prepared the agenda of the meeting, included climate change, environment and energy besides previous issues such as poverty alleviation and sustainable development.[24]

Other than the above mentioned issues, democracy and human rights, trade and investment, development cooperation, drug smuggling and organized crime, also figured prominently in the discussions held at Lima.

However, no concrete trade agreement was signed at the summit. Moreover the conflict on biofuels between the EU and Latin American states vitiated the atmosphere. The Latin American leaders expressed concern about the escalation in food prices that led to riots, demonstrations and strikes in the least developed countries.[25]

Before the Madrid summit scheduled for 2010, the European Commission, in 2009, adopted a new strategy for the region. The new strategy was called “The European Union and Latin America: Global Players in Partnership”. The strategy, laid stress upon some issues of global concern. In this regard, the document identified four areas:

- The economic and financial crisis and the social consequences related to it.

[22] Ibid.
[23] http://www.cardiff.ac.uk/insrv/resources/edc/EU-Latin_America_Relations.pdf.
[24] Eeas.europa.eu/lac/docs/declaration_en.pdf.
[25] http://eulacfoundation.org/en/content/eu-latin-america-relations-eve-lima-summit.

- The negative impact of climate change.
- Illicit drugs, human trafficking, organized crime and violence.
- Migration.[26]

The Madrid summit held in 2010 adopted the EU-LAC Joint Initiative for Research and Innovation and the Madrid Action Plan 2010-2012 which pinpointed instruments and activities in the following areas:

- Science, research, innovation and technology.
- Sustainable development, environment, climate change and biodiversity.
- Regional integration and interconnectivity to promote social inclusion and cohesion.
- Education and employment.[27]

Another achievement of the Madrid summit was the creation of the EU-LAC Foundation which was first suggested at the Lima summit. The EU-LAC Foundation was to receive financial support from the European Union and Latin American states and the European Commission; up until 2013 they jointly contributed 3 million euros.[28]

The Madrid summit also launched the Latin America Investment Facility (LAIF). The European Commission and the Spanish Presidency were requested to mobilize additional financing for Latin America to support investment projects by pooling grants from the Commission and loans from European development finance institutions.[29]

The Madrid declaration envisaged that the next summit would be held in Chile in 2012. However, in December 2011, the Community of Latin America and Caribbean States (CELAC) was established with the signing of the Caracas Declaration.[30]

CELAC's interaction with the EU began in 2013. Thus the 7th EU-LAC summit was called the 1st EU-CELAC summit. It was held in Santiago de Chile. The

[26] Eeas.europa.eu/lac/docs/com09_495_en.pdf.
[27] www.consillium.europa.eu/uedocs/cms_Data/docs/pressdata/en/er/114535.pdf.
[28] Ibid.
[29] www.palgraveconnect.com/pc/doifinder/view/10.1057/9781137003126.0014.
[30] http://ec.europa.eu/research/iscp/index.cfm?pg=latin-americ-carib.

summit emphasized the deepening of the strategic partnership between both regions and formed an Alliance for Sustainable Development to promote investments aimed at bringing about improvements in social and environmental quality. A political declaration known as the Santiago Declaration and the EU-CELAC Action Plan 2013-2015 were adopted at the summit.[31]

In the Santiago Declaration, the participants highlighted the rights of citizens "to participate in the formulation, implementation and monitoring of public policies". The Action Plan for 2013-2015[32] addressed key areas, including:

- Science, research, innovation and technology;
- sustainable development, environment, climate change, bio-diversity and energy;
- regional integration and interconnectivity to promote social inclusion and cohesion;
- migration;
- education and employment;
- the international drug problem;
- discrimination based on gender; and
- investments and entrepreneurship for sustainable development.

The declaration also stated that the next summit would take place in Brussels in 2015. The 2015 summit was titled "Shaping our common future: working for prosperous, cohesive and sustainable societies for our citizens".[33] The 2015 summit was held in Costa Rica.

Other cooperation programmes have also been initiated by the European Commission such as the EUROCLIMA project which is an inter-regional cooperation programme for encouraging cooperation between Latin America and the EU on climate change issues. For this project, the Commission drew up a budget of 5 million euros. It is noteworthy that in

[31] www.eeas.europa.eu/top_stories/2013/2013-santiago_de_chile_summit_2013_en.htm.
[32] www.eeas.europa.eu/la/summits/docs/2013_santiago_summit_eu_celac_action_plan_en.pdf.
[33] http://ec.europa.eu/research/iscp/index.cfm?pg=latin-americ-carib.

each EU-LAC summits and now in the EU-CELAC summits, climate change always features as a priority issue.[34]

ALCUENET is a Latin American, Caribbean and European Union Network on Research and Innovation for the period 2012-2017. The aim of ALCUENET is to generate relevant information for the implementation of specific plans and projects. These include research and development activities.[35]

ERANet-LAC is a network of EU, Latin American and Caribbean countries for research activities to strengthen the inter-regional partnership in science and technology and innovation, by planning and implementing concrete joint activities. The ERANet-LAC is for the period 2013-2017.[36]

The EU-LAC health project for the period 2011-2016 is intended to serve as a road map to guide policy makers and other stakeholders and to support cooperative health research between the two regions.[37]

The EU-CELAC structural dialogue on migration provides a framework for exchanging best practices and building capacities that can help to address migration challenges in the two regions.[38]

Some other related ongoing programmes between the two regions are as follows:

- EU-CELAC Coordination and Cooperation Mechanism on Drugs (COPOLAD) which provides for policy dialogue to tackle the international drug problem;
- EuroSocial, an EU programme aimed at consolidating cooperation and policy dialogue between LAC and the EU on matters related to social cohesion.[39]

As regards economic ties, the EU remains the biggest investor in the region, accounting for 35 percent of FDI. The EU is the second largest trading

[34] Ibid.
[35] Ibid.
[36] Ibid.
[37] Ibid.
[38] http://www.eeas.europa.eu/lac/index_en.htm.
[39] Ibid.

partner of Latin America after the US. EU trade with the region has doubled in the past decade. The EU exports mainly manufactured goods and imports primary goods. The EU has signed preferential trade agreements with 26 of the 33 CELAC countries. The EU is also the largest donor of aid. It provided 2.69 billion euros in aid during 2007-2013.[40]

Relations with Central America

The European Commission presented its first report about the European Community's relations with Central America in 1969 and by the mid-70's some Community aid began flowing into the region. In 1984, the San Jose Dialogue was launched which laid the foundation for EC-Central America relations. The objective of San Jose Dialogue was to find solutions for the internal armed conflicts, affecting most of the Central American countries.[41]

In 1992, the European Union member states succeeded in brokering peace accords in the region and in 1993, the EU-Central America Framework and Cooperation Agreement was signed. This was followed by the launch of the EU-Central America Political Dialogue and a Cooperation Agreement in 2013. The three successive agreements provided for reciprocal recognition of the MFN status.[42]

Central America occupies a marginal position in the EU's total Foreign Direct Investment (FDI). However, the EU is the second largest investor in the region. For the period 2001-2006 Central America received only 2.4 per cent of the total EU FDI and 1.9 per cent of the EU's Official Development Assistance (ODA). In terms of preferential trade schemes too, Central America's position has been less favourable as compared to other less developed regions such as the African, Caribbean and Pacific (ACP) and the Mediterranean region.[43] The Central American countries have not been provided aid through any specific arrangement or specific financial cooperation programme as is the case with the ACP. Assistance to ACP is funded by the European Development Fund while aid to the Mediterranean countries is financed through financial protocols. However, the ODA, the

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[40] https://ec.europa.eu/europeaid/sites/devco/files/celac-brochure-en.pdf.
[41] Staging.digimmigration.com/Renewing-the-San-Jose-Dialogue.
[42] Jean Monnet/Robert Schuman Paper Series vol.9, no.11, October 2009.
[43] http://aei.pitt.edu/14999/1/RuedaCAlongOct09edi.pdf.

EU's multilateral aid, or assistance given directly by individual EU member states, is the main source of foreign aid to Central America.

In 2001, the European Commission signed the first memorandum of understanding with the General Secretariat of the Central American Integration System (SICA), which outlined a regional cooperation programme for the period 2000-2006. Meanwhile, the first Strategy Paper for Central America was approved for 2000-2006 which highlighted the EU's commitment to stimulate economic development in the region and consolidate Central America's status as a single regional interlocutor for negotiating an association agreement.[44]

Negotiations for an association agreement between the two regions began in 2007 and concluded in 2010. The EU-Central America Association Agreement was signed in June 2012 and ratified by the European Parliament in December 2012. In the Association Agreement strengthening of trade between the two regions has been emphasized and the EU has made a commitment to provide sustainable development assistance and promote regional integration. These measures would make the region attractive for investment and strengthen local businesses.[45]

The EU also granted market access to the Central American states under its GSP scheme. The EU is the third largest market for Central America after the US and the Central American Market (CACM). According to Eorostat, trade flows between the EU and Central America were valued at 11.6 billion euros in 2014.[46]

Relations with the Andean Community

The Andean Community was formed in 1969 by the Cartagena Agreement. It is basically a trade bloc of four countries – Bolivia, Colombia, Ecuador and Peru. Chile, Argentina, Brazil, Paraguay and Uruguay are its associate members, while Panama, Mexico and Spain are observers.[47]

[44] https://books.google.com.pk/books?id=HmDj5d-RDGEC&pg=PA23&lpg=PA23&dq=eu-central+america+relations+in+2000&source=bl&ots-Dbj.
[45] http://ec.europa.eu/trade/policy/countries-and-regions/regions/cental-america/.
[46] Ibid.
[47] http://www.europarl.europa.en/RegData/etudes/IDAN/2016/579086/EPRS_IDA(2016) 579086EN.pdf.

The main aim in the formation of the Andean Community was to conduct joint industrial development programmes, expand markets and launch economic integration. The Andean Community was mainly inspired by the process of European Integration. The Cartagena Agreement provided for the setting up of institutions like the Andean Council of Presidents, the Andean Council of Foreign Affairs, and the General Secretariat for the Andean Community. After the Cartagena Agreement was revamped in 1979 the Andean Parliament and the Andean Court of Justice were also established.[48]

In 1973, the then European Economic Community (EEC) signed the bilateral First Generation Agreements with Andean Pact countries. These were non-preferential agreements and only extended the Most Favoured Nation status to each other. These agreements were restricted to specific sectors. Thus the EEC signed agreements with Colombia and Peru in the textile sector and with Bolivia, Ecuador and Peru in the handicrafts sector.[49]

The second generation agreements with the Andean Pact countries were known as cooperation agreements. The cooperation agreements were signed in 1983. The focus was on development aid and trade, but political contacts between the two regions were also to be encouraged.[50]

The third generation agreement was signed in 1993. It broadened the scope of cooperation by including human rights and democratic principles along with environmental protection, intellectual property rights and tourism.[51]

Under the agreement a joint committee was established, which comprised representation from European Union member states, a representative from each Andean country and a representative of the European Commission. The joint committee would identify the fields of cooperation and finalize them for implementation. Thus in 1995, the member states of the EU and countries of the Andean Pact signed an agreement on drug control.[52]

[48] Ibid.
[49] Ibid.
[50] Ibid.
[51] www.sice.oas.org/TPD/AND_EU/AND_EU_e.asp.
[52] Ibid.

The political dialogue between the EU and the Andean group began after the signing of the Declaration of Rome in 1996. In 1996, the Cartagena Agreement was also modified and the Andean Pact was transformed into the Community of Andean Nations (CAN). In the late nineties intra-CAN trade grew significantly owing to the establishment of a free trade area and the adoption of common rules in agriculture, trade and investment, intellectual property etc.[53]

Just after the signing of the Free Trade Agreement (FTA) between the US and Colombia and Peru in 2007, negotiations began for an EU-CAN association agreement. The initial scheme for the "bloc to bloc" EU-CAN negotiating process was maintained for the development cooperation and political dialogue pillars. But negotiations halted, as Bolivia walked out of the talks and Ecuador followed suit.[54] Colombia and Peru continued negotiations, which concluded in February 2010. Thus, only two bilateral trade agreements, i.e with Colombia and Peru were signed in June 2012 and the association agreement came into force in August 2013. This can be seen as an achievement for the extension of the EU's trade agreements but it can also be perceived as a failure of the EU's inter-regional strategy with the CAN. However, a trade agreement was clinched with Ecuador in 2014, and the country joined the EU's agreement with Colombia and Peru. This agreement is still to be ratified by the signatory parties.[55]

The EU is the third largest bilateral trading partner and the main investor in the Andean countries. In 2014, the total EU trade with the Andean countries was worth euro 28.8 billion. The Andean countries mainly export primary products while the EU's exports consist of manufactured goods.[56]
A high level specialized dialogue between the EU and CAN on the illicit drug trade was established in the mid nineties. To help the Andean countries fight the menace, the EU granted them enhanced market access under the GSP scheme.[57]

[53] Ec.europa.eu/trade/policy/countries-and-regions/regions/Andean-community.
[54] Ibid.
[55] Ibid.
[56] Ibid.
[57] Ibid.

The European Union in its 2007-2013 Strategy Paper on the region, earmarked 50 million euros for the Andean Community. The Strategy Paper focused on three priority sectors: Social cohesion, regional economic integration and the fight against illicit drugs.[58]

Relations with Mercosur

Mercosur (in Spanish: Mercado Comun del sur and in Portuguese: Mercado comum do sul) is a scheme for regional integration, bringing together Argentina, Brazil, Venezuela, Paraguay and Uruguay. Originally Mercosur was founded by the Treaty of Asuncion in 1991, which was updated and amended by the subsequent treaty of Ouro Preto in 1994. On December 15, 1995, the EU and Mercosur signed the Inter-Regional Framework Cooperation Agreement, which was fully implemented in 1999. The agreement serves mainly to strengthen the already existing ties, with added emphasis on human rights and democratic principles.[59]

In 1999, negotiations were launched for an association agreement between the EU and Mercosur. The European Union had also begun free trade negotiations with Mercosur in 1995. These negotiations were suspended without agreement in 2004 owing to differences regarding trade in agriculture, services and the opening up of public procurement markets. Nonetheless, agreement on political matters progressed despite the deadlock in the field of trade. An agreement was reached at the Lima summit in 2008 to extend relations to three new areas: science and technology, infrastructure and renewable energy.[60]

At the Madrid summit of 2010, the European Commission and Mercosur decided to relaunch negotiations for a European Union – Mercosur Free Trade Agreement. The objective was to negotiate a comprehensive trade agreement, covering not only trade in industrial and agricultural goods but also services.[61] An improvement was also envisaged regarding rules on government procurement, intellectual property, customs and trade facilitation and the lowering of technical barriers to trade. The last round of talks was held in the first week of April 2016.

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[58] Ibid.
[59] http://ec.europa.eu/trade/bilateral/mercosur/mercosur.htm.
[60] Ibid.
[61] Ibid.

As of January 1, 2014, "all Mercosur countries, with the exception of Paraguay, will no longer benefit from the GSP scheme, due to their classification as high middle-income countries. However, they will remain GSP eligible countries".[62]

During the Mercosur - EU ministerial meeting, in Brussels in June 2015, the two blocs agreed to work towards an exchange of market access offers during the last quarter of 2015, but this exchange of market access offers is yet to be made.[63] So far, the main hurdle in reaching an agreement is the agricultural sector, for the Mercosur countries want agricultural liberalization, while the EU is adamant in adhering to agricultural protectionism. The quantum of trade to be liberalized, and the timetable for the tariff-reduction process have also proved to be sticky points, with Argentina's previous government insisting on less trade liberalization and a longer timetable for the reduction process.[64] Mercosur's top exports to the EU are farm products and raw materials, while the EU mostly exports manufactured goods to the bloc. In economic terms, the lack of an agreement is hurting Mercosur, as all of its members, except Paraguay, no longer benefit from the EU's Generalized Scheme of Preferences (GSP) and therefore face stronger competition from those countries still benefiting from GSP.[65]

EU – Mercosur trade is roughly equivalent to EU's trade with the rest of the Latin American countries taken together. The EU is Mercosur's primary trading partner, accounting for 20 percent of its total trade in 2013. The South American group is the sixth largest provider of exports to the EU. Thus in 2013, the EU was the destination for 43 percent of Mercosur's agricultural exports, 28 percent of its raw materials, 46 percent of its machinery and transport equipment, and 22 percent of its chemicals.[66] Furthermore, the EU is the largest foreign investor in the region. The Union also gave extensive support to Mercosur under the 2007-2013 Regional Programme, and provided $78.6 million towards strengthening of institutions. It supported Mercosur's preparation efforts for a free trade

[62] Ibid.
[63] Ibid.
[64] http://www.coha.org/a-potential-accord-an-eu-mercosur-free-trade-agreement/.
[65] Ibid.
[66] Ibid.

agreement, and for fostering greater civil participation within the sub-regional bloc.[67]

Brazil, which is Mercosur's biggest member state in terms of GDP, population and territory, is the major partner of the EU in Mercosur. Brazil's total trade with the EU in 2014 was equal to €67.8 billion and it represented around 71.4% of Mercosur's total trade with the EU. Brazil also has a strategic partnership with the EU since 2007. The two partners have agreed to work towards the conclusion of a balanced and comprehensive EU-Mercosur Agreement under the Joint Action Plan of their strategic partnership. They have also resolved to strengthen the regulatory and industrial dialogue among the two regions. Argentina's total trade with the EU amounted to €15.9 billion, i.e. around 16.7% of Mercosur's total trade with the EU.[68]

Relations with Mexico

Mexico is the first state in Latin America with which the European Union established a close relationship based on common interests and the values of democracy and human rights, as enshrined in the Agreement of Economic Partnership, Political Coordination and Cooperation signed in 1997.[69] This agreement entered into force in 2002 and has strengthened the partnership between Mexico and the European Union. The agreement which is known as the EU-Mexico Global Agreement covered political dialogue, trade and cooperation, competition, intellectual property rights, and investment, among other important subjects. Owing to this agreement, a free trade area has been established between the two regions, which has further promoted their bilateral economic ties.[70]

Bilateral trade between the EU and Mexico grew by more than 140% in the years following the establishment of the free trade area. Mexico has also signed a strategic partnership agreement with the EU. This has facilitated a wider dialogue and deeper cooperation between the two parties. Mexico belongs to the G20, the OECD, the Pacific Alliance and the APEC group. The EU is Mexico's second largest investor and third largest trade partner, while

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[67] Ibid.
[68] http://www.cardiff.ac.uk/insrv/resources/edc/EU-Latin_America_Relations.pdf.
[69] http://ec.europa.eu/external_realtions/mexico/intro/index.htm.
[70] http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/579086/EPRS_IDA(2016)579086EN.pdf.

Mexico is the 15th largest trade partner of the EU. The EU is also Mexico's second biggest export market after the US, and it's third largest source of imports after the United States and China.[71] In 2015, EU exports to Mexico amounted to US$43.7 billion, while EU imports from Mexico amounted to US$18.4 billion. Bilateral trade has almost tripled since the entry into force of the trade pillar of the Global Agreement, representing 8% of Mexican external trade (Mexico's trade with the US represents 64% of its total trade).[72] The EU's main exports to Mexico are machinery, transport equipment, chemical products, and manufactured goods; and Mexico's main exports to the EU are mineral products (mainly crude oil), machinery, transport equipment and optic photo precision instruments. Unlike most other Latin American economies, which are basically commodity providers, Mexico is mainly a provider of manufactured goods. Mexico is a net importer of services from the EU, mainly transport and travel services. The EU is an important provider of capital goods and intermediate products that enter the processes of Mexican assembling companies that export to the US.[73]

Relations with Chile

Chile shares historic bonds with many European countries in the economic, political and cultural fields. Therefore, relations with the European Union represent a priority area in the framework of Chilean foreign policy.

After the restoration of democracy in Chile in 1990, the European Union signed the first cooperation agreement with the country in 1991. The agreement revived political relations with Chile. In 1996 a Framework Cooperation Agreement was signed between the EU and Chile. This was followed by an association agreement between the European Union and Chile in 2002, which came into force in 2005.[74]

The free trade agreement between the EU and Chile (in force since 2003) led to a significant increase in trade (in 2011, bilateral trade had grown to €18.6 billion from €7.7 billion in 2003). The EU is Chile's third most important trading partner, its third biggest source of imports, and its second most important export destination. Nearly a third of Chile's copper

[71] Ibid.
[72] Eeas.europa.eu/delegations/mexico/eu_mexico/trade_relation/index_en.htm.
[73] Ibid.
[74] Ibid.

exports go to the EU-28. The main EU imports from Chile include mining products such as ores and non-ferrous metals, mostly copper. Agricultural produce represent around a quarter of the total EU imports from Chile. Mainly wines, fruit and vegetables, fish and wood products (such as cellulose) are imported by the EU from Chile. Among the main EU exports to Chile are machinery and electric equipment, transport equipment, chemical products and fuel. Chile is the third largest recipient (after Brazil and Mexico) of FDI inflows in Latin America, and it has the highest FDI stock in the region compared to the size of its economy (77% of GDP, while the regional average is 35%). Chile belongs to the OECD and the Pacific Alliance. The EU has also signed agreements with Chile on science and technology and regional policy.[75]

Conclusion

Europe has had intense interaction with Latin America for centuries, but the close ties of the contemporary era have evolved in recent decades. The EU's trade with the region doubled in the last decade, and it entered into preferential trade agreements with 26 of the 33 countries of the Community of Latin American and Caribbean States (CELAC) and free trade agreements with Mexico, Chile, Peru and Colombia. However, the trends in Latin America are changing, owing to the emergence of Brazil, Mexico, Colombia and Chile as strong economies and the appearance of China as a redoubtable new trading partner and investor in the region.[76]

Relations between the European Union and Latin America are undergoing pronounced changes. Latin America is gradually rising, for some of the Latin American countries such as Mexico, Brazil, Colombia and Argentina are counted among the 30 largest economies in the world (Brazil ranks fifth and Mexico is positioned as the eighth). Strangely the region is now both an aid recipient and a source of development assistance for others. Poverty is decreasing and the middle class is increasing. Income inequality in the continent decreased at the rate of 1% annually.[77] Mexico, Brazil, and Colombia are new donors of assistance to other countries. According to the UN Economic Commission for Latin America and Caribbean (ECLAC) 15% of FDI from Brazilian companies is directed to Europe, specifically France,

[75] Ibid.

[76] http://segib.org/wp-content/uploads/20160222-MadariagaSeries.pdf.

[77] Ibid.

Portugal and the Netherlands and Brazil has emerged as the fifth largest direct investor in the European Union.[78]

Latin America has also benefitted from new economic opportunities offered by the Trans-Pacific Partnership (TPP) of which Mexico, Peru and Chile are the member states.[79] According to the Inter-American Development Bank, Latin America is the next global breadbasket,[80] for it represents one fifth of the world's forested area, around 15% of the planet's arable land and one third of the total fresh water reserves of the globe. The continent also holds a fifth of the global petroleum reserves and a quarter of the world's biofuel reserves. It has 44% of the world's copper, nearly 50% of silver, 65% of lithium, 33% of tin, and 22% of iron ore reserves. Furthermore, it produces 52% of the global soy harvest, 16% of the world's beef and corn and 11% of milk.[81]

The EU is the leading investor in the region and in terms of development aid it remains the major donor and the third largest trading partner after China (2014). However, with Europe's relative decline, it is no more a high priority for Latin America. Europe's debt crisis has diminished Europe's credibility as a global economic power and ironically some of the European countries are now facing problems which were once specific to Latin America, like poverty, inequality and populism.[82]

In the EU, Spain, Romania and Bulgaria have the highest level of poverty and the highest unemployment rate. The poverty index of these countries which was 21.8 % in 2010 is estimated to rise to 40% in 2022. Moreover, poverty levels in Italy, Greece and Portugal also hover around 18-20%. On the other hand, Latin America which was once an extremely poverty-ridden continent is now experiencing a boom. Brazil and Mexico are expected to be among the world's top ten economic powers by 2020. Chile, Uruguay

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78 https://eyeonlatinamerica.com/2015/03/12.latin-america-natural-resources-managem ent/.

79 https:/www.bbc.com/news/world-33424532.

80 https://eyeonlatinamerica.com/2015/03/12/latin-america-natural-resources-managem ent/.

81 http://www.eoroparl.europa.eu/RegData/bibliotheque/briefing/2014/140763/LDM_ BRI %28 2014 en.pdf.

82 Ibid.

and Costa Rica now have a poverty index of less than 20%, though it remains above 50% in Honduras, Nicaragua, Bolivia and Paraguay.[83]

According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), China is posing a serious challenge to the EU's economic prowess. China has become a very important investor and economic player in Latin America, and is now the region's second largest trade partner.[84]

By 2014, China accounted for 12 percent of the global trade of Latin America and the Caribbean. Between 2000 and 2014 exports to China increased from 2 percent to 9 percent of the region's total global exports. In the same period imports from China grew from 2 percent to 16 percent.[85]

The first ministerial meeting of the Forum of China and the Community of Latin American and Caribbean States (CELAC) took place in January 2015 in Beijing. Both sides agreed on the Cooperation Plan CELAC-China (2015-19) focused on expanding annual trade to over $500 billion and increasing China's FDI stock to $250 billion over the next decade. Under the plan, six thousand government scholarships, six thousand trainee positions and four hundred master's level scholarships for Latin Americans to study and train in China are also envisaged. China now has free trade agreements in effect with Chile (2006), Costa Rica (2011), and Peru (2011) in addition to the many institutional arrangements it has with other countries.[86]

The country now appears to be challenging European influence in the region. At present, China has emerged as Latin America's second largest trading partner, and the biggest trading partner of many Latin American countries such as Brazil and Chile. In 2000, the total bilateral trade between China and Latin America was worth $12 billion, while in 2015 the total volume of trade between China and Latin America was worth $236.545 billion. Latin American exports to China are more consistent than with any other trading partner. The top-three commodities exported to China—ores, oil seed, and copper (followed by oil and wood pulp)—increased from 50

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83 http://one-europe.info/china-between-the-eu-and-the-latin-america.
84 http://publications.atlanticcouncil.org/chinalatam//.
85 Ibid.
86 http://publication.atlanticcouncil.org/chinalatam.

percent to 72 percent of total exports between 2000 to 2014. Over the same period, Latin America's exports to the world in these three items fell from 42 percent to 32 percent.[87]

On average, China has invested in Latin America almost $10.7 billion annually in the last five years. Its investments rose from US $3.8 billion in 2012 to $12.9 billion in 2013 and $22.1 billion in 2014. In 2014, Chinese funding to the region was more than that provided by the World Bank and the Inter-American Development Bank combined. In 2015, China's non-financial direct investment flow to Latin America was $21.46 billion, an increase of 67% when compared with the $12.85 billion in 2014. The largest loans have been directed toward infrastructure (including rail and hydropower) and extractive projects. Chinese banks lent $30 billion to Latin American governments in 2015, more than double the amount in 2014.[88] In contrast, US government aid and private investment in Latin America have declined in the last three years.

According to IMF data, China's exports to Latin America grew to $132.216 billion in 2015 from a mere $6 billion in 2000. China has become the top trade partner of Brazil, Chile and Peru, surpassing the United States in 2009 and 2013, although the United States' exports to Latin America in 2014 were worth three times more than those of China.[89]

In the last five years, many Latin American countries replaced the EU with China as their main export market; thus, China is upstaging Europe as Latin America's second largest trading partner.

China is also working on an ambitious project to build a railway track that would stretch 3,300 miles from the Atlantic coast of Brazil to the Pacific coast of Peru. It has also promised to support capacity building cooperation projects between China and Latin America. In 2015 China announced that it would setup a $30 billion production capacity cooperation special fund.

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[87] http://money.cnn.com/2016/02/11/news/economy/china-latin-america-billions-of-dollars-loans-investments/.

[88] http://english.mofcom.gov.cn/article/zt_businessview2015/news/201602/20160201261333.shtml.

[89] http://www.ase.tufts.edu/gdae/policy-research.html.

China has the largest economy in the world, over 20% of the world's population and only 8% of arable land. Thus, the country desperately needs to import food items and raw materials to feed its huge population and burgeoning industries. Latin America is a region which can, to a considerable extent, fulfil China's needs.

Russia too wants a firm foothold in the region. Thus, it has a thriving weapons trade and economic agreements with the ideologically driven states of Latin America, such as Venezuela, Nicaragua and Cuba. Furthermore, Russia has also clinched oil pipeline deals with several Latin American countries. Russian oil and natural gas firms have benefitted by exploiting cheap oil sources in Latin America.[90]

The slowing down of the Chinese economy in 2015 and downswing of demand for Latin American commodities in China, present a good opportunity for the EU to reassert itself in Latin America. The EU has to adopt a more practical approach towards the region and it should cooperate with the region on a solid basis, instead of offering only vague promises. Cooperation agreements should not be ambiguous, nor seek more domination. Agreements have to be beneficial for all the partners.

[90] Ibid.