The European Union, Latin America and the Caribbean: Cartography of the Association Agreements

Editors: Adrián Bonilla and José Antonio Sanahuja

Fundación Carolina

EU-LAC Foundation
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The European Union, Latin America and the Caribbean: Cartography of the Association Agreements

The EU-LAC Foundation and the Carolina Foundation present a series of studies produced by recognized experts and a comparative vision that provides an analytical map of the association agreements between the European Union and its partners in Latin America and the Caribbean, identifying the political and economic processes that provide the context for their ratification, modernisation and implementation, as well as perceptions on the state of political dialogue and cooperation between the European Union and Central America, the Caribbean, Chile, Cuba, Mexico, the Andean Region and Mercosur. The text is an input for a strategic analysis of the institutions of the European Union's relationship with its counterparts in Latin America and the Caribbean. Its interpretation can be useful to understand the common policies and agendas that seek new models of sustainable development and coordinated governmental responses to the challenges of the changing international order, and to the persistent issues of the relationship such as climate change, ecological transition, digitalisation, productive transformation, social inclusion and the revitalisation of multilateralism.

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INDEX

PRESENTATION

The discussion addressed in this book deals with the multidimensional impacts of the association agreements of the European Union (EU) with the Caribbean, Central America, Chile, Cuba, Mexico, the Andean countries, and Mercosur. It seeks to examine the key aspects of these instruments and to understand their potential in the context of new challenges faced by both regions in an internal and international scenario that is now characterised, on the one hand, by the need to increase their degree of autonomy while maintaining the spaces of multilateral regulation in the face of geopolitical competition between powers such as China and the United States and, on the other hand, by an environmental crisis that reveals the limits of dynamics of growth, requiring a more sustainable economic and social development model.

We are pleased to present this volume to continue stimulating the essential debates that correspond to this geopolitical moment and to contribute to the search for solutions to the challenges of the green, energy, digital and socio-economic transitions the bi-regional relationship faces and more precisely, the network of EU-Latin America and the Caribbean association agreements.

We extend our sincere thanks to the distinguished specialists responsible for the studies presented here, as well as to the respective teams of the Carolina Foundation and the EU-LAC Foundation who have supported our efforts to make it possible.

Hamburg and Madrid, September 2022

Adrián Bonilla — José Antonio Sanahuja

1. A NEW TIME FOR THE EU-LATIN AMERICAN AND CARIBBEAN ASSOCIATIONS

Francisco J. Verdes-Montenegro

Ernesto Jeger

1. Introduction

Without losing sight of the Euro-Latin American cooperation that began to unfold in the 1980s in the framework of the Central American peace processes, since the mid-1990s the creation of a broad network of "association agreements" was promoted as part of an inter-regionalist strategy between the European Union (EU) a Latin America and the Caribbean. This fell within the parameters of the so-called "open regionalism" and corresponded with the renewed cartography of regional integration that was emerging in Latin America with the promotion in the early 1990 of the Southern Common Market (Mercosur) and the creation of the Andean Community of Nations (CAN), which redefined the Andean Pact, among other novelties. These Association Agreements, which are progressing in a way that resembles Euro-Latin American and Caribbean relations, differed from the free trade agreements promoted by other external actors in Latin America. As articulated since the 1999 Brasilia Summit and the so-called "bi-regional strategic partnership", they include, in addition trade, investment, political dialogue and a development cooperation pillar.

Twenty years later, this network is about to close and includes 31 of the 33 countries that make up the Community of Latin American and Caribbean States (CELAC). There are agreements, by date of signature, with Mexico (2000), Chile (2002), Peru (2012), Colombia (2012), Ecuador (2017) -these three in the framework of a "multiparty" agreement with the Andean countries-, Central America (2012), and Mercosur (2019). The last of these is still pending ratification after twenty years of difficult negotiations. In addition, there is a political dialogue and cooperation agreement that responds to the special circumstances of the relationship with Cuba (2016). Therefore, only Venezuela -suspended from Mercosur- and Bolivia -in the process of joining that group- do not have signed agreements with the EU.

After more than two decades of bi-regional strategic partnership and while most of this network is being finalised, negotiations are underway to modernise some of these agreements which, after the important changes that have taken place since then, require a review. One of these is the EU-Chile agreement and the other is the treaty in force between the EU and Mexico, where negotiations for its modernisation have been concluded. All this, without losing sight of the fact that within the framework of EU relations with the countries of the African, Caribbean, Pacific (ACP) group, there is also an EU-CARIFORUM Economic Partnership Agreement (EPA) (2008). As a result of all this cooperation in the framework of the bi-regional strategic partnership, Latin America and the Caribbean is by far the region that has developed the most extensive institutionalized links with the EU.

Now then, the situation that both regions are going through after having suffered different crises in recent years, and with the questioning of the international order as a whole, makes the context in which these relations are taking shape quite different from the one that gave origin to them. There are therefore several elements that make pertinent a new analysis of the role of the association agreements in the framework of EU-Latin America and the Caribbean bi-regional relations, and beyond the gap that has existed in the high-level political dialogue since 2015, there are signs of a potential window of opportunity to relaunch bi-regional relations, with the association agreements as one of the elements underpinning them.

On the one hand, both regions are facing the more immediate challenges of post-pandemic recovery and the effects at all levels of the Russian invasion of Ukraine. These are challenges that, more broadly, are created by the mode of insertion in a world characterised by the crisis of globalisation, the imperative of sustainable development, and a new scenario of greater geopolitical competition. In the face of increasing voices of a new "Cold War" in which it is time to align with the United States or China, both regions can strengthen their respective autonomies and avoid being encapsulated in a narrative that places them in a position of strategic subordination. There are geopolitical reasons underlying this desire to reinforce what has been called the "Sinatra Doctrine", i.e., to interpret international reality with its own lenses; to defend its own values and interests, and to "speak the language of power", as well as the "power of language", like other powers, making better use of the instruments available to the EU (Borrell, 2020a; Sanahuja, 2021).

2. The renewed importance of agreements in the contemporary strategic scenario

The war in Ukraine following the Russian invasion on February 24 (24-F) has only increased the importance of Latin America for European countries and, therefore, of the bi-regional link itself (Sanahuja, 2022). Although the initial response of the countries of the Western Hemisphere was a consensus, it was substantially in line with the normative tradition that characterises the region. That is, without adopting the sanctions of the western allies, a majority of nations gave their endorsement to the resolution adopted at the United Nations General Assembly condemning Russia's invasion of Ukraine, which qualifies this act as aggression.[1] (Sanahuja, Stefanoni and Verdes-Montenegro, 2022).

1 The vote on the resolution on aggression against Ukraine at the UN General Assembly Emergency Special Session on 2 March 2022 received overwhelming support from Latin America and the Caribbean, with 28 out of 33 countries voting in favour of the resolution and no country against. Even Russia's allies (Bolivia, Cuba, Nicaragua) chose to abstain, and Venezuela did not vote (United Nations, 2022). Already the 7 April vote on a resolution calling for Russia's suspension from the Human Rights Council received less strong support from Latin American and Caribbean countries (UNHRC, 2022). Already the 7 April vote on a resolution calling for Russia's suspension from the Human Rights Council received less strong support from Latin American and Caribbean countries (UNHRC, 2022).

A significant part of the change in perception, in which Latin America is no longer in a peripheral position, is due to the lessons and challenges that 24-F has brought. The most paradigmatic, undoubtedly, is the use of economic and natural resources to advance political and strategic objectives in this conflict, as seen by the use of energy supply as a tool to pressure the EU economies. In response, the most immediate European alternative is greater diversification of suppliers, accompanied by a stronger commitment to renewable energies. In both aspects Latin America can play a major role. We also cannot lose sight of the challenges that this conflict has generated in terms of food sovereignty and the risk of promoting, this time from a Latin American and Caribbean point of view, a new extractivist cycle in the region, which can generate in turn, new structural vulnerabilities. The bi-regional association, then, faces the need to cooperate to diversify the energy matrix and the productive capacities on both sides.

From the EU, the High Representative for Foreign Affairs and Security Policy and Vice-President of the Commission (HR-VP), Josep Borrell, warns that economic interdependence is being used as a geopolitical weapon (weaponisation) and that the response requires an open economy, and not protectionist measures. In this sense, the ties between the European Union and Latin America, as like-minded partners, would offer Europe a much more democratic and reliable framework, since we are dealing with two of the most democratic regions in the world according to the main indicators of quality in this area (EIU, 2022). For Latin America, as several studies in this book point out, the encounter with Europe helps to diversify its options with extra-regional contacts, and in that sense improve the eventual negotiating capacities of those countries vis-à-vis China and the United States, in their pursuit of greater autonomy as a strategic objective.

The same reasoning that links the EU's strategic dependencies with the partnership agreements, was underlined by the President of the European Commission, Ursula Von der Leyen, during his State of the Union speech in 2022. Specifically, she emphasised the need to ratify the modernisation agreements with Chile and Mexico: "We must avoid falling back into a situation of dependence, as in the case of oil and gas. This is where our trade policy comes into play. The new partnerships help us not only to strengthen our economy, but also promote our interests and values on a global scale. With like-minded partners, we can also guarantee labour and environmental standards beyond our borders. First and foremost, we must renew our relationships with these partners and with the major growth regions. That is why I will submit for ratification the agreements with Chile, Mexico and New Zealand" (European Commission, 2022).

On the other hand, for Latin American and Caribbean countries, heavily impacted by the effects of the pandemic and the war in Ukraine at all levels (social, financial, etc.), it is important to count on a partner such as the European Union which offers the region a more diverse and sustained agenda than other external actors. In particular, the social agenda and the green transition are one of the main pillars of bi-regional cooperation which are not assumed by any other partner with the same commitment or volume. Therefore, it is not surprising, that, as surveys on how Latin America sees Europe show, together with the defence of human rights and the promotion of world peace, there is a recognition of EU´s leadership in environmental issues and the fight against poverty (Romero *et. Al.*, 2022). Two issues, moreover, of special interest for the governments that are assuming power in the region. The cases of the governments of Gabriel Boric in Chile or Gustavo Petro in Colombia, in both cases with mandates that begin in 2022, are key countries for the EU that place these issues at the centre of their priorities and therefore with whom there is a convergence of interests.

The 33 countries that make up CELAC, taken as a whole, continue to be the EU's fifth largest trading partner after China, the United States, the United Kingdom and Switzerland. However, as a result of global power shifts and the conversion of Asian markets into drivers of international trade, the EU has lost significant market share in Latin America and the Caribbean over the past two decades, mainly to China, and is now the region's third largest trading partner. The EU nevertheless maintains the first position in foreign direct investment (FDI) flows in Latin America and the Caribbean, with an estimated volume of some 794 billion in 2019. This amount represents more than the sum of all the investments of EU companies in China, India, Japan, and Russia combined (EEAS, 2021). These are investments of higher quality and technological content, particularly in renewable energies and key sectors for the ecological transition. Meanwhile, LAC investments in the EU are substantial and have been increasing in recent years to reach a total of about 205 billion in 2019 (Fierro, 2022). For its part, China's increased presence in the last fifteen years has not been accompanied by an agenda in line with what is being proposed from Beijing, without losing sight of the fact that unified dialogue with the region has been limited (Bonilla and Herrera-Vinelli, 2020).

In addition to these, there are more specific dynamics such as the negotiations for the modernisation of the EU-Chile agreement, and the finalisation of the negotiations for the EU-Mexico treaty. With respect to the EU-Mercosur agreement, the success of reaching an agreement in principle on trade matters in June 2019, after twenty years of negotiations, faces a series of political economy challenges that make its ratification difficult, both in the EU and in Mercosur. This case is a clear example of how association agreements cannot be understood simply as free trade agreements and how they should be approached mainly because of their geopolitical dimension, as well as their potential to open a common space for policy dialogue, regulatory convergence and productive transformation for the digital and green transitions and the reconstruction of the social contract (Sanahuja and Rodriguez, 2021).

3. Signs that show the possibility of a "qualitative jump" in EU-LAC bi-regional relations

Even though, as indicated, high-level political dialogue has been at a stand-still since the last EU-CELAC summit was held in Brussels in 2015, during the German presidency of the European Council in the second semester of 2020, there were initial moves to revive Euro-Latin American relations. In the Joint Communiqué of the Informal Ministerial Meeting of the EU and Latin America and the Caribbean of 14 December 2020, a number of topics were agreed upon that could be the subject of renewed dialogue. Among them, the ministers highlighted the opportunities offered by the extensive network of association agreements and trade agreements between the EU's partners in Latin America and the Caribbean. Particular emphasis was given to the potential of these agreements to contribute to attract investments and boost economic recovery on both sides of the Atlantic (EEAS, 2020).

A year later, on December 2, 2021, and still with the mobility restrictions implied by the COVID-19 pandemic, the leaders of the EU and Latin America and the Caribbean held a virtual meeting. On behalf of the EU, its three heads were present: the President of the European Council, Charles Michel, who chaired the meeting; the President of the European Commission, Ursula von der Leyen, and the High Representative and Vice-President, Josep Borrell. For the Latin American and Caribbean side, participated the Heads of State or Government of the 7 countries that in 2021 held the temporary presidencies (PPT) of regional and subregional organisations: Brazil as PPT of Mercosur; Colombia as PPT of the Pacific Alliance and the Forum for the Progress of South America; Costa Rica as PPT of the Central American Integration System (SICA) during the first semester of 2021; Ecuador, as PPT of the Andean Community; Guatemala, as the SICA PPT during the second semester of 2021; Mexico, as CELAC PPT in 2020-2021; and Suriname, as PPT of the Caribbean Forum of the African, Caribbean and Pacific Group of States (CARIFORUM) during the first half of 2021.

As the HR-VP insists in his speeches, one cannot lose sight of the fact that the EU-LAC bi-regional relationship is below its potential and that several strategic documents approved by the EU place Latin America in a peripheral position, among them the "Strategic Compass" that was approved weeks after 24-F (Verdes-Montenegro, 2022). However, with the new Von der Leyen Commission, which defined itself as a "geopolitical commission" even before the war in Ukraine, the EU has been gradually increasing its contact and interaction with Latin American and Caribbean countries, while at the same time taking care of the difficult balances due to the crisis of regionalism that Latin America is experiencing, and the change of cycle that is materialising as the presidential cycle 2021-2023 progresses. Pending the outcome of the elections in Brazil, the hope is to achieve the necessary push to formally reactivate the high-level political dialogue with the Presidency of the European Council, which will be held by Spain during the second half of 2023.

As announced, it is expected that an EU-CELAC summit could be held in 2023 to allow for a "qualitative jump" in Euro-Latin American and Caribbean relations, thus reactivating a more regular high-level dynamic. To accomplish this, work is already underway on a bi-regional ministerial meeting to be held in Buenos Aires in October 2022, coinciding with Argentina's Pro Tempore Presidency of CELAC (De Miguel, 2022). The opportunity provided by the Spanish presidency of the Council, due to the multiple ties between this country and the region, is not exempt from a greater involvement of other European countries that are increasingly looking to Latin America. The state visit of the German President, Frank-Walter Steinmeier, to Mexico is a clear example, with the modernisation of the EU-Mexico association agreement as a background element (Weiss, 2022). To symbolise this shared attention on the part of the European countries and to achieve the broadest possible high-level participation, the possibility of holding the bi-regional summit in 2023 in Brussels is even being considered. This is also due to the desire for the Community institutions to be the protagonists on the European side (Gonzalez, 2022).

Despite the adverse situation, the result of a pandemic such as the COVID-19 and a war in Ukraine, it is important not to lose sight of the signals that have been given by these European institutions in order not to lose presence with respect to third parties and to give a boost to the relations to place them in the strategic level that corresponds to them. Thus, the President of the Council, Charles Michel, was the only invited leader who participated in person in the sixth CELAC summit, on September 19, 2021 in Mexico. Without losing sight of the two visits that the HR-VP has made in the region, first to Peru and Brazil; and later to Chile and Panama, where he held a ministerial summit that brought together the Central American and Caribbean countries. In all these meetings, the state of the association agreements and their progress was a crucial point on the agenda.

Thus, it seems appropriate to analyse what role these agreements can play in the face of the challenges of the post-pandemic recovery and the complex panorama that is opening up with the war in Ukraine, which has caused strong inflationary pressures and a fall in investment, as well as growing social demands (ECLAC, 2022). All this, in view of the objectives of both regions in terms of strategic autonomy in the geopolitical sphere, and the transition towards new development models that respond to shared challenges, such as climate change, ecological transition, digitalization, social inclusion or the revitalization of multilateralism.

4. The road to a renewed cartography of the network of EU-LAC association agreements

Within the framework of a collaboration agreement between the Carolina Foundation and the EU-LAC Foundation, a project was launched in 2021 with the aim of analysing the cartography of partnership agreements between the two regions. The aim was to identify the extent to which their ratification, modernisation and full use could contribute to a better international insertion. This is particularly true in economic matters and in the international relations of each party, as well as a way to carry out the necessary transitions in the EU and Latin America and the Caribbean in areas such as sustainable development, digitalisation, and social cohesion.

Three were the main questions proposed when analysing the network of association agreements, in order to achieve a congruence in the study that would allow for a comparative analysis. On the one hand, what evaluation could be made of each agreement, during its period of validity, in terms of political and cooperation relations, as well as trade and investment relations between the parties. Specifically, the aim was to examine three aspects that deserve special attention: (i) a review and evaluation of how the political dialogue and, where appropriate, the specific dialogues on human rights and other issues (gender equality, etc.) have been conducted; (ii) an assessment of the functioning of the treaty's follow-up bodies, and what role they have played in different aspects in guiding cooperation priorities; and (iii) an evaluation of the impact of the agreement on trade (trade flows, treatment of trade barriers, settlement of disputes, where appropriate) and investment.

The second issue raised was whether the association agreements between the EU and Latin America and the Caribbean could contribute to the strategic autonomy of both regions, as well as to the strengthening of multilateralism in the face of the globalisation crisis and the rivalry between the United States and China. At this point, the study was intended to include an assessment focused on two aspects in particular: on the one hand, association agreements as tools for the diversification of the parties' external relations; and, on the other hand, the reality and potential of the association agreements for the coordination of foreign policies and in multilateral dialogues.

Finally, the third question explored was how partnership agreements could contribute to new models of post-pandemic development through productive transformation and regulatory convergence in favour of digitalisation, social inclusion, and ecological transition. To this end, it was wanted to explore the potential of partnership agreements to give dynamism and support to the transitions (digital, ecological, and social) which, in the wake of the pandemic, had become even more necessary. In this regard, it was suggested to analyse the potential of partnership agreements as instruments for productive transformation, technology transfer and improved competitiveness through digitalisation, as well as for policy dialogue and convergence in terms of norms and standards in areas such as employment and social rights, the environment, regulation of digital services and data protection, among others.

For each of these agreements, a Working Paper (WP) was commissioned to a bi-regional and multidisciplinary team of specialists with expertise both in political science and international relations lens, as well as an international political economy. The project's editorial committee, with members from both foundations, in addition to their academic specialisation, took into consideration the necessary gender balance, disciplinary balance and bi-regional representation when choosing each of the specialists. Thus, compiled in this book are the analysis of the subregional association agreements. The EU-Mercosur Association Agreement (Chapter 8) was done under the responsibility of Gerardo Caetano, Professor at the Universidad de la República (Uruguay). Pedro Caldentey, Professor at the Universidad Loyola de Andalucía (Spain), undertook the work corresponding to the EU-Central America Agreement (Chapter 3). Jan Yves Remy, Director of the Shridath Ramphal Centre for International Trade Law, Policy and Services at the University of the West Indies, and Junior Lodge, an independent trade and development consultant, were responsible for the EU-Caribbean EPA (Chapter 2).

With regard to the bilateral association agreements in the process of modernization, the EU-Mexico agreement was the responsibility of Enriqueta Serrano, professor and researcher of the Political and International Studies Program at El Colegio de San Luis (Mexico) (chapter 6); and Beatriz Hernández, associate professor at the Universidad Diego

Portales (Chile), carried out the work corresponding to the EU-Chile agreement (chapter 4). The studies on the other bilateral agreements completing the network were undertaken by Alan Fairlie, Senior Lecturer at the Pontificia Universidad Católica del Perú, for the "multiparty" Agreement -EU-Peru, EU-Colombia and EU-Ecuador- (Chapter 7); and by Antonio Romero, Lecturer at the University of Havana, for the EU-Cuba Political Dialogue and Cooperation Agreement (Chapter 5).

Early drafts of these papers were submitted for discussion in a series of virtual workshops with different actors and stakeholders involved in these partnership agreements co-organized by the Carolina Foundation and the EU-LAC Foundation. In these workshops, which took place from May 20 to July 2, 2021, a first set of results, circulated in advance, were debated with a diverse cast of stakeholders selected for each of the agreements: officials from the European External Action Service (EEAS) and the European Commission's Directorate-General for Trade (DG Trade) and International Partnerships Directorate (DG-INTPA), officials from the governments involved and international and regional organizations, members of the Eurolat Assembly and European Parliament delegations monitoring the implementation of the agreements, specialists from academia, private sector representatives, and civil society organizations active in the field.

After the workshops, the manuscripts were revised by their authors for electronic and open publication as Working Papers in a special series of the Carolina Foundation and EU-LAC Foundation. The seven papers have been compiled in this collective volume co-published by both foundations, which also includes an unpublished chapter of conclusions drawn up by the directors of both foundations, Adrián Bonilla and José Antonio Sanahuja (chapter 9) which, as a whole, generates an analytical map of the association agreements between the EU and its partners in Latin America and the Caribbean.

Given the interest aroused, some of them have been presented at events open to the public, such as the study on the EU-Central America Association Agreement, whose treaty celebrated its 10th anniversary this year. Specifically, during the EU-Central America Development Dialogue Days that took place in June 2022 in Panama, within the framework of its Pro-Tempore Presidency of SICA.

This volume, therefore, is presented with the aim of continuing to encourage the essential debates relevant to the geopolitical moment, and with the desire to make a contribution that can be inspiring in the search for solutions to the challenges of green, energy, digital and socio-economic transition facing the bi-regional relationship and, more specifically, the network of partnership the network of EU-Latin America and the Caribbean association agreements.

A final and no less important word of sincere thanks to the eight specialists who have contributed to the nurturing of this work, as well as to the respective teams of the Carolina Foundation and the EU-LAC Foundation who have supported the work to make it possible.

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2. THE PROMISE OF A RECALIBRATED CARIBBEAN-EUROPEAN UNION PARTNERSHIP

Junior Lodge
Jan Yves Remy

1.Introduction

The Caribbean and the European Union (EU) have been enjoined in a formal bi-regional relationship since the signing of the Lomé Convention in 1975. These two regions are firm proponents of multilateralism, strong advocates of regional integration, democracy and rule of law, and reflect vibrant multi-ethnic and multi-lingual polities. The two regions are also physical neighbours given the presence of EU-associated Overseas Countries and Territories (OCTs) and Outermost Regions (OR). The longstanding relations have resulted in the forging of deep Caribbean-EU political, economic, and cultural ties.

The bi-regional relationship has evolved considerably over the intervening 45 years, reflective of a recalibrated global environment, the evolution in EU and Caribbean (now Caribbean Forum of African, Caribbean and Pacific States-CARIFORUM)[1] membership and policies, advances in Caribbean regional integration and iterations of the agreements between the African, Caribbean and Pacific (ACP) States and the EU. The EU remains a major trading partner to the Caribbean, ranked third as a source of imports and third as an export destination[2]. Trade and economic cooperation was strengthened with the signing of the CARIFORUM-EU Economic Partnership Agreement (CEPA) in 2008. The EU also remains a significant source of development cooperation for the Caribbean, complemented by a sui generis project management regime that includes multi-annual programming. Beyond this, the bi-regional ties have expanded into new areas of joint multilateral endeavour such as the WTO Trade Facilitation Agreement (TFA) and the Paris Agreement on Climate Change.

Despite the long and formal engagement, the CARIFORUM-EU partnership has not engendered either deep understanding of, or universal support in, each other's conduct of multilateral negotiations. To the contrary, the partnership displays regular flashes of unease and arguably low-level tension. Suboptimal implementation of the CEPA, unmatched

1 CARIFORUM Members are Antigua and Barbuda, The Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago. This paper will focus on the relationship of the EU with the 15 CARIFORUM members that are parties to both the post-Cotonou Agreement and the CARIFORUM-EU Economic Partnership Agreement.

2 COMEXT EU-CARIFORUM Trade in Goods. Available at: https://webgate.ec.europa.eu/isdb_results/ factsheets/region/details_acp-caribbean-countries_en.pdf (accessed 26 April 2021). (Editor's note: The updated portal can be found at the following link: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/caribbean_en. Accessed 26.09.2022)

Caribbean expectations of the EU to implement the Trade Facilitation Agreement (TFA) and Paris Agreement on Climate Change, and more recently, the EU designation of select Caribbean states as "non-cooperative jurisdictions" are examples of troubling issues straining the relationship.

This paper seeks to assess the Caribbean-EU partnership in terms of its contribution of bi-regional trade and economic cooperation to Caribbean development, and possibilities for a renewed partnership considering new impulses shaping the CARIFORUM-EU relationship, including the post-Cotonou Agreement, Brexit, EU-LAC Political Dialogue and COVID-19 responses. A CARIFORUM-EU development agenda to fuel post-pandemic Caribbean recovery is mooted with the additional value of harnessing the promise of the revised partnership.

This paper is structured into the following five main sections, namely, a) sketching the key atmospherics impacting Caribbean-EU relationship, in particular, the evolution of the ACP-EU relations and the emergence of new impulses shaping these atmospherics; b) reviewing performance of CARIFORUM-EU trade and economic cooperation leading to the conclusion that economic advances have been trumped by a host of missed opportunities; c) outlining possible elements of a CARIFORUM-EU development agenda that could mitigate if not overcome COVID-19 induced setbacks to Caribbean sustainable development; d) highlighting the challenges faced in forging a CARIFORUM-EU political partnership; and e) concluding remarks that posit proposals on enhanced institutional framework to manage the CARIFORUM-EU partnership.

2. The Caribbean-EU Relationship

2.1. EU-ACP Relations as Context

a. From Yaoundé to Post-Cotonou

The Caribbean-EU relationship is framed by a series of "All ACP-EU" Conventions. On February 28, 1975, 46 ACP countries and 9 member States of the European Economic Community (EEC) signed the Lomé Convention. ACP signatories included 6 Caribbean countries: The Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago. The 1972 United Kingdom's accession to the EEC necessitated Commonwealth trade preferences to be grandfathered into a trade and development compact involving the expanded EEC and former British colonies in Africa, Caribbean, and the Pacific.

The first Lomé Convention included several, including some radical innovative policies. For example, the new agreement granted ACP countries non-reciprocal access to the EEC market. Also, agricultural commodity protocols for bananas, rum and sugar conferred both above world market prices and supplementary income. STABEX (Stabilization of Export Earnings) shielded ACP countries from a fallin agricultural export earnings export and System for Stabilization of Export Revenues in Minerals (SYSMIN) for mineral exports.

In enshrining these prime initiatives arising from the Second and Third Conferences of the United Nations Conference on Trade and Development (UNCTAD), the Lomé Convention represented a radical platform for shaping North-South relations (Toye, 2014a, and UNCTAD, 1973).

Subsequent Lomé revisions resulted in key changes to the ACP-EU partnership, most notably, introducing the principle that access to EU development aid was predicated on upholding core political values. Shifts in ACP-EU relations reflected new global realities most notably the demise of the Cold War; rise of globalisation and formation of the World Trade Organization (WTO) but also intra-EU developments, e.g., the Treaty of Maastricht, incorporation of former Eastern Bloc countries as EU Members and the establishment of the EU Single Market[3].

The Cotonou Partnership Agreement (CPA) replaced the Lomé Convention in 2000 and launched another clutch of significant policy shifts. One example was the inclusion of political dialogue as the third pillar[4], thereby enshrining political values as central to the ACP-EU partnership. Incorporation of political values complemented de facto support for Washington Consensus policies, most notably, World Bank-administered Structural Adjustment Programmes, market-based economic reforms and tariff liberalisation, aimed at advancing "the integration of ACP countries into the world economy". The CPA development paradigm elevated support for ACP regional integration, which was unsurprising given the EU's enthusiasm to encourage its development partners to emulate its own brand of regional integration.

The post-Cotonou Agreement (2021) launched yet another series of major changes in the ACP-EU relationship. First, the partnership now purports to be an "partnership of equals" with the objective being to "generate mutually beneficial outcomes". Note that CPA's singular aim of promoting the sustainable development of the ACP has now been extended to the EU. Second, European Development Fund (EDF)-funding has now been eclipsed with EU development aid to the members of the Organization of ACPStates (OACPS) to be channelled through the Global Europe: Neighbourhood, Development and International Cooperation Instrument (NDICI) in the EU general budget. Third, the agreement summons all parties to enhance coordination and consultation for action in relevant multilateral bodies. Fourth, the revised legal structure provides for a two-tiered approach, a General Part that articulates a raft of general principles while more specific treatment is reserved for the respective regional protocols for Africa, Caribbean and the Pacific regions. This differentiated approach among ACP constituent regions allows for, inter alia, the possibility of convening regional summits, a prospect currently reserved for Africa. Finally, the post-Cotonou institutional framework facilitates regional organisations such as the Caribbean Community (CARICOM) and/or CARIFORUM the possibility to be granted observer status.

3 See Hurt (2003) while Kuehnhardt (2017) notes that major revisions in the Lomé Convention reflected shifting geopolitical realities and European policy responses.

4 The other two pillars, trade and development cooperation were present in Lomé 1.

The demise of the EDF reflects a substantive shift from the Yaoundé/Lomé/Cotonou approach with the loss of a specific development financing facility reserved solely for ACP countries and EU associated Outermost Countries and Territories (OCTs)[5]. Since its inauguration in 1975, the EDF has generated €124.75 billion in commitments from EU Member States[6]. Beyond overall EU aid volume, EDF regulations also allowed for ACP contractors to benefit from preferential treatment, comprising price preferences for bids including ACP firms with the value increasing according to the level of economic participation by such firms; participation of ACP nationals as technical experts; and possible additional support to ACP-owned companies and experts. The loss of such preferences means not only possible missed economic opportunities but the likelihood of diminished national ownership of EU-funded projects administered by non-ACP firms and experts.

Lomé/Cotonou/post-Cotonou OACPS-EU compacts have continuously evolved over time, with the consequence that the value of preferential trade treatment has been significantly eroded. Preference erosion has been driven by multilateral trade negotiations, including the Geneva Agreement on Bananas that ended a longstanding trade dispute with Central American MFN suppliers. But also, the increasing number of EU FTAs with developing countries[7] has denuded the value of OACPS preferential access to the EU market. Beyond this, internal EU policy reforms have contributed to preference erosion, most notably Common Agricultural Policy (CAP) reform of the EU sugar market that removed the EU as buyer of last resort, payment of guaranteed prices and resulted in reduced market prices. The EU has advanced to become the world's largest exporter of agricultural products with the European Commission declaring that the bloc will become self-sufficient in sugar and potentially a net exporter (European Commission, 2020b)[8]. Sugar is emblematic of a broader tale of EU agricultural exports that have soared from €72.7 billion in 2002 to €185.1 billion in 2020 (European Commission, 2021a) thanks to both a series of CAP reforms that switched the aim from self-sufficiency to securing global market access and implementation of the EU Global Europe Strategy (European Commission, 2006).

b. ACP-EU Relations in the Multilateral Context

In multilateral arenas, the ACP-EU partnership has contributed to the establishment of the WTO Trade Facilitation Agreement (TFA) in 2013. Close ACP-EU technical collaboration resulted in the crafting of a "Section II approach", which ties the assumption of new trade rules and obligations with the delivery of trade capacity (Lodge, 2014). This new model of special and differential treatment could be extended to address developing countries' regulatory capacity constraints in both bilateral and multilateral trade negotiations. The ACP also contributed significantly to the conclusion of the Paris Agreement on Climate Change

5 It is often overlooked that the EDF was also the principal source of EU funding for OTs and OCTs.

6 Authors' calculations based on Van Reisen (2012: 33).

7 Since 2000, the EU has negotiated and applied FTAs with the following 15 non-OACPS developing countries namely, Algeria, Chile, Colombia, Costa Rica, Ecuador, Egypt, El Salvador, Honduras, Guatemala, Jordan, Mexico, Morocco, Nicaragua, Panama, and Peru (see: European Commission, 2020a).

8 According to that report, EU sugar imports are projected to decrease from 2.3 million tonnes in 2017 to 1.4 million tonnes in 2030. ACP exports to the EU have already fallen dramatically

although the ACP bloc's members were organised into two main constituents, i.e., the African Union and Alliance of Small Island States (AOSIS) (Betzold, Castro and Weiler, 2012).

Notwithstanding these notable achievements in multilateral negotiations, the ACP-EU engagement in multilateral negotiations has been rather muted. The occasional joint ministerial declarations, e.g., on multilateral trade, finance for development, climate change and sustainable development goals, have not been complemented by earnest action and coordination. This limited engagement in part reflects the failure to extend the ACP-EU engagement beyond Brussels and Geneva[9]. It might also be attributed to limited internal coherence among ACP States the failure of regular consultations among ACP diplomats based in other key global political capitals —New York and Geneva— to consult with their Brussels-based counterparts.

However, the most critical contributing factor to the lack of more dynamic ACP-EU interaction on global affairs stems from the partners' failure to vigorously pursue a strategic relationship. The EU generally anticipates ACP support on global policy issues citing the longstanding and historic partnership, the sui generis development cooperation support and shared political values including full embrace of multilateralism. In contrast, the ACP tends to work with the G77 and China as its main partner on UN-based policy agenda. This partially reflects the G77's stark intellectual and political support for the New International Economic Order (Toye, 2014b).

Yet another factor is the rise of China as both a forceful economic and development aid partner. China is generally viewed as delivering aid in an unconditional manner (more precisely, decoupled from respect for political values) and generally refrains from instructing its ACP partners of the need to respect international standards on basic governance measures such as democracy, upholding rule of law and free and fair elections.

c. ACP-EU Trade Performance

45 years after the implementation of Lomé/Cotonou partnership, ACP-EU bilateral trade still reflects the broad contours of the colonial terms of trade[10]. That is, the EU exports industrial goods to the ACP while ACP exports to the EU are primary products. This is best exemplified in the most recent Standard International Trade Classification (SITC) based trade data whereby ACP exports in 2020 were primary products (74.6%); manufactured products (20.3%) and others (5%). In contrast, EU exporters were manufactured goods (66.2%); primary products 31.5% and others (2.3%)[11].

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9 In the case of Geneva, the engagement is limited to the WTO and not extended to other major organisations based there such as UNCTAD, WIPO nor sessions of the UN Human Rights Council.

10 This section builds on Lodge (2014).

11 Data used is from EU Comext with ACP trade volumes including South Africa. https://webgate.ec.europa.eu/isdbresults/factsheets/region/detailsacp-total-african-caribbean-and-pacific-countriesen.pdf (accessed on April 30, 2021).

An assessment of overall ACP trade performance should be tempered by enumeration of country specific examples. Mauritius remains a rare example of an ACP country that has recast its economy from traditional commodity exports to new service sectors such as financial services, health, and education based tourism. Namibia now exports vacuum packed beef instead of sides of beef while Kenya exports bouquets as opposed to flowers in bulk. Caribbean exports of bottled rum have soared although bulk rum remains commercially significant. Yet most ACP States have been unable to escape the double trap of enhanced EU trade competitiveness (induced by a raft of new EU policies and measures) and rising erosion in the value of ACP preferential treatment.

There are mitigating factors behind the underwhelming ACP trade performance since 1975. First, the Lomé/Cotonou construct sent contradictory signals to ACP economic operators. On the one hand, the award of duty-free, quota-free (DFQF) treatment for industrial goods encouraged ACP export diversification and industrialization. On the other hand, the CAP generated EU prices that were considerably higher than those on the world market. This was even more exaggerated in the case of the Special Commodity Protocols on bananas, rum and sugar that offered benefits beyond preferential tariffs. The result was that ACP countries were more incentivised to maintain production of agricultural commodities.

Second, ACP industrial products face an increasing slate of non-tariff barriers on the EU market, thereby rendering the cost of compliance with regulatory requirements exceedingly high (UNCTAD, 2002). Third, outside of the CARIFORUM-EU EPA, the ACP-EU partnership has never facilitated increased trade in services. Not only is the ACP a major exporter of tradeable services but there is now universal recognition of the phenomenon of servification, i.e., the increased value of services embodied in physical goods. Fourth, during the period 1981-86, three producers of tropical products acceded to the EU (Spain, Portugal and Greece) whose price competitiveness relative to the ACP, physical proximity to main markets and access to CAP benefits (i.e., subsidies) blighted ACP competitiveness. Fifth, global value chains remain difficult to enter due to the increasing weight and cost of complying with EU regulatory demands. Sixth, policymakers have serially failed to invest in measures to overcome the host of structural supply-side constraints facing most ACP producers. This includes the regulatory framework, high cost of capital and poor trade support infrastructure[12].

Finally, successive iterations of the Lomé/Cotonou Agreement resulted in reversal or diminution in commercial value of the initial revolutionary policies, with the tempering of STABEX provisions being a prime example. The limited number of ACP countries with developed specific strategies to spur economic diversification also underscores the depth of the Group's dependence on EU trade preferences.

12 See Davenport *et al.* (1995) for an analysis of ACP trade performance under Lomé and the constraints.

2.2. Caribbean-EU Relations

a. CARIFORUM Dynamics

Formal Caribbean-EU relations are operationalised through several Joint Caribbean-EU Partnership Strategies. These are policy frameworks that serve to rationalise EDF regional allocations captured in respective Caribbean Regional Indicative Programmes (CRIPs). Prior to 1992, the CARICOM Secretariat acted as the EU counterpart in the management of regional EDF funding. The Caribbean Forum of ACP States (CARIFORUM) was established in 1992 and tasked with managing the relationship with the EU, mainly through programming of regional EDF resources. This shift reflected the twin force of Lomé IV's increased accent on strengthening regional integration and the accession of both the Dominican Republic and Haiti to both the Georgetown Agreement and Lomé Convention. Anchoring the CARIFORUM Directorate in the CARIFORUM Secretariat ensured both CARICOM's continued leadership and a measure of coherence among Caribbean regional integration and cooperation bodies.

Over time, CARIFORUM Directorate's role has expanded considerably with the initial task of managing the programming of the CRIP now complemented by supporting CARIFORUM-EU political dialogue and trade and economic cooperation[13]. CARIFORUM-EU trade and economic cooperation remains defined principally by the CEPA and complemented by Lomé/Cotonou agreements. Bi-regional action is framed by Joint Caribbean-EU Partnership Strategies with the 2014-2020 version enumerating 5 core clusters namely: a) regional integration, b) reconstruction of Haiti, c) climate change and natural disasters, d) crime and security, and e) joint action in multilateral fora with goals and objectives crafted for each cluster.

b. EU funding in the Caribbean

Under the 11th CRIP, 22 projects[14] have been implemented, including technical and administrative support on CEPA implementation and regional cooperation; support to Caribbean Export on export private sector development; support to Caribbean Regional Technical Assistance Centre (CARTAC) on financial governance and tax reform; strengthening the Caribbean Biological Corridor (Dominican Republic, Bahamas, Dominica, Haiti and Jamaica); technical assistance programme on Caribbean Sustainable Energy; enhancing CARIFORUM States' capacity on financial compliance, asset recovery and cybersecurity; Haiti-Dominican Republic Bi-national Cooperation; support for the Natural Disaster Facility; support to enhance Caribbean criminal justice systems; support to develop the Caribbean coconut industry; strengthening CARICOM integration; support for CARIFORUM States on CEPA implementation; promoting OECS regional integration; enhancement of citizen and border security; and strengthening solid waste management. This impressive slate of 11th

13 The Directorate's duties also now extend to managing CARIFORUM's post-Brexit trade relations UK.

14 This information is based on private communication with the CARIFORUM Directorate.

CRIP-funded projects underscores both the breath of Caribbean development needs and the limits of aid effectiveness when financial resources are so thinly spread.

These regional efforts were complemented by EDF 11th NIPs valued at €736 million of which Haiti received €374 million. In programming these national envelopes, several CARIFORUM States opted to prioritise economic sectors. For example, Antigua and Barbuda chose fiscal modernisation; Barbados (skills development); Dominican Republic (competitiveness); Guyana (infrastructure); Jamaica (governance); Saint Lucia (private sector development) and Trinidad and Tobago (economic transition). Yet, the value of all Caribbean NIPs (bar Haiti) has consistently fallen due to the EU applying the principle of "differentiated development partnerships"[15].

A third source of EDF funding comes from access to intra-ACP programmes, e.g., BizClim and Technical Barriers to Trade (TBT) Programmes. Initiatives funded included the convening of CARIFORUM-EU Business Forums and the development of three Geographical Indications (GIs) in Guyana. A fourth option comes from the €5 billion ACP-EU Investment Facility (IF) that supports direct investment in ACP productive sectors through loan financing directly to SMEs or financial intermediaries and equity funding; guarantees; and interest rate subsidies. Caribbean firms benefitted from €430 million in loans administered by this European Investment Bank (EIB)-administered facility during the period 2014-2020.

EU grants to CARIFORUM during the period 2014-2020 amounted to a total of €1.5 billion once access to EU thematic lines such as Erasmus Plus; European Instrument for Democracy and Human Rights; Civil Society Organisations and Local Authorities (CSO-LA) Programme; and SOCIEUX+, are factored in. These EU-funded funded initiatives were complemented by programmes funded by a few EU Member States. Most notable was Compete Caribbean a $US40 million programme supportive of private sector development with the United Kingdom a major donor. That former EU Member State also designed and funded the Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund) a £10 million funding facility that supported both CARICOM Single Market and Economy(CSME) and CEPA implementation. Another example comes from Germany's support for developing CEPA monitoring and evaluation modalities in addition to supporting the development of TBT regime in the Caribbean.

c. EU-LAC Initiatives

Successive ACP-EU Agreements remain the principal vector for Caribbean-EU relations, but these have now been complemented by the EU-LAC framework. The formal bi-regional partnership commenced in 1992 with the first EU-Latin American and Caribbean Summit in Rio de Janeiro, Brazil. The ensuing six Summits have been complemented by a series of Ministerial meetings and resulting in the EU now formally interacting with the

15 This approach was first developed in the EC Communication (2011) that limited EU aid to World Bank designated lower-middle income or high middle-income countries. Provisions in the OACPS-EU Partnership Agreement reverse this EU approach.

Community of Latin American and Caribbean States (CELAC). The engagement is pitched on three streams of activities, namely, political dialogue; global governance; and technical cooperation.

In many respects, the EU relationship with CELAC mirrors that of the partnership with the ACP. For example, the language of the 2015 EU-CELAC Summit Brussels Declaration "Shaping Our Common Future: Working Together for Prosperous, Cohesive and Sustainable Societies for Our Citizens" is replete with references to political values such as reaffirmation of the sovereign equality, strengthening of multilateralism and respect for international law; promotion and protection of human rights; commitment to eradicate poverty; reaffirmed adherence to the United Nations Framework Convention on Climate Change (UNFCCC) and tackling climate change; and strengthening the fight against corruption. From a narrow Caribbean perspective, the shared scope and language between the respective EU partnerships with the ACP and CELAC suggests a degree of policy coherence.

Despite the similar policy orientation of the respective EU partnerships with the ACP and CELAC, the treatment of EU development cooperation instruments reflects a major difference. Most notably, the Lomé/Cotonou construct provides for a legally binding commitment on EU aid while the CELAC relationship lacks any such legal certainty. Allied to this, the aid for CELAC stems from the EU Development Cooperation Instrument while Caribbean support comes from the ED[16]. The difference in EU funding instrument limits the prospect to effectively pursue triangular cooperation among the Caribbean, EU and Latin American regions. Indeed, this split in EU development funding instruments limits the effective prospect of greater CARICOM/Dominican Republic/EU relations with Cuba. Such an outcome is not only sub-optimal but fails to conform with CELAC-EU declarations on promoting South-South cooperation. The introduction of the uniform Neighbourhood, Development and International Cooperation Instrument (NDICI) in the 2021-2027 Multi-Annual Financial Framework should facilitate enhanced and coherent engagement among all CARIFORUM Members.

3. Caribbean-EU Trade Policy Framework

Caribbean-EU trade is currently framed by the CARIFORUM-EU EPA. Negotiations for this trade agreement were conditioned by the Cotonou Agreement Article 36.1 that called for the "establishment of WTO-compatible trading relations". CARIFORUM initially supported negotiation of an all ACP-EU FTA, but this failed to gain either universal ACP traction or serious EU interest. CPA Article 37.6 required the EU to examine alternatives to EPA that were equivalent to existing trade arrangements and conformed with WTO rules, to non-LDCs unwilling to begin EPA negotiations. This provision did not lead to the identification of alternatives beyond the Generalized System of Preferences (GSP) Scheme[17] as an alter-

16 It should be noted that the post-Cotonou arrangements have excised the Financial Protocols that have always accompanied previous ACP-EU Conventions and the EDF is now folded into the EU budget.

17 GSP are unilateral trade schemes administered by industrialized granting select developing countries and leas-developing countries either a full or partial reduction in tariffs.

native trading arrangement with the EU. However, this option was dismissed due to a number of unattractive features, including a) its non-contractual basis with the EU retaining its sovereign right to amend its provisions or withdraw the preferences; b) its limited application to goods which would ignore trade in services, in which the Caribbean countries hold significant economic interests; c) the lower thresholds for triggering EU trade defence measures; d) its offer of trade benefits that are commercially less attractive that the then ACP-EU trade regime.

The CEPA was signed by all Parties on October 15, 2008, except Guyana (October 20, 2008) and Haiti (December 10, 2009). The trade and development compact introduced several policy novelties, most notably reciprocal trade liberalisation, dismantling the special agricultural commodity protocols, and recalibrating trade relations from an all-ACP-EU framework to establishing country/region-specific trading agreements. In concrete terms, the CEPA allowed for asymmetrical trade liberalisation, with the EU liberalising 100% of all CARIFORUM imports of goods, while CARIFORUM liberalised 86.9% of its EU imports (Silva 2014). The CARIFORUM tariff liberalisation commitment masks significant variations among Caribbean States with the Dominican Republic liberalising 95% in contrast to Belize's 61%, for instance. OECS and Belize could liberalise considerably less thanks to both the Dominican Republic's award of Central America Free Trade Agreement (CAFTA)-DR parity to the EU and its role as the most important Caribbean source of EU imports.

Crafting the CARIFORUM tariff liberalisation offer was heavily informed by two considerations, namely revenue sensitivities and protection of domestic production[18]. EU imports that contributed heavily to import duty revenues were pushed into the 15-year or 20-year liberalisation basket. Similarly, the CEPA allows for the tempered schedule to dismantle Other Duties and Charges (ODCs) including a moratorium of 7 years after the Agreement comes into force. In terms of protection of domestic production, over 75% of EU agricultural exports to the Caribbean are permanently excluded from tariff liberalisation, thereby protecting an important industry while enhancing Caribbean interest to bolster food security. Beyond that the infant industry protection in Article 164 of Revised Treaty of Chaguaramas is both respected and broadened to include Guyana.

CEPA provides for a relatively standard approach to the liberalisation of trade in services with its use of the WTO W120 (Services Sectoral Classification List) approach to scheduling of commitments, insertion of national treatment clauses and GATS XVI-type limitations to market access. Here again, both sides' liberalisation schedule applies the principle of reciprocity with the EU liberalising 90% of W120 sectors and CARIFORUM 65% (for CARICOM designated LDCs[19]) and 75% for remaining Caribbean parties. The Bahamas and Haiti were granted a special dispensation to submit their respective commitments on services and investment 6-months after the CEPA was signed.

18 This section draws heavily from Sauvé and Ward (2009).

19 CARICOM designated LDCs parties to the CEPA are Antigua and Barbuda, Belize, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines.

The Agreement also establishes a built-in agenda for the pursuit of additional levels of liberalisation in trade in services. Specific sectors liberalised by CARIFORUM include services linked to agriculture, manufacturing and public utilities. In contrast, the EU followed a positive list approach with commitments scheduled in business services, communication services, construction services, distribution services, privately funded education services and social services, financial services, environmental services, tourism services, and transport services. The CEPA investment rules apply to all investment, both services and non-services sectors, and are therefore not limited to the conventional GATS Mode III definition of commercial presence that relates solely to services (Chaitoo, 2011). In addition, CARIFORUM investment commitments adhere to a negative list approach whereby only exceptions and non-conforming measures are cited, with all other sectors being liberalized.

A protocol on cultural cooperation annexed to the CEPA complements the market access provisions on cultural services. The Protocol aims to facilitate deeper CARIFORUM-EU cooperation on all cultural services with special provisions for the audio-visual sector. Specifically, the protocol supports the conclusion of co-production agreements through the establishment of favourable minimum content requirements. In addition, Caribbean producers of audiovisual products could qualify for EU Member States' funding once co-production agreements have been concluded. The prospect of Caribbean cultural producers also benefitting from training and project collaboration constitutes yet another example of the potential import of the Protocol on Cultural Cooperation.

Beyond provision for reciprocal yet asymmetric liberalisation of goods and services, the CEPA also covers a raft of regulatory issues. These include the classic trade defence measures (safeguards and countervailing measures); trade facilitation; technical barriers to trade; and trade-related intellectual property rights (dubbed trade and innovation); competition policy (reduced to cooperation); public procurement (limited to transparency). The agreement's commitments on both trade and environment and trade and labour are based on effective implementation of international agreements. In addition, the Parties commit to reduce neither social nor environmental standards to foster either trade or foreign direct investment.

The CEPA seeks to underpin Caribbean development through the crafting of trade rules and support for the establishment of trade regulatory regimes. Accordingly, the provisions in each trade-specific chapter are complemented by the enumeration of specific Caribbean trade capacity needs. Another manifestation of CEPA's developmental aspiration is the goal of strengthening CARIFORUM economic integration. This objective is expressed in the general attempt to establish regional trade regimes and use of regional preference provisions that commit CARIFORUM countries to grant each other the same liberalisation commitments granted to the EU in both goods and services. A final example of the goal of deepening Caribbean economic integration comes from the CARIFORUM liberalisation schedules for both goods and services exceeding the CARIFORUM-DR FTA, a trade agreement unambitious in depth of commitments, limited scope and anaemic implementation.

3.1. CARIFORUM-EU Trade Performance

Over 12 years after the CEPA came into force, the agreement has not delivered the promised benefits. According to the 2021 EC-commissioned evaluation of the agreement, the value of CARIFORUM-EU merchandise trade has decreased from €9.5 billion in 2008 to €8.828 billion in 2020[20]. However, this figure masks the fact the total trade peaked at €11.631 billion in 2009 and fell to a low of €8.37 billion in 2011. The average value of CARIFORUM-EU bilateral trade since 2010 amounts to €9.71 billion, again confirming that the Agreement has not facilitated considerable increase in bilateral trade. Even more alarming is the fact that Caribbean exports have not grown. In 2020, CARIFORUM exports to the EU were valued at €3.398 billion a decline relative to 2010 when the region exported €3.498 billion. It is instructive to note that CARIFORUM exports peaked in 2013 and 2019 respectively with values of €4.43 billion and €4.58 billion, respectively.

A cursory review of the trade data indicates that EU exports have performed considerably better than those from CARIFORUM during the period 2010-2020. During this period, EU exports ranged from a peak of €7.051 billion in 2019 to a low of €4.513 billion in 2014. Most significantly, CEPA implementation has seen the EU overturn its 2008 trade deficit of €1.495 billion into a surplus of €2.032 billion in 2020. The muted CARIFORUM export performance masks the fact that several of its members —Antigua and Barbuda, Belize, Dominican Republic, Grenada and Guyana— have seen marked increases in the value of exports over the last 10 years.

Overall performance of CARIFORUM merchandise good exports might be attributed to a combination of declining energy prices, sustained effects of the global economic recession and shifts in EU commodity import regimes. However, the rise in EU exports should not be surprising given the benefit from liberalised access to the Caribbean market and the sustained increase in competitiveness in agricultural production due to Common Agricultural Policy (CAP) reform. Evidence of this can be seen in the substantive increase in EU exports of food products to the Caribbean since the CEPA came into effect.

Merchandise trade data based on SITC product groups also underscore yet another facet of the Agreement's sub-optimal performance, namely, that the traditional structure of trade remain intact. CARIFORUM exports to the EU in 2020 are dominated by primary products (63.5%) with manufactured products accounting for 32.%. Principal CARIFORUM exports were liquified natural gas, methanol, alumina, bananas, sugar and rum. EU exports to CARIFORUM reflect the inverse with manufactured goods amounting to 68.5% with another 28% from primary products.

CARIFORUM service exports to the EU have grown considerably, in contrast with exports of merchandise goods. According to Eurostat data, CARIFORUM services exports grew from €22.295 billion in 2015 to €29.845 billion in 2019. In contrast, EU services exports grew faster albeit from a lower base from €3.026 billion in 2015 to €5.661 billion in 2019. The data

20 Source: https://webgate.ec.europa.eu/isdbresults/factsheets/region/detailsacp-caribbean-countriesen.pdf (accessed May 7, 2021).

confirm the increasing economic weight of export of services figures for most Caribbean economies.

An IDB study (2016) simulated the possible impact on Caribbean economies due to the United Kingdom's withdrawal from the EU. The results of the anticipated impact in three areas of economic activities —merchandise trade, tourism arrivals, and remittances— found negligible economic impact on the Caribbean. In one respect, the results are surprising given the importance of the United Kingdom as a trade destination for Caribbean exports. Note for example, that the UK's share of EU imports of merchandise goods in 2017 for Grenada, Guyana and Jamaica were 97.2%; 63.5% and 76.6%. In the case of services, the UK accounted for 12.89% of CARIFORUM exports to the EU in 2019, marginally lower than the corresponding share of 13.58% in 2010.

However, the expected Brexit economic impact has been heavily tempered by the rollover of CEPA trade preferences through the CARIFORUM-UK Economic Partnership Agreement. Yet it is undeniable that Brexit has reduced the economic value of the Caribbean-EU trade arrangements. In addition, the House of Lords' European Union Committee report on post-Brexit trade enumerated several negative developments for ACP supply chains with affected exports including fresh horticulture, floriculture, and fisheries products. Beyond this, the EU and UK failed to agree on diagonal cumulation that again limit the prospect of triangular Caribbean-EU-UK trade.

3.2. Assessment of the CEPA

The CEPA offered the chance to recalibrate CARIFORUM-EU trade relations by shifting to asymmetric trade liberalisation, developing an expanded number of trade disciplines, promoting deepened Caribbean economic integration, and complementing trade rules with targeted trade support needs. Yet these noble ambitions are partially blighted by faulty design, for example, the country-based CARIFORUM services commitments reflects a missed chance to develop an integrated CARIFORUM economic space. In addition to limiting the prospect of deepened Caribbean economic integration, the nature of CEPA Caribbean services schedules also limits the region's capacity to attract investment from EU-based firms (Chaitoo, 2011). Also, several trade rules, in trade in services, failed to either replicate more ambitious approaches emanating from negotiations in either the WTO or other FTAs[21].

12 years after the CEPA was signed, CEPA implementation remains incomplete. As noted by the second evaluation of the agreement (2021), several CARIFORUM countries have either failed to reduce tariffs on EU imports or still maintain export duties and quantitative restrictions. In addition, several Caribbean signatories have not applied the regional

21 For example, Ward and Sauvé (2009: 137) note that the procedures on domestic regulation do not match those already enshrined in GATS or codify agreement already attained in the GATS Working Party on Domestic Regulation. The authors also claim that the CEPA provisions on e-commerce lack the detailed approach of FTAs already negotiated by the US at the time.

preference commitments for both goods and services nor fully implemented provisions on personal data protection, public procurement, competition policy, investment, e-commerce, and intellectual property. The EU also failed to fully observe its CEPA commitments, with the 2018 German ratification of the agreement being a prime example. This legislative delay resulted in CARIFORUM professional service providers were *de facto* being denied the chance to benefit from the CEPA services commitments in that major EU member State. Indeed, most EU Member States have failed to institute the requisite regulations to facilitate entry by Caribbean operators into the 29 sectors for contractual service suppliers and 11 for independent professionals liberalised by the EU.

The limited advance of the CARIFORUM integration process constitutes yet another cause for the limited CEPA impact. Key elements of the CARICOM Single Market and Economy (CSME) are yet to be implemented, most notably on e-commerce, public procurement, treatment of goods produced in free zones, free circulation of goods, and services and investment. Several Caribbean initiatives measures have emerged to strengthen economic integration with the establishment of the OECS Economic Union remaining a highlight. CARICOM's promulgation of a multilateral air services agreement is yet another step towards greater Caribbean economic integration by seeking to establish a single market through the adoption of uniform standards and uniform licensing and certification of aviation personnel. It should be recalled that strengthening of Caribbean economic integration is not only an objective to be supported by the Agreement but also a necessary condition to fully harness the new trade arrangements with the EU. Establishing a more integrated Caribbean economic space promotes the price competitiveness of CARIFORUM exports and incentivises greater inflow of foreign direct investment.

Furthermore, CARIFORUM CEPA implementation has been limited, with the notable exception of the Dominican Republic, to the mechanistic discharge of the agreement's legal commitments. This approach ignores using trade agreements to leverage deep economic reforms to increase competitiveness and bolster both productive and regulatory capacities. This narrow approach has resulted in limited efforts to enact tax reform, despite CARIFORUM Members' strong reliance on trade taxes. This oversight is made that more troubling given the work done on financial governance by CARTAC, an IMF-managed and EU-funded technical assistance facility.

The unambitious CEPA implementation also resulted in the failure to develop and implement sector strategies. An IDB-commissioned study on Caribbean entertainment services (Chaitoo, 2011) highlighted the need to implement several initiatives if effective use of access to the EU market is to be realised. Specific recommendations included harmonizing customs procedures and common certification; removing of import duties and other charges on inputs used in the creative industry; developing sector standards by strengthening the creative industry associations; and developing strategies aimed at linking creative industries with other key economic sectors. No evidence can be discerned to translate in policies these recommendations. As argued by Burri and Nurse (2019) effective CEPA implementation on cultural products warranted a more proactive approach to build market opportunities and facilitate trading relations.

4. Prospects for Post-Pandemic Caribbean Recovery and Development

4.1. Recent Caribbean Economic Performance

CARIFORUM countries exude the traditional characteristics of small, vulnerable economies (SVEs): trade and preference-dependent, limited export diversification (in terms of markets and products), and low price competitiveness[22]. These structural weaknesses of the Caribbean's small economies are further compounded by the region's geographically non-contiguous nature choking the prospect of deeper economic integration. Beyond these underlying limitations, the COVID-19 pandemic has exacted a demanding toll in terms of human lives lost, strain on healthcare systems and haemorrhaging of fiscal receipts. The loss of Caribbean governments' fiscal revenue should be viewed in a context where most countries in the region already suffer acutely narrow fiscal space and high public debt.

Most Caribbean States have instituted modest stimulus packages with Caribbean GDP projected to contract by 6.2% in 2020 the deepest recession in more than half a century (Srinivasan *et al.* 2020). The IMF estimates that tourism-dependent economies (Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Haiti, Jamaica, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines)[23] will suffer a 10.1% decline in GDP in 2020 in contrast to commodity exporters (Guyana, Suriname and Trinidad and Tobago) that will plunge by 4.7%. Commodity exporters should see a 6% increase in GDP due to the economic rebound in 2021 while tourism-dependent economies should experience a 1.4% growth. Indeed, Caribbean tourism-dependent economies are expected to be the last to recover (only in 2024) due to the slow resumption in tourism (Werner, Komatsuzaki and Pizzinelli, 2021). It should also be noted that forecast economic rebound should be viewed in a context of anaemic Caribbean GDP growth rates for both tourism dependent and commodity exporters since the mid-2010s.

Caribbean economic and environmental resilience is serially compromised by hurricanes and natural disasters. The April 9, 2021, eruption of La Soufrière volcano in St Vincent is only the most recent exemplar of the Caribbean economic and environmental vulnerability. The economic cost of natural disasters for the Caribbean exceeded $22 billion between 1950 and 2016 -38% of all similar disasters globally. In some instances, the level of economic turmoil can be challenging with Hurricane Maria estimated to have cost Dominica 225% of its GDP, while the hurricane damage for Grenada in 2004 was 200% of GDP. The massive reconstruction costs are further compounded by the low insurance pay-outs relative to the damage wreaked (Ötker and Srinivasan, 2018).

Werner *et al.* (2021) estimates that poverty in Latin American and Caribbean has increased by 19 million people and inequality has increased by 5% compared to pre-COVID levels. Close to 12 million learners in 29 Caribbean countries have been affected by temporary school

22 Winters and Martins (2004) enumerate the structural trade challenges facing SVEs.

23 This IMF analysis does not include the Dominican Republic as the country is grouped with Central America by the Washington-based IFI.

closures suggests the pandemic will result in long-term damage to human capital (Dillon *et al.* 2020). The 2021 UN Caribbean Common Multi-Country Analysis offers evidence of Caribbean countries experiencing stark reversal in attaining their respective SDG targets. The UN report also concludes that COVID-19 deepened levels of economic, social and gender inequalities and myriad forms of vulnerabilities.

The IMF calculates that notwithstanding the release of considerable financial support by international development partners, many Caribbean countries still face a gap due to growing fiscal deficits and tightening borrowing conditions as the crisis persists. Indeed, the IFI estimates the region's financing gap at around $4 billion, or 4.8% of 2020 regional GDP with the ever-present risk of natural disasters possibly increasing that sum (Srinivasan, Muñoz and Ding, 2021). The risk of averting long term damage by the COVID-19 pandemic to Caribbean development warrants earnest consideration of a radically different approach in their partnership by both CARIFORUM and the EU.

EU COVID-19 Support to the Caribbean

The EU developed a global response to COVID-19 by deploying a Team Europe approach to assemble resources from the European Commission, EU Member States and European financial institutions[24]. The EU has marshalled €38.5 billion to support developing countries with disbursement fast-tracked to address immediate COVID-19 challenges. In the case of the Caribbean, DG International Partnerships (DG INTPA) administered €367 million in support with 86% allocated to social and economic recovery and the remaining 14% to health. EU COVID-19 support to the Caribbean centred on two main priorities health impact (equipment, trainings, health systems, vaccines); and socio-economic impact (social protection, functioning of the State, liquidities for the treasury, SMEs, gender impact)[25].

The EU has granted €8 million to Caribbean Public Health Agency (CARPHA) to secure protection material, test reagents, lab material, treatment, vaccines, as well as support to increase the health workforce and public awareness. EU support also contributed to the direct purchase of 1.2 million doses of COVID-19 jabs through COVAX. In an effort to limit socio-economic impact, EU support has centred on funding private sector development; assisting countries to cope with reduced fiscal space and generate fast macroeconomic impact; and reducing the cost of risk insurance countries participating in the Caribbean Catastrophe Risk Insurance Facility (CCRIF)[26]. European Civil Protection and Humanitarian Aid Operations (ECHO) also administered emergency support by distributing food and protective equipment to the Dominican Republic and Haitian migrants in that country. In addition, targeted interventions were directed in Haiti that centred on health equipment, training and logistics, in addition to building an air bridge for both humanitarian staff and delivery of life saving cargo.

24 See https://ec.europa.eu/international-partnerships/topics/eu-global-response-covid-19en.

25 See https://ec.europa.eu/international-partnerships/stories/eu-supports-caribbeans-fight-against-covid-19en.

26 See also https://ec.europa.eu/international-partnerships/stories/covid-19-crisis-european-union-provides-help-caribbean-ahead-years-hurricane-seasonen.

4.2. Summary of Post-Cotonou Provisions

The post-Cotonou Agreement represents in many respects a radical departure from previous ACP-EU partnership agreements. First, the Agreement adopts a hybrid form of a general policy framework applicable to all signatories (General Part) co-existing with region/continental-specifics provisions anchored in the respective regional protocols. Second, the new agreement seeks to overturn the previous donor-client construct by accentuating a political partnership as captured in Article 1.1, "This Agreement establishes a strengthened political partnership between the Parties to generate mutually beneficial outcomes on common and intersected interests in accordance with their shared values"[27]. Third, the ACP-exclusive EDF has been dispensed with and replaced by the NDICI that will finance all European development support. This reflects not only a long-standing goal by some EU Member States but also excising all special treatment conferred unto the ACP afforded under previous Lomé/Cotonou agreements.

The Caribbean-EU Regional Protocol enumerates five strategic priorities, viz.: a) strengthen the political partnership; b) deepen economic relations and promote transformation and diversification; c) improve environmental sustainability and climate resistance; d) build inclusive, peaceful and secure societies; and e) invest in human and social development. These broad strategic priorities primarily reflect both Caribbean interests and areas in previous Caribbean-EU Joint Strategies. The Caribbean-EU Regional Protocols are also complemented by general principles and commitments anchored in the all ACP-EU Partnership (General Part).

The Regional Protocol accentuates policy frameworks required to motor Caribbean sustainable economic growth and development. Accordingly, there are specific provisions to promote private sector development; enhancing regulatory and productive capacity of key services subsectors; develop sustainable agricultural production and productivity; promote fair and non-discriminatory access to the sustainable extraction of and trade in minerals and raw materials; strengthen energy security; develop sustainable transportation and related infrastructure; advance regional digital economy and infrastructure; promote sustainable tourism; cooperate on science, innovation and technological development; promote cultural and creative industries; foster sustainable manufacturing; and develop rules-based international business and financial services. The post-Cotonou arrangements on trade and economic cooperation should be viewed as a framework and complement to the CEPA rather than its replacement.

The title on environmental sustainability seeks to build on the Paris Agreement on Climate Change by adopting ambitious action to mitigate and adapt to climate change; protect and improve the environment; advance sustainable management of natural resources; and build resilience to climate change and reverse environmental degradation. Beyond

27 For comparison, the objective of the Cotonou Agreement is the following: "The Community and its Member States, of the one part, and the ACP States, of the other part, hereinafter referred to as the 'Parties' hereby conclude this Agreement in order to promote and expedite the economic, cultural and social development of the ACP States, with a view to contributing to peace and security and to promoting a stable and democratic political environment" (Article 1).

that, there is a bi-regional commitment to invest in green growth, promote circular economies and support the transition towards climate resilient and low-emissions-development. Similarly, the title on human rights, peace and security builds on the Cotonou acquis seeks to attain peaceful and resilient societies through the protection of human rights, human dignity, fundamental freedoms and strengthened governance and justice systems. Provisions on financial governance are also anchored in this title.

The final title on human and social development seeks to eradicate poverty in all forms by 2030, redress inequality and secure gender equality. In such pursuits, the needs of vulnerable groups like women, youth and the poor are to be prioritised. In pursuit of these broad objectives, specific provisions are made in pursuit of promoting inclusive, and equitable affordable education through expanded delivery of science, technology, engineering and mathematics (STEM) and the arts; and use of innovative technologies and development of digital skills and literacy. The article on health recognises the need to cooperate on public health emergencies, including via provision of essential and affordable medicines, vaccines and health equipment and strengthened international cooperation. There are also commitments to facilitate greater use of remittances to finance development and promote skills training of, and temporary work in the EU by Caribbean professionals.

4.3. Supporting Caribbean SDG Pursuits

The Caribbean-EU Regional Protocol with its enumeration of CARIFORUM-specific strategic priorities are fully consistent with SDGs. With the UN SDG agenda serving as a "ready-made" roadmap for recovery from the COVID-19 pandemic, a coherent framework exists to drive Caribbean-postpandemic recovery[28]. The challenge remains for CARIFORUM to leverage the post-Cotonou agreement by crafting a specific post-pandemic development strategy for engagement with the EU and other development partners. A summary of recent policy research and initiatives allied with the enumeration of CARIFORUM prioritised needs could allow for a Caribbean post-pandemic development strategy with the following objectives: viz.: a) strengthened fiscal space to harness additional and new financing for development; b) increased trade and investment opportunities; c) environmental resilience; and d) enhanced digitalisation to harness and deliver new commercially-relevant services.

ECLAC (2020a) posits specific policy demands Latin American and Caribbean countries have proposed centring on three key elements, namely, gaining emergency financing on a low-cost and fast-tracked basis from international financial institutions (IFIs); securing debt forgiveness and relief including for high and middle-income countries from official creditors; and expanding fiscal space and improving access to financing to mitigate affected countries' marked deterioration in their fiscal capacities.

28 See UK All-Party Parliamentary Alliance "Building Back Better: the SDGs as a Roadmap for Recovery" https://static1.squa-respace.com/static/5ecd042b27d0ac66b8a694bb/t/5f5f1ea982f5d20704c4d301/1600069295538/Building+Back+Better+-+The+SDGs+as+a+roadmap+for+recovery+-+Full+report.pdf (accessed on May 11, 2021).

The IMF has already signalled that emergency financing to the Caribbean could amount to US$2.5 billion (Srinivasan, Muñoz and Chensavasdijai, 2020). Yet there remains the imperative of radically overhauling IMF-administered programmes given that their focus on producing primary surpluses results in low public investment and social spending (ECLAC, 2020b). This fiscal constraint is additional to the costs of mitigating CARIFORUM countries' vulnerability to climate change and natural disasters that serially blight their economies[29].

The post-Cotonou agreement seeks to enact recommendations made by the UNCTAD World Investment Report 2014 Investing in the SDGs: An Action Plan by facilitating the private sector as a development partner and encouraging the use of blending to attract increased private finance. Articles 82-84 of the General Part[30] allows CARIFORUM and the EU to develop specific measures to promote private sector investment supportive of SDG implementation. Facilitating greater investment in CARIFORUM States by additional EU development partners constitutes yet another plank of financing of Caribbean development. The European Development Financial Institutions (EDFI) currently has23 members mainly national development banks. There remains a host of European development financial institutions, mainly national development banks that have invested €8.4 billion in 1.123 projects in Latin American and the Caribbean by the end of 2019[31]. There remains ample scope for CARIFORUM and the EU to engage European national development banks to finance Caribbean development.

The CARIFORUM-EU engagement with development financial institutions should not be limited to possible EU partners. The Caribbean Development Bank (CDB) remains the premier regional development financing institution with a holistic, integrated approach to strengthening Caribbean economic, environmental and social resilience. The CDB strategic focus not only fully aligns with the SDGs but also with its members' developmental objectives[32]. The CDB has developed partnerships with a raft of bilateral and multilateral partnerships resulting in garnering US$711 million during the period 2015-2018. These partnerships partially reflect the fact that 44.7% of CDB's stocks is owned by nine non-borrowing members, including Canada, China, Germany, Italy, Mexico and the United Kingdom. The club of CDB shareholders hints at the prospect of harnessing greater financing support from EU member States and advancing trilateral cooperation with developing countries such as Brazil, China and Mexico.

29 See IMF (2016) "Bracing for the Storms: Economic Impact of Environmental Vulnerability and Exposure to Natural Disasters". The CDB Strategic Plan 2020-2024 notes that the following economic impact of natural hazards in select Caribbean countries the 2010 earthquake in Haiti resulted in damage the equivalent of 114% of the country's GDP; Hurricane Irma in 2015 wiped out 15% of Antigua and Barbuda's GDP; Tropical Storm Erica in 2015 cost 90% of Dominica's GDP; and the economic loss of Hurricane Maria in 2017 amounted to 200% of Dominica's GDP.

30 Note that both the African-EU and Pacific-EU Regional Protocols explicitly use the term blending but is absent from the Caribbean-EU Regional Protocol. However, blending is a financial instrument already referenced in the 2014 -2020 Joint Caribbean-EU Strategy.

31 https://www.edfi.eu/members/facts-figures/ (accessed on May 13, 2021).

32 See Caribbean Development Bank (2020) "Strategic Plan 2020-2024 – Transforming Lives".

4.4. Priorities for a CARIFORUM-EU Development Partnership

This section offers an approach to implementing the Caribbean-EU Regional Protocol in support of a reimagined Caribbean development. The mooted interventions centre on four priorities, namely, a) accelerating the switch to renewable energy; b) advancing the Caribbean blue economy; c); driving digitalisation; and d) promoting skills training. These interventions were selected for their collective potential to deliver the economic transformation promised by the Caribbean-EU Regional Protocol. Pursuit of this development agenda should prioritise empowering marginalised and vulnerable communities: poor, women, youth and indigenous persons as prescribed in the Caribbean-EU Regional Protocol. 2019 metrics for Caribbean human and social development have seen declines relative to 2008[33]. This secular fall has been compounded by the combined effects of gender and social inequalities and remaining untapped opportunities. For example, UN Women found that half of Caribbean female workers in the tourism industry work in low wage and low-status jobs despite 66.2% attained tertiary level education. Similarly, the lack of ample entrepreneurship and training triggers high rates of migration among Caribbean youth.

4.4.1. Accelerating the Switch to Renewable Energy

Article 18 of the Caribbean-EU Regional Protocol on sustainable energy provides for cooperation to strengthen energy security, secure access to sustainable energy and build resilient energy infrastructure. The article also calls for increased investment in renewable energy, including through public/private partnerships. Here again, the post-Cotonou support for promotion of renewable energy is not that novel, this was also captured in the 2014-2020 Joint Caribbean-EU Partnership Strategy. Support for renewable energy is also found in the recent CARICOM Report on the Economy that calls for bold steps to be adopted to shift to renewable energies to both save foreign exchange and enhance energy security.

Support for renewable energy also reflects an EU political priority as can be evinced from the 2019 promulgation of the European Green Deal. The infrastructural costs of promoting renewable energy in the Caribbean would be patently high for any one international development partner. Therefore, engendering additional investment in Caribbean renewable energy could be a prioritised task for the CARIFORUM-EU partnership. In this context, the US-sponsored Energy and Climate Partnership of the Americas (ECPA) constitutes an effort worth reviewing and where possible replicating. The ECPA is a knowledge-sharing platform to maximise use of available natural resources and promote energy-related investment. Perhaps the most attractive aspect of the ECPA's work is the collaboration with an array of international development partners. For example, funding for Dominica's

33 HDI figures for CARIFORUM States are as follows with 2019 first followed by 2008: Antigua and Barbuda (78/47), The Bahamas (58/52); Barbados (59/37), Belize (110/93), Dominica (94/74), Dominican Republic (88), Grenada (74/75), Guyana (122/114), Haiti (170/149), Jamaica (101/100), St. Kitts and Nevis (74/63), Saint Lucia (86/70), St. Vincent and the Grenadines (97/91), Suriname (97/97) and Trinidad and Tobago (67/65). Source: http://hdr.undp.org/sites/default/files/hdr2020.pdf.

7-megawatt geothermal power plant was funded by the World Bank, UK's DfID, Government of New Zealand and the UAE-Caribbean Renewable Energy.

Infrastructure development supportive of Caribbean renewable energy also requires establishment of a sound regulatory framework. The EU expanse of regulations underscores the interventions required: harmonisation criteria for biofuels; voluntary standards for sustainable biofuels, bioliquids and biomass fuels; production certificates for energy renewables; subsidies; and certificates for guarantee of origin of renewable energy. The CARICOM 2013 Energy Plan proposed a series of regulatory reforms to incentivise utilities to use more renewable energy sources in the electricity sector; offer of incentives, tax and duty exemptions; development of standards and rules for grid connection; development of interconnection guidelines for different renewable energy technologies and generation capacity; and development of harmonized interconnection policies that allow for self generation. At this juncture, it is not clear that these Caribbean policy initiatives have indeed materialised.

4.4.2. Advancing the Caribbean Blue Economy

Support for the CARIFORUM blue economy represents yet another element of the Caribbean-EU Regional Protocol. Article 15 promotes the development of sustainable blue through domestic and private investment to be promoted and the development of the regulatory framework and infrastructure. Yet another important plank is to harness opportunities in marine biotechnology through support for research, fostering collaboration among academics, economic operators and policymakers and promotion of technology transfer. Here again, this post-Cotonou commitment mirrors the 2014-2020 Joint Caribbean-EU Partnership Strategy that calls for the implementation of "policies that contribute to creating a green economy and a blue economy as well as enhance collaboration to effect resilient growth and development".

A 2016 World Bank report strongly supports the accent placed on promotion of the Caribbean blue economy by the CARIFORUM-EU partnership (Patil, Virdin, Diez, Roberts and Singh, 2016). That study registers the host of emerging ocean-based industries including offshore wind, tidal, and wave energy,aquaculture, seabed mining, and marine biotechnology, and pharmaceutical drugs made from salt-water life forms. Another World Bank report estimates that Caribbean blue economy generated US$57 billion in 2017 (Diez, Patil, Morton, Rodríguez, Vanzella, Robin, Maes and Corbin, 2019). Few Caribbean states including The Bahamas, St. Kitts and Dominica, have adopted national plans to promote their respective blue economies. At the sub-regional level, the OECS has developed its Eastern Caribbean Regional Oceans Policy and Action Plan as a framework for coordination and management of ocean resources. A CARICOM Common Fisheries Policy exists but no regional policy for developing a CARICOM or CARIFORUM-wide blue economy strategy currently obtains. Addressing this policy lacuna should be one of the first initiatives undertaken by CARIFORUM in its efforts to effectuate the Caribbean-EU Regional Protocol.

Bioprospecting is an increasingly promising sector projected to US$4.9 billion by 2018 driven by increased investments in marine biotechnology research and growing demand for natural marine ingredients. CARIFORUM and the EU collaboration to harness bio-prospecting potential could generate significant economic benefits. However, development of a regional regulatory framework to facilitate legal access, fair and equitable benefit-sharing measures would be required. Development of regulatory capacity could be complemented by joint Caribbean-EU academic and policy research to develop rules for genetic resources and operationalising United Nations Convention on the Law of theSea (UNCLOS) provisions on technology transfer.

4.4.3. Promoting Caribbean Skills Development

The promotion of Caribbean skills development has two key components, namely a) forging global skills partnerships in select professional categories; and b) applying a coherent trade and investment compact for skills development similar to the Africa-Europe Alliance for Investment and Jobs. Harnessing CARIFORUM's clear comparative advantage in the training of health professionals, particularly of nurses, constitutes yet another key potential area for advancing Caribbean development. Developing a global skills partnership would allow Caribbean health professionals to temporarily work in the EU and return to their respective countries with enhanced earnings and improved professional experience. The real additionality of the post-Cotonou provision would therefore be two-fold, viz.: a) securing EU investment to expand Caribbean training facilities; and b) promoting EU nationals to be enrolled in these Caribbean facilities and paying market-based fees. Implementation of a global skills partnership could mitigate the long-term damage of industrialised countries poaching publicly trained Caribbean nurses without compensation.

The WHO Expert Advisory Group projects that the EU will suffer a skills gap in 1.8 million health professionals by 2025 including half a million nurses (WHO, 2020). Several EU Member States, including Germany and Ireland have already began crafting respective skills partnership pacts for select health professionals with developing countries. In this field, the Caribbean offers two advantages: a) competitively priced training costs; and b) the ability to offer training in several official EU languages -Dutch, English, French and Spanish. A 2016 study of a UK-Malawi global skills partnership for nurses (Anderson, McKee and Talbot, 2016) highlighted a stream of advantages lower training and recruitment costs for the UK and Malawi's receipt of subsidised training costs for its nurses, increased pool of trained nurses, improved training facilities, reduced economic damage from brain drain, and participating nurses also benefit directly from greater professional employment opportunities; international-quality training; and a sharp rise in life-long earnings.

The economic case for implementing such an initiative in the Caribbean remains compelling. However, to extract the potential economic benefits, three issues need to be instituted. These are a) securing funding for increased training facilities, including seeking the support of non-EU international development partners; b) facilitating negotiations of mutual recognition agreements between Caribbean and EU professional bodies; and c) developing incentives for EU nationals to be enrolled in expanded Caribbean training facilities. The Horizon Europe programme could be an effective EU facility to finance both the expansion of Caribbean training capacity and incentivise EU nationals to enrol in them.

The second element of CARIFORUM-EU partnership on skills training would be to replicate the Africa-Europe Alliance for Sustainable Investment and Jobs, where possible. This EU initiative seeks to boost investment, foster additional private investment, support education and skills development, boost trade and improve the investment climate and reflects the now public EU interest to advance its trade and investment interests and policies in Africa[34]. Broad policy interventions are supported by more specific actions, for example, the crowding in of investment via blending and guarantees; use of Job and Growth Compacts to identify commercially-relevant value chains in manufacturing and processing; and establishing African-European partnerships among public, private and financial operators to support strategic development in key areas such as digital economy, energy, transport and agriculture.

Several of the policy framework bracketed under the Africa-Europe Alliance for Sustainable Investment and Jobs are already available within the Caribbean-EU partnership. For example, bi-regional trade and economic cooperation is already facilitated by the CEPA and now complemented by two Parties' Regional Protocol. However, the EU initiative for Africa offers a coherent and robust approach by developing partnerships with key economic operators and policymakers, the proactive use of financial instruments, accentuated focus on vocational training, and investment in renewable energy. Caribbean development could be further enhanced through the EU investment of not only its financial capital but also political leadership to deliver shared objectives with the desired urgency and commitment to success.

4.4.4. Digitalisation

Digitalisation is an all-encompassing term with possible impact on almost every facet of societies. This is a tool that could impact on the functioning of businesses, public administration, health and educational systems, transportation networks, computing and general utilities, citizens' rights, policing and legal administration, and the very nature of international trade. In that context, advancing digitalisation in CARIFORUM States represents a gigantic effort, albeit one that could also be transformational.

Post-Cotonou's expansive provisions on digitalisation constitutes a real advance relative to its predecessor. This readily applies to the Caribbean-EU Regional Protocol where provisions on digitalisation straddle three substantive titles Inclusive and Sustainable Economic Growth and Development; Human Rights, Governance, Peace and Security; and Human Development, Social Cohesion and Mobility. The specific provisions in the Caribbean-EU Regional Protocol aimed at promoting digitalisation can be summarised as follows:

34 See both the recent EC Communications on EU Trade Policy Review and Africa.

- Promote digital transformation, to advance private sector development and industrialisation, and to promote low-emission and climate-resilient economies (Article 9).
- Support the development of key infrastructure such as energy, transport, water and sanitation and digital connectivity to exploit opportunities arising from technological advancement and from the digital economy (Article 10.4).
- Develop and strengthen digital financial services, including through enhanced cooperation on the implementation of agreed international standards (Article 10.5).
- Institute appropriate support policies to facilitate greater trade flows, including through, enhanced digital support frameworks and the development of effective e-commerce (Article 13).
- Improve transport links, ICT and digital infrastructure in a resilient manner (Article 19.1).
- Develop digital infrastructure (Article 19.5).
- Promote the establishment of a regional digital economy through the creation of a supportive regulatory framework, digital entrepreneurship, investment and facilitate the private sector to boost digitalisation (Article 19.6).
- Mobilise investment in, inter alia, digital technologies aimed at enhancing the competitiveness and sustainability of tourism (Article 20.3).
- Cooperate on science, research, innovation and technological development with a view to, inter alia, facilitate the emergence of an inclusive digital economy (Article 21.1).
- Develop knowledge-based economies and inclusive digital services (Article 21.3).
- Accelerate the wider use of e-governance and digital services infrastructure to enhance access to, and availability of public services, thereby supporting the development of accountable and transparent public institutions. (Article 34.4).
- Prevent and combat high-technology, cyber and electronic crimes and the distribution of illegal content online; strengthen capacity to address cybercrime; develop domestic policies on cybercrime and promote international cooperation (Article 37.4).
- Promote the use of accessible and affordable innovative technologies for educational purposes and the development of digital skills and literacy for all. (Article 42.3).

The push to advance digitalisation in the Caribbean is also underpinned by a raft of regional policy initiatives. For example, CARICOM crafted the 2011-2015 Regional Digital Development Strategy (RDDS) that built on a previous CARICOM ICT Connectivity Agenda 2003 and attendant Action Plan (2004). The RDDS was ambitious in thrust by seeking to establish modern regional regulatory and open telecommunications infrastructures; build a digital culture and increase the value and volume of the regions trained ICT workforce; manage and use ICT to demonstrate good governance and increase efficiency in operations; establish a culture of innovation and quality to advance the sustainable production of regional digital goods and services, and guide businesses and governments to use ICT for sustainable growth and support social development objectives.

These policy pursuits were complemented by the 2014-2019 CARICOM Strategic Plan that viewed the goal of developing innovative, technological-driven economies and societies as part of the region's broader aspiration of strengthening technological, social and economic resilience. Specific efforts were directed to promote innovation and digital literacy, reduce data and roaming costs; improve regulatory framework; and strengthen financing solutions (e.g., e-payments, digital wallets). This effort resulted in the emergence of national and CARICOM-wide initiatives including the Caribbean Knowledge and Learning network (CKLN), Caribbean Research and Education Network (C@ribNET), ICT in Education Strategy, and ICT Services Strategy.

Consultations are well advanced on a single tariff for roaming within the CARICOM economic space. However, efforts at crafting the regional regulatory framework and the infrastructure to support e-payments and digital wallets are not currently discernible. From an EU perspective protection of personal data is yet another key plank in promoting digitalisation yet only a handful of Caribbean countries offer a legal framework for personal data protection protocols to emerge. The failure to aggressively advance digitalisation among CARIFORUM countries is disappointing in the context that the CEPA provides several commitments to support e-commerce. For example, Article 120 (regulatory aspects of e-commerce) calls for the Parties to maintain a dialogue on regulatory issues surrounding e-commerce. Specific issues to be addressed include recognition of certificates of e-signatures and the facilitation of cross-border certification services; the protection of consumers in the ambit of e-commerce; and other issues relevant to the development of e-commerce.

Given the limited record of advancing CEPA commitments on e-commerce and more broadly the slow roll out of digitalisation in CARICOM, it is unsurprising that these issues feature prominently in the Persaud Commission of the Economy report. The report notes that digital transformation is a must but emphasises not technology but rather "training, upskilling and modern data regulation". The Commission calls for the establishment of a regional single market and digital economy to eliminate digital frictions in moving data across borders and digital divides within countries. The section on education,skills and innovation calls for the emergence of innovation systems that may help foster new business growth. This proposal also chimes with another proposal, namely, to "maximise the opportunity for digital transformation to lead to economic transformation". The challenge remains translating these regional ambitions and policy prescriptions into concrete action. In pursuit of this endeavour, one key hurdle to overcome remains the paucity of Caribbean technical expertise to advise policymakers.

5. Challenges to CARIFORUM-EU Political Partnership

As stated earlier, Article 1 (Objectives) of the OACPS-EU Partnership Agreement enumerates the Parties' ambition to establish a "strengthened political partnership between the Parties to generate mutually beneficial outcomes on common and intersected interests and in accordance with their shared values". Article 3.1 (Aims) records the aim of this Agreement to "strengthen their political partnership, underpinned by regular dialogue and the promotion of common interests". The accent placed on political partnership constitutes a radical departure from the Lomé/Cotonou construct and signals the EU's desire to graduate its relationship with the OACPS from a donor-client one to one based on a "partnership of equals". This revised designation signaled the EU's interest for OACPS countries to assume greater responsibility for their own development (including mobilisation of domestic resources) but also to jointly champion the advance "shared values" and common interests in various multilateral fora.

The EU is generally viewed as a normative power or norm entrepreneur. Manners (2002) charts the factors behind the EU's commitment to placing universal norms and principles at the centre of its relations with both its Member States and the world. The EU has established the following elements as central to its foreign and development policy objectives consolidation of democracy, rule of law, and respect for human rights and fundamental freedoms. Manners also identified five EU "core" norms, namely, peace, liberty, democracy, the rule of law, and respect for human rights and fundamental freedoms. These core norms are anchored in the preamble and founding principles of the Treaty for the Establishment of the European Union (TEU). Supplementing these core norms are four "minor" norms social solidarity; anti-discrimination and protection of minorities; sustainable development; and good governance.

These norms —core and minor— have all been anchored in both the Lomé and Cotonou Agreements. The post-Cotonou agreement replicates strong references to these norms notably, to building democratic, peaceful and rights-based societies; application of the rule of law and good governance; advancing gender equality; promoting universal respect for, and preservation of, human rights and fundamental freedoms; fighting all forms of racism, racial discrimination, xenophobia and related intolerance and all forms of violence and discrimination; recognising and advancing of the rights of indigenous peoples; ensuring inclusive, transparent and credible elections with due respect for sovereignty; and consolidating the rule of law at national, regional and international levels. Yet there are also new accents such as preventing genocide, crimes against humanity and war crimes and fighting hate speech and extremism.

It is also instructive that Part III on Global Alliances and International Cooperation (Article 77) registers both Parties' reaffirmation of "the importance of cooperating at international levels with a view to promoting and defending their common interests and preserving and strengthening multilateralism". Multilateral cooperation would be based on the Parties' common values, namely, democracy, human rights, the rule of law, gender equality, sustainable development, preservation of the environment and fight against climate change[35].

The Caribbean-EU Regional Protocol offers a more CARIFORUM-specific articulation of the global issues of common concern climate change, ocean governance, sustainable development, human and social development, human rights and issues related to peace and security, conflict prevention and resolution. Both parties are enjoined to cooperate to address the vulnerabilities of small island developing States (SIDS) within relevant global

35 European Commission (2021b) notes that the EU collaborates with partners to ensure to these referenced universal values.

policy frameworks. Beyond this, there are references to advancing the universal recognition of the Caribbean as a zone of peace; advance innovative special and differential treatment for new multilateral or bilateral trade agreements; promote international coordination to combat wildlife trafficking and bilateral and multilateral consultations to apply the principles of good governance in taxation.

CARIFORUM and the EU share a strong embrace of multilateralism. In the case of the EU, multilateralism remains "the cardinal principle of the EU as the most effective means to govern global relations in a mutually beneficial way" (European Commission and HR/VP, 2021) In that context, multilateralism can be seen as an extension of the core values with the EU keen on casting these as universal ones to its developing country partners. The recent Joint High Representative of the Union for Foreign Affairs and Security Policy/EC Communication also signals a marked shift in the EU's application of multilateralism. There appears to be comfort in asserting a desire to apply a more interest-based and transactional approach where multilateralism also delivers concrete benefits to the EU. In this pursuit, there is a patent intent on developing partnerships and alliances with like-minded countries. Indeed, this has been the motivation of EU interest in managing its partnership with the OACPS by leveraging the 106 countries enjoined in the Cotonou Agreement.

CARIFORUM entrenched support for multilateralism represents a necessary if not existential shield against unilateral coercive action and military might. This deep philosophical embrace reflects the CARIFORUM status as an agglomeration of small States with limited economic weight and meagre military prowess. Recent exposure to the might of United States' power military invasion (Dominican Republic and Grenada); economic embargo (Cuba); and economic destabilisation (Jamaica) reinforces the region's embrace of multilateralism. This philosophy has also fuelled the Caribbean to fight instances of global injustice calling for economic sanctions against apartheid South Africa; fighting for a New International Economic Order (NIEO); and spearheading UN resolutions on the Caribbean as a both a Zone of Peace and an area of sustainable development. Finally, CARIFORUM States' diplomatic leadership also resulted in global agreements on illicit trade in small arms and light weapons.

Despite these laudable Caribbean diplomatic achievements, the prospects of the CARIFORUM-EU partnership shared pursuit of multilateralism appear limited. First, CARIFORUM itself is an institutional construct with limited political competence. The group is directed exclusively to address relations with the EU apart from the United Kingdom through the roll-over of the EPA. Furthermore, the CARIFORUM Directorate's remit might be expansive overseeing CEPA implementation, managing CARIFORUM-EU political dialogue, promoting intra-CARIFORUM cooperation as well as promoting CARIFORUM relations with EU-associated Outermost Regions and Overseas Countries and Territories in the Caribbean. Yet its human resources are primarily geared towards managing regional EDF projects.

Second, CARIFORUM States' execution of a political partnership with EU must be viewed through the lens of the region's ability to harmonise foreign policy. Notwithstanding the raft of notable Caribbean diplomatic successes, stark intra-Caribbean differences on foreign policy remain. Most recently, divergences have emerged surrounding the representation of Venezuela in the Organisation of American States. Furthermore, 11 of the 16 sovereign Caribbean States share diplomatic relations with China while the remainder back Taiwan. It should also be recalled that the 1983 US invasion of Grenada was facilitated by the Heads of Government of two other Eastern Caribbean States.

Third, CARIFORUM States are compelled to navigate a narrow political space between the United States and China. The US remains a dominant trade, investment and development partner to the Caribbean. But the Caribbean's margin of political manoeuvre remains marginal due to the region being physically proximate to both the US and Latin America and its territorial waters being abused for the transshipment of illicit drugs. In that context a bevy of ship riders' agreement with the United States attests to de facto circumscribed sovereignty exercised by numerous Caribbean States. On the other hand, CARIFORUM States have maintained a close collaboration with the Group of 77. That group (actual membership of 134) acts as the premier advocate for the developmental interests of the Global South. The group derives considerable political clout due to China's membership (in constellations the group is called G77 and China).

Beyond that China extracts considerable political leverage through its development support programmes in the Caribbean. Based on The Dialogue's data, China's two premier development banks —China Exports-Imports Bank and Chinese Development Bank— have lent US$4.571 million to 10 Caribbean countries during the period July 2012-November 2019. The Chinese loan portfolio spans 28 projects, mostly in infrastructure[36]. This sum ignores loans made by Chinese commercial banks, data on which remains elusive. China has also advanced to become a major donor to the Caribbean although verifiable data is also difficult to establish[37]. Beyond this, China has carved out equity stakes in two major sources of development financing to the region, i.e., the Caribbean Development Bank and Inter-American Development Bank. Caribbean-Chinese engagement extends to multilateral trade negotiations where both entities are members to the G33 group WTO members whose defensive stance towards liberalisation of agriculture has resulted in their support for measures such as Special Products and Special Safeguard Mechanism.

Fourth, CARIFORUM-EU relations remain jaundiced by events surrounding the EU's attempt in September 2010 to secure full representational rights in all UN bodies. CARICOM initially led other developing country groupings to block the EU's request based on concerns of establishing a new category of UN membership and fear that new negotiation dynamics could marginalise small States[38]. After nine months of intense multi-group consultations, the EU request as granted with the adoption of UN Res. 65/276 with 180 votes in favour and two abstentions. The initial CARICOM-EU disagreement reflects both sides' inability to effectively communicate their respective positions and interests. But this communication

36 See https://www.thedialogue.org/map_list/ (accessed on May 13, 2021).

37 Maggiorelli (2017) charts the six stages of Chinese aid to Latin American and the Caribbean since 1956 and also notes the challenge of establishing empirical data on total Chinese aid.

38 See The Bahamian Ambassador's formal comments in the official record of the 88 th UN General Assembly plenary meeting, A/65/PV.88, May 3, 2011.

failure might have been compounded expectations from the long-standing Lomé/Cotonou partnership and anticipation that the EU demarche could also strengthen CARICOM's privileges within the UN. The diplomatic standoff highlights the sense that most Caribbean States conduct bilateral relations in Westphalian terms (i.e., primacy of the nation State) and therefore prioritize relations with EU member States.

Fifth, the EU designation of Caribbean States as "non-cooperating tax jurisdictions" continues to negatively impact its relations with CARIFORUM. Barbados, Grenada, Saint Lucia and Trinidad and Tobago were cited among the 17 countries placed on the very first EU list released in December 2017[39]. Since then, the EU blacklisting exercise has ensnared The Bahamas, Belize, Dominica and St. Kitts and Nevis resulting in formal CARIFORUM-EU political consultations dominated by tax governance. However, such exchanges remain unsuccessful, in part due to the nature of the European interlocutors.Bi-regional consultations with CARIFORUM are primarily led by EEAS but no direct engagement has ever transpired with neither DG TAXUD the EC directorate responsible for taxation nor EU Member States that oppose tax avoidance/evasion.

CARIFORUM substantive concern stems from both its inability to engage the EU prior to the list of non-cooperating jurisdictions being published and questions on about the fairness of its partner's management of tax governance. The technical reports on which the Code of Conduct Group evaluates third countries' compliance remains secret while EU's claim of objective criteria can be readily challenged by the failure to sanction proven tax havens such as Turkey and the United States. The tax governance divide presents a deeper strategic concern by narrowing of CARIFORUM confidence in the EU as a coherent development partner. The post-Cotonou agreement embrace of multilateralism reflects both sides' shared political values, but its application is compromised by the EU unilateral action, failure to conduct prior consultations and its self-assigned role to police OECD taxation guidelines.

6. Conclusions

The CARIFORUM-EU partnership has travelled the arc from the initial trade and development to include a reciprocal trade agreement and now a political platform. Pursuit of a deep political partnership entails retiring the traditional donor-client relationship and accentuating instead the promotion of shared universal values. In theory, such a shift in the CARIFORUM-EU partnership should be easily attainable. After all, both sides fully embrace the shared values of strengthening democracy, rule of law, governance, combating climate resilience and advancing regional integration as a platform to advance economic development.

However, pursuit of Caribbean-EU political partnership proves challenging due to a slate of disagreements and structural issues. A number of factors that negatively impact on

39 Council of the European Union (2017). It is instructive to note that consideration of Antigua and Barbuda, The Bahamas, Dominica, St. Kitts and Nevis was deferred "due to casualties and damage to key infrastructure".

Caribbean-EU relations include a) maintenance of a CARIFORUM construct that centrally remains the region's manager of, and interlocutor on, EU development cooperation; b) the challenge of establishing a harmonised CARIFORUM foreign policy; c) the imperative of navigating the increased rivalry between China and the United States; d) the lingering effects of disagreement re EU's request to gain additional representation at the UN; and e) the sustained EU blacklisting of Caribbean countries.

The continued existence of some of these factors should not diminish the promise of an enhanced CARIFORUM-EU partnership. The post-Cotonou Agreement, and in particular, the Caribbean-EU Regional Protocol offer the chance to dynamize the bi-regional relationship. However, to seize this opportunity,both CARIFORUM and the EU should develop a set of interventions to accelerate Caribbean development. That is, pursuit of a political partnership (in the sense of globally proselytising shared values) could successfully emerge once CARIFORUM-EU relations demonstratively supports Caribbean development.

This endeavour assumes greater urgency given the immense human, social and economic toll exacted by the COVID-19 pandemic and the attendant reversal in Caribbean SDG achievements.

The post-Cotonou CARIFORUM-EU partnership requires implementing a new compact. CARIFORUM should demonstrate its own development agenda (to all international development partners) by charting ambitious plans for post-pandemic economic recovery; pursuing new economic opportunities in the blue economy, renewable energy, digitalisation and skills training. Complementing this would be to overturn the current legalistic approach to CEPA implementation, and the crafting of sector specific policies to advance implementation of the CEPA.

This clear articulation of a bold and progressive CARIFORUM development agenda should be complemented and supported by the EU applying greater ambition in its development cooperation support. That specifically implies using the new NDICI funding to leverage even greater aid and investment from other development partners. Securing improved support from the European development financing institutions should be coupled with deeper engagement of EU Member States. This European effort should be complemented by applying the Busan principle of aid effectiveness by securing coherent engagement with non-EU development partners. Currently, EDF funding is spread to too many projects for the interventions to be transformational.

Implementing the post-Cotonou CARIFORUM-EU relations should be accompanied by a radical shift in the form of political engagement. Currently, the relationship is managed at technical levels by the EEAS on the European side and the CARIFORUM Directorate on behalf of CARIFORUM States. Ministerial-level engagement primarily occurs within the context of CEPA implementation with attendance by Ministers of Foreign Trade and or Foreign Affairs. This form of engagement might eventually induce a faster shift to a Caribbean-EU political partnership. However, successful advance of EU-supported CARIFORUM development warrants effective and regular engagement with Caribbean Heads of Government and Ministers of Finance. The elements of an ambitious Caribbean development agenda —taxation and fiscal space, renewable energy, digitalisation, and skills training— all require robust support from public budgets. The thrust towards a CARIFORUM-EU political partnership will be predicated on the delivery of concrete results. In this endeavour, both CARIFORUM and the EU must adapt to fully harness the immense potential of their partnership.

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3. THE ASSOCIATION AGREEMENT BETWEEN THE EUROPEAN UNION AND CENTRAL AMERICA: A POTENTIAL TO BE EXPLOITED

Pedro Caldentey del Pozo

1. Introduction

The relationship between the European Union (EU) and Central America has unique features in the external relations of both blocs of countries. The Association Agreement (AA) between them is the EU's most comprehensive interregional agreement, and comes on the back of an intense and deep historical relationship. Beyond the instruments used and their impact and influence, it is easy to affirm that the EU has maintained a permanent and complicit attention to the region and its interests. The relationship with Central America is a special case for the EU because it is an area that tests the capacity of foreign policy to simultaneously address the interests of EU Member States and the specific interests of a developing region.

With all the necessary precautions, the relationship between Central America and the EU reinforces Europe's aspiration to be a positive hegemon in some regions of the world. Or, focusing on the expression of European foreign policy objectives, we can recall the proposal of the 2016 Global and Security Strategy on "principled pragmatism for the EU to be both a geopolitical actor and a normative power, seeking to harmonize the values of strategic interests" (Sanahuja, 2021a: 105).

Latin America is a region of great relevance for the EU, not so much because of its prominence in European foreign policy as a whole —nor in quantitative terms in the EU budget— but because of the political nature of the dialogue that characterises relations between the two blocs.

The interregional nature of the relationship between the EU and Latin America is one of its main characteristics. The two regional blocs have chosen integration as a framework for responding to their historical and strategic problems, for the joint development of their member states and their insertion into global society. Articulation through regional integration processes is a main feature of the relationship between Latin America and the EU. The same is true for Central America, and the ties between the two integration processes, EU and SICA, are a determining factor. The Association Agreement between the EU and Central America (AAUECA) is important in this context because it is the first bi-regional agreement to integrate the elements of political dialogue, cooperation and trade.

Central America is a region of small and developing countries, with a geographic location that for centuries has made it a transit zone and a necessary passage for the development of continents and countries. The nature and history of the region is the foundation of its common identity, always present in the collective imagination and intellectual networks of the region.

Regional integration is a defining phenomenon of Central American identity. The regional dimension has been a constant in the two hundred years of independence that the region celebrated in 2021, frothe various attempts at federations and unions in the 19th and early 20th centuries, to the consolidatioof integration following the signing of ODECA in 1951, the General Treaty on Economic Integration (TGIE) in 1960, the Tegucigalpa Protocols to the ODECA Charter in 1991 and the Guatemala Protocol to the TGIE in 1993.

Regional integration, SICA, is the main emblematic recipient of the common elements of the region's identity, although these go beyond the process itself and extend to the region's culture to be present in all spheres of Central American society. For this reason, this document will primarily use the term Central America to refer to the six signatories of the AAUECA. The term SICA region will also be used to include Belize and the Dominican Republic, which, although members of the system, are not signatories to the Partnership Agreement because their relations with the EU are channelled within the framework of the recent Partnership Agreement between the EU and the members of the Organisation of African, Caribbean and Pacific Group of States (OASECP, formerly known as the ACP Group of States), which succeeds the Cotonou Agreement, following its signing on 15 April 2021.

The EU-SICA relationship implies, therefore, the articulation of a block of 27 developed countries with eight SICA countries, included in the block of medium human development countries, with the exception of Panama and Costa Rica, with very high human development indicators (57 and 62 in the 2020 ranking), and the Dominican Republic and Belize in the high human development group. The eight SICA countries are divided into upper-middle income countries (Guatemala, Costa Rica, Panama and the Dominican Republic) and lower-middle income countries (Belize, Honduras, El Salvador and Nicaragua).

The region seems to have run out of narrative after thirty years of Esquipulas (Sánchez Ancochea and Martí, 2014) and is in search of a new formulation of evolution. The years of the so-called Central American Common Market (CACM) in the 1960s and 1970s have a common and consolidated narrative in the region and beyond, which explains the foundations of economic integration, based on the import substitution model, with a sequence of historical events that distances the process from the political conflicts that the region was experiencing in those years. It presents the underlying modernisation strategy very well. The narrative has also incorporated, perhaps with some overemphasis, the negative effects of the process in its last phase. The passage of time since the 1980s seems to have tempered the critical vision of those years to offer a more even handed view.

Central America also has a structured and much-repeated narrative around the Peace Agreements and the Esquipulas Process to explain the reactivation and restructuring of regional integration with the creation of SICA as an instrument of the regional strategy for peace, development and freedom enshrined in the agreements and protocols. But the common narrative gradually came to a halt after the symbolic interruption brought about by the proposal of the Free Trade Area of the Americas in 1994. Since then, affected by various moments and episodes —and within the framework of the predominance of open regionalism associated with the period of neoliberal predominance—, SICA and the region have had difficulties in offering a joint vision on integration, beyond their persistence in promoting it.

For the regional dimension of the common Central American identity, the EU is a key partner. Its accompaniment from the early years of the San José Process to the peace accords marked a close relationship between two regions that is probably the most solid and coherent in interregionalism, despite the relative importance of the Central American countries as a global actor. Since then and until now, the EU's closeness to Central America has been intense, multidimensional and constant, as its Association Agreement was initialled, and its development is based on its three pillars: trade, cooperation and political dialogue.

The EU is not only a major partner for Central America, but also a reference as a regional integration process. It has been frequently discussed (Söderbaum and De Lombaerde, 2013; Malamud, 2011) whet-her taking the EU as a reference has been a conceptual and methodological mistake for Latin American regionalism, and there seems to be some consensus that this has been the case. However, the history of Central American integration has been quite parallel in time with that of Europe, from 1951 to date. The evolution of the two processes is radically different, but there is no doubt that SICA is indebted to the design of the process, its objectives and phases, and its institutional design.

The EU has also been, therefore, a fundamental reference in the narrative of the integration process. The parallels are also evident, especially now that Central America is seeking continuity for its story. The EU has developed a narrative that presents integration as the most effective instrument to avoid new conflicts in Europe after the world wars (Caldentey and Romero, 2010). In a post-war environment, it has been committed to economic pragmatism from the 1951 Coal and Steel Community Treaty (ECSC) to the 2009 Lisbon Treaty. Integration is presented as a model for articulating conflicting interests in order to generate a community with the capacity to adequately resolve its conflicts.

The pandemic crisis of 2020 and 2021 has become an extraordinary milestone for both regions, especially in the EU, where it has triggered major transformations. After overcoming the euro crisis with a not too optimistic balance sheet, despite the relevance of the unconventional monetary policy led by Mario Draghi's European Central Bank (ECB) and the modifications incorporated into the management of EMU fiscal affairs (close coordination rules such as the European Semester), the EU's response to the pandemic has had a mobilising effect on the European project and represents an unexpected commitment to deepening integration after years of hesitation and in significant contrast to the reactions to the Great Recession and debt crises. In addition to the commitment to the deepening of the European project, there is the new development agenda that, both at national and regional level, Next Generation EU promotes on the basis of the Green Pact, the digitalisation of the economy and social cohesion, and also in a recovered strategic autonomy (Sanahuja, 2021b).

Together with the new agenda, the expansionary fiscal policies of the Member States, the continuity of the ECB's quantitative easing, the Next Generation EU program and the issuance of Eurobonds convey the image of a Union that this time is showing its capacity to react early and with the necessary intensity. The EU's joint and decisive reaction to the Russian invasion of Ukraine in February 2022 shows the effect of this new stage in European foreign policy.

On the other hand, the pandemic found Central America at a difficult moment that combined the end of the period inspired by the Esquipulas Agreements with a moment of transition of SICA, difficult to manage due to the coincidence of several complex and questioned national leaderships in a scenario of democratic regression and serious political tensions. However, while the overall response to the pandemic in Latin America has been primarily national in nature, and the actions promoted by the Pacific Alliance, Mercosur or CAN have been limited to little more than a few decisions on trade and biosecurity, SICA was able to offer a significant joint response based on its institutional architecture and some of its regional policy instruments, and its regional coordination and management mechanisms.

The confluence of milestones in 2021 also extends to relations between the EU and Central America. The Union, revitalised by its reaction to the pandemic, is working on the regional cooperation strategy with Central America for the period 2021-2027 and has carried out an ex post evaluation process of the trade agreement between the two regions.

The three pillars of the AA have developed unevenly. Undoubtedly, the difficulty of ratifying the pillars of political dialogue and cooperation reduce their impact. This is not the case for the trade pillar, which operates on a provisional basis because it can work with the mandate received by the Commission and the ratification of the six Central American signatories.

The 2021 environment offers the possibility for Central America and the EU to further develop the objectives and instruments of the three pillars of the agreement. The global scenario of post-pandemic recovery could connect the full development of this by connecting it to the challenges that both regions face together, such as the definition of a new global and bi-regional agenda. Or with its particular challenges, such as the definition of a specific agenda for Central America in the coming decades, which implies a relaunching of integration based on its effectiveness in multiplying the capacity of the governments and policies of its member countries.

The main hypothesis of this paper is that the Association Agreement between the EU and Central America is a promising instrument by its nature and the expectations it generates, but that it is still far from developing its potential in the bi-regional relationship.

To this end, this paper analyses the background of the relationship between the EU and Central American countries prior to the signing of the Association Agreement in 2013. It then reviews the recent milestones and circumstances of the Central American integration process, and the EU's participation and contribution in the development of some of its debates, instruments and policies. The following is a summary of the negotiation process of the AA and the circumstances of its signing and implementation, in order to systematize the expectations generated in each of the parties regarding its development and objectives.

Finally, the paper assesses the relevance of the AA for the bi-regional relationship and in particular for the Central American integration system and its member countries, pointing out some recommendations for the 2021-2027 period in which the AA could play a very important role.

2. The background of the relationship between the EU and Central America. The San José Dialogue

The relationship between the EU and Central America dates back to the so-called San José Dialogue, whose first milestone took place in San José, Costa Rica, on 28 September 1984, in the context of the political instability and economic problems of Central America in the 1980s. That moment marked the beginning of the EU's commitment to the problems of Central America, a commitment that it is fair to say it has not abandoned or reduced since that date, 36 years ago.

From 1984 to 2005, 21 ministerial conferences of the foreign ministers of the countries of both regions were held. In the first stage of the process, the presence of Mexico, Colombia and Venezuela as members of the Contadora Group is particularly important. They do not cease to participate in all dialogues, but their presence loses weight after the peace accords, since 1994, when they are no longer mentioned in the formal denomination of the meeting but as cooperating partners.

The San José Dialogue was a pioneering instrument in Euro-Latin American relations, of great relevance because its annual periodicity gave it an uncommon depth for a space for political dialogue. The frequency of the meetings allowed their content to cover all areas of the bi-regional relationship and a notable impact of the EU on all issues on the agenda of pacification, recovery of democracy and economic development in Central America. It is no exaggeration to say that the San Jose Dialogue made the EU a major player in Central America's external relations, even ahead of the United States. It also gave special significance to bi-regional relations within the framework of international relations.

The contents of the XXI ministerial conferences were very broad; they regularly covered all the critical elements of the bi-regional agenda, especially the Central American agenda, and created a vast space for cooperation, which is a fundamental antecedent of the AA and its three pillars. Within the framework of the San José Dialogue process, a first Interregional Cooperation Framework Agreement was signed, formalising the relationship between the two regions. It was signed in Luxembourg in November 1985 and remained in force until February 1993 when, in El Salvador, a new Framework Cooperation Agreement was signed between the EC and the Central American countries.

A third Political Dialogue and Cooperation Agreement between the EU and its member states and Central American countries was signed in December 2003. It should be noted that although Belize had been a member of SICA since 2002, it did not become part of the agreement due to its simultaneous membership in CARICOM. The three aforementioned agreements shared the problem of slow ratification, especially by EU Member States. The 1993 agreement did not enter into force until 1999, and the 2003 agreement did not enter into force until 2104, with the AA already signed. Something similar has happened to the AA's pillars of dialogue, policy and cooperation. For practical purposes, the impact of this significant delay is not serious, but symbolically and formally it conveys a sense of instability that does not correspond to the will expressed by the parties.

In all these agreements, two of the pillars of the current AA, political dialogue and cooperation, already stand out, although progressively more trade-related references are being incorporated into the agreements, such as Central American participation in the generalised system of preferences. The agreements generate joint commission meetings of the agreement, which are also a valuable source of information for analysing the evolution of EU-Central America relations.

Hurricane Mitch and its devastating effects on several countries in the region were reflected in the ministerial conferences that reflect some of the actions taken in response to the natural disaster. The three Consultative Groups in Stockholm (1998), Washington (1999) and Madrid (2001) distracted from the San José Dialogue and probably marked its end, although the conferences were extended for a few more years.

Following the San José Dialogue, the mechanism of the EU-Latin America and the Caribbean Summits, which channel a significant part of the bi-regional dialogue, has also emerged in the bi-regional relationship. The first summit took place in Rio de Janeiro (Brazil) in 1999, the second in Madrid (Spain) in 2002, and the third in Guadalajara (Mexico) in 2002 Guadalajara (Mexico) in 2004 and the fourth in Vienna (Austria) in 2006. The fifth took place from 13 to 17 May 2008 at Lima (Peru) and the sixth was held in Madrid (Spain) in May 2010.

Some specific characteristics of these summits gave them a special value. Their nature as high-level summits, their biannual periodicity, the mechanisms for civil society participation in them, or the processes and documents for following up on the agreements, are some of them. So is the creation of the EU-LAC Foundation with the objective of analysing relations and becoming an eventual instrument for preparing summits and agreements. As highlighted by Félix Peña, three axes articulated the relationship between the EU and Latin America and the Caribbean to ensure the development of a relationship based on common foundations on society or relations between countries: to have a bi-regional dialogue oriented to concrete action, based on a common bi-regional agenda and supported by a fabric of bi-regional agreements capable of capturing all the interests of both regions (Peña, 2008).

The mechanism changed when the Latin American and Caribbean countries launched the Community of Latin American and Caribbean States (CELAC) in December 2011, which became the EU's regional interlocutor. The following summits are now called EU-CELAC Summits. The first took place in Santiago de Chile in 2013 and the second was held in Brussels in 2015; the latter has been the last one held to date. The lack of vigour of CELAC after the crises of post-liberal regionalism is a risk element for the bi-regional relationship because it affects the mechanisms of interlocution.

The Europe-Latin America summits resulted in the Association Agreement between Central America and the EU. The Guadalajara Summit in 2004 initiated the evaluation process for a future partnership between the EU and Central America (also between the EU and the Andean Community). The IV Summit in Vienna in 2006 officially launched the negotiations. These lasted three years because, although they began in October 2007, they had to be interrupted by the Honduran coup d'état against the Zelaya government in 2009. After its resumption in February 2010, the agreement was terminated in May 2010, coinciding with the VI Europe-Latin America Summit held in Madrid. It was signed on 29 June 2012, within the framework of the 39th Summit of Heads of State and Government of SICA, held in Tegucigalpa.

The negotiation involved nine general rounds and seven extraordinary meetings at the commercial level. For the Central American countries, the exercise was a major effort because they had to attend —with rather small ministerial structures and limited resources— the nine rounds of EU-CA negotiations, with intermediate Central American rounds of negotiations between the member countries and a broad consultation process with productive sectors and organisations representing civil society. The incentive to reach the agreement mobilised the two parties to complete a broad and complex negotiation, without major disagreements on the more specific contents and some more discussion on the preconditions for the negotiation (region by region) and the subsequent incorporation of Panama.

3. Development challenges in Central America

3.1. Central America's challenges in the wake of the Great Recession and pandemic

As noted in the introduction, the region is facing a moment marked by serious problems with a complex response. Several issues stand out among the most important problems facing Central American countries (ETEA Foundation, 2020). First, the risk of democratic regression in the face of the risks associated with the political scenario in several countries in the region. The attacks on democracy and the separation of powers, the weakness of electoral processes, the lack of impartiality in the justice system, the unexpected threat to basic human rights, the corruption of elites or their extractive nature, or the penetration of organised crime are recent manifestations of these risks and setbacks.

Second, the persistence of poverty and inequality in a development model that tends to generate inequity and exclusion. In addition to the worsening of social vulnerabilities, there are environmental vulnerabilities, both due to the lack of government assistance and protection for at-risk groups and to the region's geographical position, which is susceptible to the natural phenomena that frequently affect the region. Prevention and mitigation tools are insufficient, and climate change regularly threatens to devastate the family and collective future plans of the Central American population. In addition, the pressure of violence and organised crime — which is taking root in the region and disrupting the daily lives of large sectors of the population— prevents the most vulnerable sectors of the population from developing their lives normally.

Third, in the economic sphere, the coexistence of highly productive sectors with a large majority of low productivity and low value-added sectors generates a pattern of low income and high concentration of benefits, in an economic system that is capable of generating the jobs required by a large young population. The international insertion of the region's economies continues to respond to a model that favours a low value-added insertion in the GVCs and the global economy.

Fourth, the State faces this scenario with significant limitations in terms of capacity and efficiency, which compromises the quality and extension of services and basic needs. Despite the progress made in recent decades, the reform and strengthening of the State continue to be urgent issues on the development agenda. The fiscal crisis is an extraordinarily important dimension in this debate, and is characterised by low tax burdens and insufficient public spending to guarantee services and rights or to correct inequality. The lack of transparency in the face of the threat of corruption or a growing public debt are elements that contribute to instability.

And, finally, the persistence of particular interests versus the general interest, captured by economic elites with negative influence on the design and implementation of public policies and levels of taxation, or on the promotion of a more inclusive development (Sánchez Ancochea and Martí, 2014).

Despite this complex scenario, some opportunities are also present in the region to build an effective development model to face the challenges mentioned above (ETEA Foundation, 2020). It is in the face of these opportunities that the bi-regional relationship and the AA could have a positive impact.

One of the most obvious and at the same time complex trends is the transformation of the globalisation paradigm. From the era of exponential growth of global trade in the early

1990s, we have moved on to a kind of *slowbalisation*, a retreat from globalisation that encourages policy decisions aimed at a model of greater industrial and national autonomy in order to limit the disaggregation of production processes andlongdistance value chains, with processes of relocation and renationalisation of some links in the GVCs.

The new development agenda that the pandemic has awakened is also an opportunity for Central American countries and for the bi-regional relationship. The Green Pact or digitalisation can be a focus of international cooperation that can also become an engine of change, productivity and inclusion in Central America (Sanahuja, 2021b).

The global outlook also offers us a recomposition of geopolitical balances and relations between the major powers. The external relations of the countries of the region depend on how the United States, the EU, China and Mexico position themselves in these balances. Relations with South America, the Caribbean and Southeast Asia will also depend on them.

It also seems that multilateralism is recovering, under the principle of building back better after the pandemic, and can once again offer collective and global solutions that respond, with the incentive of recovering from the pandemic, to the fight against inequality, the climate crisis, or the probable sovereign debt crisis, as well as to the new risks associated with biosecurity and others that require more international cooperation.

In this context, new options for regionalism could open up, not only as a spur to international cooperation, but also because protectionist impulses can only be confronted by small economies in expanded regional spaces that allow them access to greater economies of scale. This context makes it necessary to rethink the objectives, tools and thematic priorities of regionalism and interregionalism.

3.2. Is regional integration still a favorable framework for promoting regional development in Central America?

The question arises as to how Central American integration can help its member countries at this global crossroads. As is well known, Central American integration renewed its foundations and agreements between 1990 and 1995, following the Esquipulas Agreements, replacing the framework of ODECA and CACM to form the multidimensional scheme of SICA. The appearance in 1994 of the United States' hemispheric free trade proposal, the FTAA, put the brakes on the enthusiasm for integration and caused a change of direction in the strategy of governments, which turned their interests to the U.S. proposal.

The process regained momentum after the turning point of Hurricane Mitch. The three consultative groups for the reconstruction, transformation and modernisation of Central America brought together the region and its international cooperation partners, making it possible to recover integration as a framework and instrument for development under the conviction that the region's structural vulnerabilities could not be addressed through national approaches. Around the year 2000 and until the end of the decade, a period of recovery of the regional approach to development and, therefore, of SICA's institutional and political instruments began.

Central America took advantage of the momentum, and the years 2002 to 2008 were marked by the reforms promoted by the *ad hoc* Commission for institutional reform and their happy coincidence with important cooperation programs in support of institutional reform (EU programs and the Spain-SICA Fund of Spanish cooperation) forged in the momentum of the aforementioned consultative groups and by the design of a framework of regional agendas of priorities and objectives. The approval in 2005 of the Fisheries and Aquaculture Integration Policy 2005-2015 marks the beginning of a cycle of construction of regional policy instruments. Subsequently, it would also be this policy that would mark the beginning of a second round with its 2015-2025 proposal.

In the midst of the recovery of the leading role of integration and the regional agenda as instruments for development, the difficulty of dealing with a multiple crisis arose. In 2008, the international economic crisis erupted with its negative effects on the region's sources of financing (remittances, exports and maquilas). This was compounded by the political crisis in Honduras with its confusing coup at-tempt against Zelaya in 2009. SICA was also greatly affected by the tensions between Costa Rica and Nicaragua over the Río San Juan case in 2010. These three problems were compounded by the explosion of the security crisis that has progressively and relentlessly turned Central America into one of the most violent regions in the world, which has led to episodes of massive immigration (child migrants, caravans, etc.) that mark the relationship with the United States.

Despite all this, the multidimensional crisis did not slow the growth of integration. Two processes allowed the region, in spite of these crises, to have a clearly positive decade for SICA from 2002 to 2012. The first was the International Security Strategy Support Conference. The second is known as the re-launching of Central American integration, promoted by the governments of El Salvador and Guatemala following the extraordinary summit held on 20 July 2010 in El Salvador.

The 2011 International Security Strategy Support Conference generated enormous expectation among Central American countries. But after its first commitments and results, it may have led to some frustration in the countries because the funds have been heavily focused on prevention and institutional strengthening and not so much on combating organised crime, which the countries perceive as more urgent. Also because, in practice, member countries have not seen confirmed the main expectation of the conference, which was to see their capacities directly increased with additional resources for their institutions. Most of the funds approved are managed by international cooperation and by the SICA General Secretariat with other regional or multilateral institutions.

The effect of the process of relaunching integration should be viewed positively because it has resulted in a more orderly agenda based on its five priorities: democratic security, economic integration, social integration, climate change, risk management and institutional strengthening. Its effect on the organisation of the agenda has been very positive and has detailed joint objectives, but it has not been able to make major contributions in terms of effectiveness and execution of regional instruments.

SICA's expansionary cycle changed after 2012, and subsequent years were marked until 2017 by a certain paralysing inertia —without excessive results— that broke the system's expansionary dynamic, which was then more focused on the search for strategic positions by member countries. Through, for example, the regulations for appointing authorities in the institutions of the system, which not only do not seem to have renewed the interest of the countries in integration nor have had a positive impact on the quality of the management of the institutions, but have also led to the deadlock in the renewal of the General Secretariat of SICA.

The years immediately following the first decade of the century (2013-2016) were marked by frustration resulting from the ineffectiveness of most of these policies, manifesting itself in government and international cooperation fatigue. The paradigm of open regionalism fulfilled its functions, but it also confirmed the false promises about its capacity to solve the region's structural problems beyond international insertion. Both Central American and external stakeholders seem to agree that the current development model needs to be revised. The national leadership of these years does not allow us to be optimistic. The region is now engaged in crisis contingency planning and reconstruction plans.

The appointment in 2017 as secretary general of SICA of the former president of Guatemala, Vinicio Cerezo, one of the protagonists of the Peace Accords, opened the way for the necessary renewal of the integration process and its purposes.

Central American integration seems to have a scheme of sectoral policy instruments. The set of regional policy instruments is very valuable, despite their excessive number and the irrelevance of some of them. Several have been the result of a valuable formulation exercise with the participation of extra-regional partners and some very interesting consultation processes. Its results are, however, limited in terms of efficacy. This set of regional policy instruments provides a wealth of common diagnoses, joint problem definition and joint initiatives to solve them. Some of them have been able to attract a broad collaboration of internal and external partners, as well as funding to meet some of their objectives. There is a germ of intersectoriality in the set of instruments that can be very valuable for the system.

However, the institutions and member countries of SICA have already identified that the resulting agenda poses serious problems of heterogeneity, implementation and compatibility of efforts. Various presidential and ministerial mandates, based on this type of diagnosis, call for a prioritisation exercise in the current strategic agenda[1].

1 In particular, based on the mandate of the 2016 Roatan Presidential Declaration and that of the May 2017 Council of Foreign Ministers, a proposed Strategic Agenda was discussed in the meetings leading up to the XLIX Meeting of Presidents in June 2017. The mandate of this meeting underscored the interest in their demand for a functional transformation of the system.

SICA was about to attempt a review of its regional agenda under the impetus of its General Secretariat.Within the framework of the bicentennial of independence and the anniversaries mentioned in the introduction, the Secretary General, Vinicio Cerezo, promoted the Esquipulas III Agenda, taking up the experience of the agreements in which he played a leading role. The proposal was walking between the relevance of defining a new 2021-2030 agenda and the natural misgivings of the member countries,when the COVID-19 crisis broke out.

Also related to the need to define a new agenda was the proposal promoted by Mexican President López Obrador of the Integral Development Plan (PDI from its acronym in Spanish) for El Salvador, Guatemala, Honduras and the south-southeast of Mexico, focused on attacking the structural causes of irregular migration with a development and integration perspective. This proposal, drafted with the support of ECLAC, had the confusing interest of the Trump administration, and generated extraordinary attention from international cooperation. It seems to have lost strength after the pandemic.

However, based on the political tension caused in the United States by Central American migrations and the caravan episodes that have occurred since 2019, the region has a new proposal, the Biden Plan, promoted by Vice President Harris, which could generate very significant U.S. investment to foster opportunities to prosper without emigrating. It is an offer of great interest for the region (limited to the so-called Northern Triangle), but it is worth taking some precautions in case its implementation does not meet expectations, as happened with president Obama’s 2014 Prosperity partnership.

The General Secretariat of SICA, for its part, launched the Charter on the Future of Central America in October 2020, outlining the axes of a development agenda with a regional approach for Central America. Its impact has been moderate in the midst of the pandemic, but it is one more input for this pending task. Integration seems today, however, to be focused on responding to the mandate of presidents and ministers to develop post-pandemic recovery plans, following the experience of the contingency plan in response to the first manifestations of the pandemic.

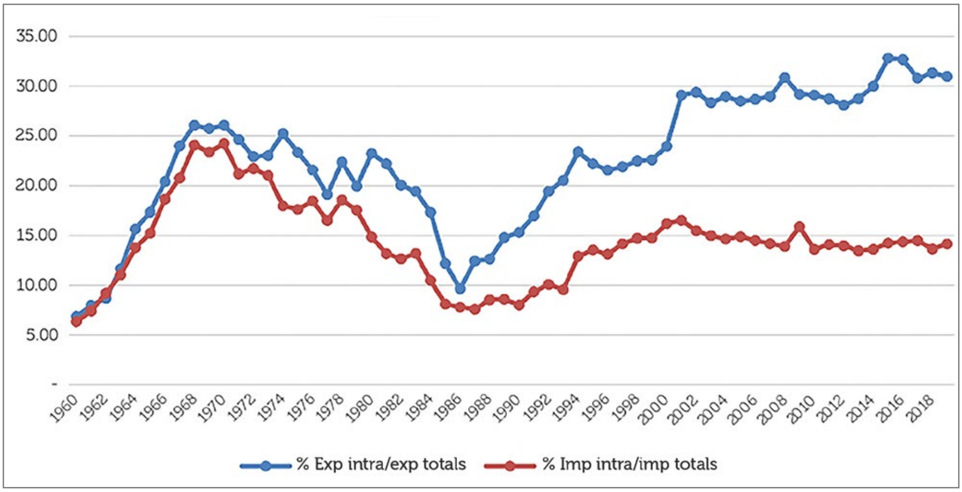
3.3. Progress towards the Central American Customs Union, the backdrop for the trade agreement

The dynamism seems to be more concentrated in the economic dimension of Central American integration, which is so relevant for the AA and is a priority for the EU. Since the signing of the Guatemala Protocol to the TGIE in 1993, three periods of Central American economic integration can be distinguished:

1. The decade 1993-2003, characterised especially by the development of the Guatemala Protocol and especially by the progress made in the establishment of the Customs Union.
2. The decade 2003-2013, characterised especially by the negotiation and signing of North-South trade agreements with the United States and the EU.

3. The years 2013-2020, characterised especially by trade facilitation agreements and by the strengt hening of coordination within the economic subsystem.

GRAPH 1. Intraregional exports and imports as a percentage of total exports and imports of Central America (in percent, 1960-2019)



Source: SIECA (2020).

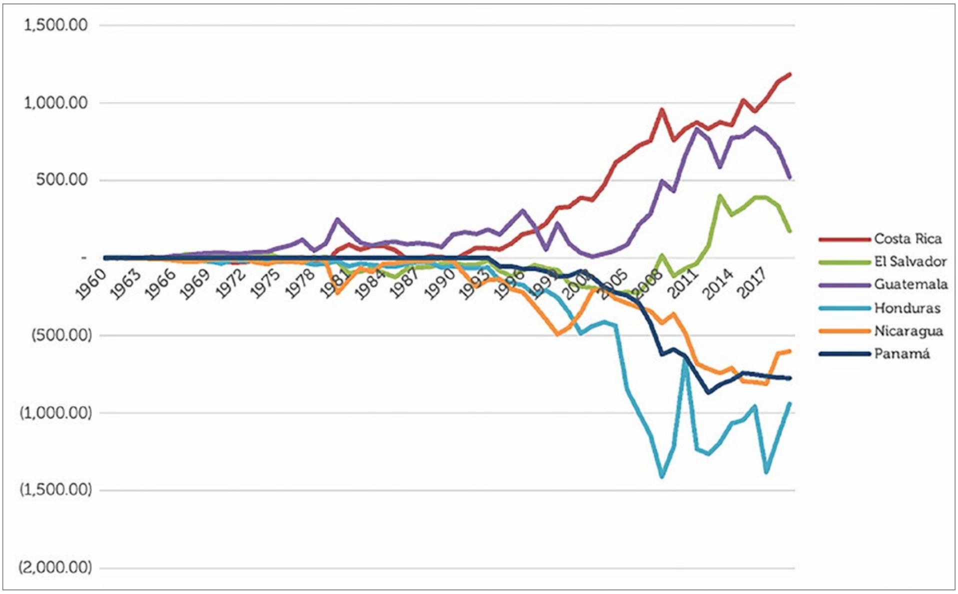
Since the entry into force of the protocol, the trend in the share of intra-regional trade has been steadily increasing in relation to extra-regional trade. Graph 1 illustrates how intra-regional exports are growing compared to total exports. After the conflicts of the 1980s, the intra-regional share of exports has surpassed the intra-regional trade figures achieved by the CACM and seems to be consolidating at around 30-35%. The evolution of intra-regional imports is also significant at a lower level. The share seems to have stabilized at around 15% and shows no tendency to improve, which constitutes a challenge for the future of Central American integration.

Intraregional trade balance data (Graph 2) are also very significant in illustrating the dynamics of integration and development in Central America. The scale of the graph minimises the period prior to the 1990s. The graph confirms the trade surplus regularly experienced by Costa Rica, El Salvador and Guatemala, in that order, and the traditional trade deficits of Nicaragua and Honduras. Also from Panama, although the main reason in this case would be the country's limited level of trade with its partners.

It is worth noting some particularly relevant milestones in the development of economic integration that mark its evolution after 1993 (Caldentey, 2021):

a) Free Trade Agreement between the United States and Central America and the Dominican Republic (DR CAFTA), negotiated in 2003, signed in 2004 and ratified in

GRAPH 2. Trade balance, intraregional market (US$ millions, 1960-2019)



Source: Prepared by the authors based on data from CEIE (2020).

2005 in each of the signatory countries to enter into force on different dates for each country starting in 2006.

b) Framework Agreement for the Customs Union, approved by COMIECO in Guatemala on 12 December 2007, which approves that the Customs Union will be established gradually and progressively, and its establishment will be the result of the development of three stages: i) promotion of the free circulation of goods and trade facilitation, ii) modernisation and regulatory convergence, and iii) institutional development. The definition of these three stages is marked as a framework for defining objectives in many of the subsequent documents and milestones in economic integration.

c) Panama joined the Central American economic subsystem in July 2010 and signed the Protocol of incorporation of Panama into the SICA economic integration subsystem in July 2012.

d) Signing of the Association Agreement between Central America and the EU on 29 June 2012 in the framework of the XXXIX Meeting of Presidents of SICA. The agreement provisionally entered into force in its Part IV, relating to trade, for the EU, Nicaragua, Honduras and Panama as of August 1, 2013, and for El Salvador and Costa Rica as of 1 October 2013. The rest of the agreement is in the process of ratification.

e) Approval in 2015 of the Central American Strategy for Trade Facilitation and Competitiveness with Emphasis on Coordinated Border Management which is approved by

COMIECO in its agreement No. 01 2015 (COMIECO LXXIII) and which instructs the members of the Technical Group on Trade Facilitation to finalize implementation plans, in accordance with the strategy and policies of the Central American governments.

f) Roadmap to advance the Customs Union 2015-2024, commissioned by the XLIV. Meeting of Heads of State and Government of SICA member countries (Declaration of Placencia, Belize, December 2014) and received by the same body at its XLV meeting in June 2015, and which contains the activities to be developed to achieve the Customs Union, in the three stages established in the Framework Agreement for the Customs Union.

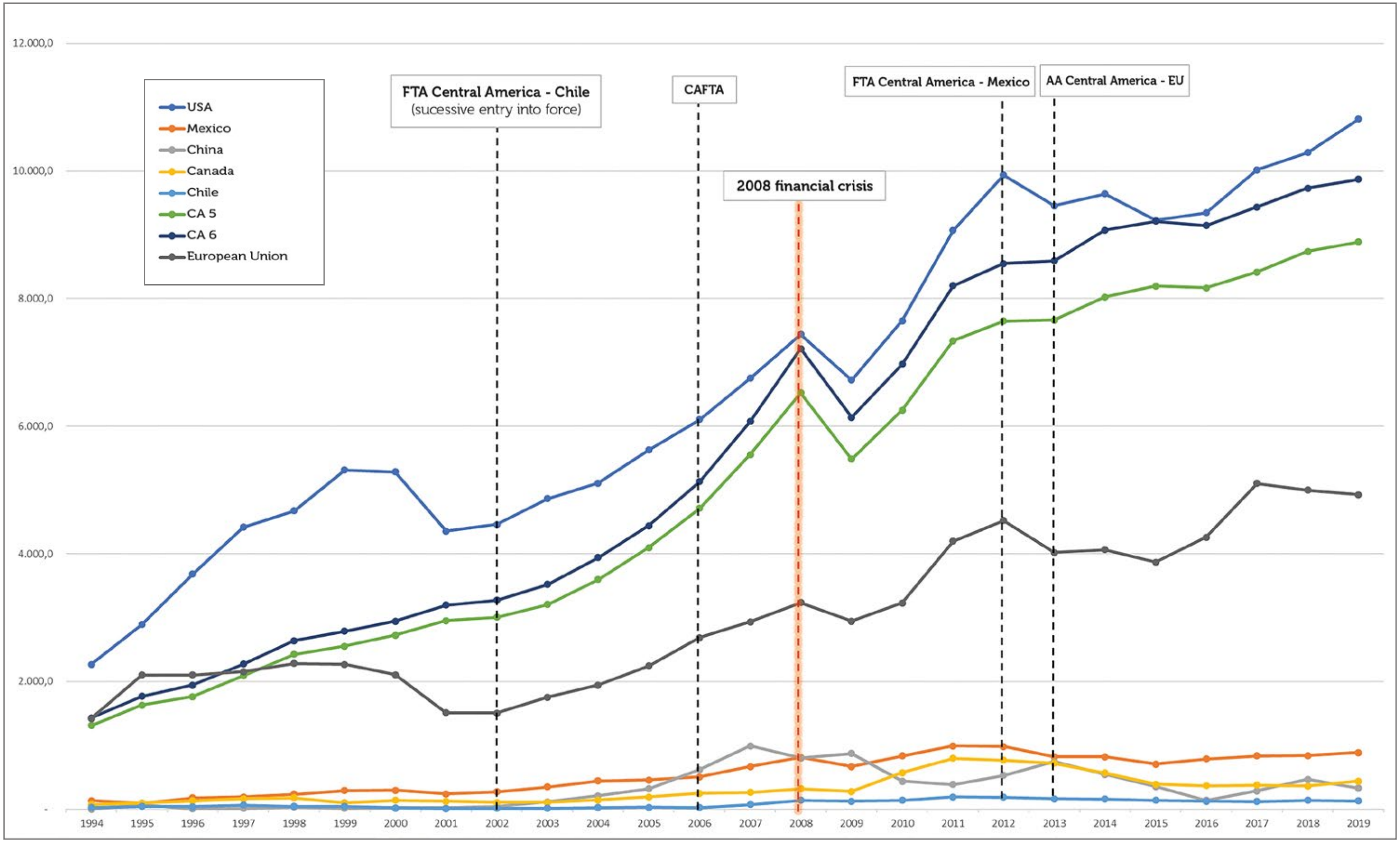
g) Signing of the General Framework of the Work for the Establishment of the Customs Union between the Republic of Guatemala and the Republic of Honduras, by the presidents of both countries on 26 February 2015. This general framework points out the route to follow for the constitution of the Customs Union between both countries and gives rise to the so-called deep integration process between them. Following the general framework, the presidents and foreign ministers of both States signed on 10 April 2015 the Enabling Protocol for the process of deep integration towards the free transit of goods and natural persons between the republics of Guatemala and Honduras. In June 2017, the deep integration agreement enters into force. And in July 2018, El Salvador joined the process after signing and ratifying the Protocol of Accession of El Salvador to the Enabling Protocol for Deep Integration between Guatemala and Honduras.

This set of milestones, especially those developed after the signing of the AA, has facilitated a special dynamism in economic integration that is manifested in the rapprochement of development partners and international organisations to join forces in their support. The private sector also seems to be abandoning its misgivings or traditional disinterest in a market that is tending to grow. In subsequent sections, we will assess the extent to which the trade pillar of the AA can be said to be part of these factors that explain the consolidation of economic integration.

Graph 3 shows the evolution of Central American exports according to their markets of origin since the Guatemala Protocol came into force (1994-2019). The chart includes information on agreements signed with some of the region's partners, including the EU. It is not possible to draw any firm conclusions about the relationship between the signing of an agreement and the evolution of trade with the partner. Although they all seem to indicate an improvement in exchanges, they do not introduce a turning point or change with respect to previous exchanges. It could then be stated that the main impact of the agreements is, in general, that they consolidate trade relations with partners, avoiding shocks of any kind (including political) and competition from other markets.

Graph 3 provides a ranking of Central America's foreign trade origin and destination markets. The United States is the region's leading partner, but the Central American market is gaining ground, particularly as an export destination. It is not easy to make predictions at this point in time, but it would not be impossible for the region itself to become its best

GRAPH 3. Central American exports by destination market (US$ millions, 1994-2019)



market in the coming years. Data for CA 6, which includes Panama, has been added. The comparison in both CA 5 and CA 6 graphs encourages one to think about the potential benefits of greater trade interaction between Panama and its Central American economic integration partners. China data are not yet relevant in these periods, and that may be an issue going forward. After the United States and the regional market itself, the EU is the third largest market for companies in the region.

Central American economic integration is therefore entering the third decade of the 21st century with a consolidated regional market that aspires to compete with the U.S. market as the main destination for exports and origin of imports from its partner countries, with very significant progress in trade facilitation and integrated border management, and with an intersectoral framework of regional policy instruments that also has the support of external partners with the capacity to support them technically or financially.

These trends reinforce a positive perception of the evolution of the process among its protagonists and observers. However, economic integration is currently facing challenges in its development, such as the need to advance with the same intensity in the stages of modernisation and regulatory convergence and institutional development to complete the establishment of the Customs Union; the importance of working to take advantage of the trade agreements signed in the past; the need to promote the full incorporation of Panama into the dynamics of the Customs Union; and the desirability of defining more precisely the inter-sectoral regional policy instruments that contribute, together with other elements, to promote a competitive productive structure of the Customs Union; or the advisability of defining more precisely cross-sectoral regional policy instruments that contribute, together with the other elements, to promoting a competitive and inclusive productive structure that can offer development alternatives to Central American countries and adapt adequately to the future scenarios that the region will face. How can the relationship with the EU be a catalyst for these changes?

4. Pillars of the Association Agreement between Central America and the EU

The AA is a fundamental milestone in Central American regional integration and bi-regional relations. On the one hand, it reinforces the traditional close relationship between the EU and Central America and, on the other, it extends relations between the two regions to the trade pillar, with a North-South agreement that succeeds the one signed only a few years earlier with the United States.

4.1. Contents and objectives of the partnership agreement

The AA is structured in three pillars: the classic pillars of the agreements derived from the San José Dialogue, political dialogue and cooperation, and the new trade pillar. The general objectives of the agreement are as follows:

- Strengthen and consolidate relations between the parties through a partnership based on three interdependent and fundamental pillars.
- To develop a privileged political cooperation based on shared values, principles and objectives, in particular respect for and promotion of democracy and human rights, sustainable development, good governance and the rule of law.
- Intensify bi-regional cooperation in all areas of common interest.
- Expand and diversify the parties' bi-regional trade relationship in accordance with the World Trade Organization (WTO) agreement and this agreement and the present agreement.
- Strengthen and deepen regional integration in areas of common interest.
- Strengthen good neighbourly relations and the principle of peaceful resolution of differences.
- Maintain and develop the level of good governance, as well as social, labor and environmental standards.
- Encourage increased trade and investment between the parties.

In terms of political dialogue, the agreement aims to:

- Establish privileged political cooperation.
- Defend common values, principles and objectives by promoting them at the international level, specifically at the United Nations.
- Strengthen the United Nations as the core of the multilateral system, to enable it to address global challenges effectively.
- Allow for a broad exchange of opinions, positions and information leading to joint initiatives at the international level.
- Cooperate in the field of foreign and security policy, with the objective of coordinating positions and adopting joint initiatives of mutual interest in the corresponding international forums.

It will also cover other aspects of mutual interest such as disarmament, the fight against terrorism,migration, the environment, weapons of mass destruction and citizen security.

In terms of cooperation, the main objectives are as follows:

- Strengthen peace and security.
- Strengthen democratic institutions, good governance and the full application of the rule of law, gender equality, all forms of non-discrimination, cultural diversity, pluralism, promotion and respect for human rights, fundamental freedoms, transparency and citizen participation.
- Contribute to social cohesion.
- Promote economic growth with a view to fostering sustainable development.
- Deepen the regional integration process in Central America.
- Strengthen production and management capabilities and increase competitiveness.

TABLE 1. Structure of the general content of the Association Agreement between the EU and Central America

Description	Articles
Preamble	
PART I. GENERAL AND INSTITUTIONAL PROVISIONS	1-11
Title I. Nature and scope of the agreement	1-3
Title II. Institutional infrastructure	4-11
PART II. POLITICAL DIALOGUE	12-23
PART III. COOPERATION	24-76
Title I. Democracy, human rights and good governance	29-33
Title II. Justice, freedom and security	34-40
Title III. Social development and social cohesion	41-48
Title IV. Migration	49
Title V. Environment, natural disasters and climate change	50-51
Title VI. Economic and trade development	52-71
Title VII. Regional integration	72-73
Title VIII. Culture and audiovisual cooperation	74
Title IX. Knowledge of the company	75-76
PART IV. COMMERCE	77- 351
Title I. Initial Provisions	77-79
Title II. Trade in goods	80-158
Title III. Establishment, trade in services and e-commerce	159-203
Title IV. Current payment and capital movements	204-208
Title V. Public Procurement	209-227
Title VI. Intellectual Property	228-276
Title VII. Trade and competition	277-283
Title VIII. Trade and sustainable development	284-302
Title IX. Regional economic integration	303-307
Title X. Dispute Resolution	308-328
Title XI. Mediation mechanism for non-tariff measures	329-337
Title XII. Transparency and administrative procedures	338-344
Title XIII. Specific trade-related tasks of the bodies established under this agreement	345-348
Title XIV. Exceptions	349-351
PART V. GENERAL AND FINAL PROVISIONS	352-363
List of annexes, appendices, protocols and declarations	

In terms of trade, the main objectives of the agreement include:

- The expansion and diversification of merchandise trade.
- The facilitation of trade in goods.
- Liberalisation of trade in services, in accordance with Article V of the General Agreement on Trade in Services (GATS).
- The promotion of regional economic integration in the area of customs procedures, technical regulations, and sanitary and phytosanitary measures.
- The development of a climate conducive to increased investment.
- The effective, reciprocal and gradual opening of public procurement markets.
- Adequate and effective protection of intellectual property rights.
- The promotion of free and undistorted competition in economic and commercial relations.
- The establishment of an effective, fair and predictable mechanism for dispute resolution.
- The promotion of international trade and investment between the parties.

To this end, the commercial pillar adopts the following measures:

- It provides substantially improved market access for European exports to Central America by eliminating tariffs on manufactured goods, fisheries and agriculture; analysing barriers to trade in goods; and improving market access for contracts, services and public investment.
- It establishes a framework of equality through common rules in areas such as intellectual property and geographical indications, competition and state aid, and dispute settlement.
- It strengthens regional integration by introducing measures such as a single administrative document for customs declarations and a single import duty for the region.
- It establishes an agreement for sustainable development designed to pursue economic development through trade, address the interrelationship between trade and social and environmental policies, and encourage and promote trade and marketing schemes based on sustainability criteria.

The trade part of the agreement has been provisionally applied since 2013 (1 August 2013 with Honduras, Nicaragua and Panama; 1 October 2013 with Costa Rica and El Salvador; and 1 December 2013 with Guatemala). The same does not apply to the political dialogue and cooperation pillars which, as mentioned below, are pending ratification by EU member countries.

The agreement creates several bodies. The Association Council is the highest level; it is made up of ministers and heads of state and government of the Central American countries, the EU and European countries. Its main functions will be to supervise compliance with the objectives and implementation of the agreement. Its regular meetings will be held every two years, and it may hold extraordinary meetings, as well as *ad hoc* meetings to strengthen the political dialogue. It shall have its own rules of procedure and its decisions shall be binding, and it may also make recommendations.

The Association Committee is the body responsible for the general implementation of the agreement. It will be made up of high-level officials from Central American countries, the EU and European countries, and will address specific issues (political dialogue, cooperation and trade). It has its own regulations. Its regular meetings shall be held annually at alternate venues and it may also hold extraordinary meetings.

In addition, the agreement creates subcommittees, technical bodies to support the Association Committee. They are made up of technical staff members. Its face-to-face meetings will be held annually at alternate venues. They are chaired, also on an alternating basis, by a representative of the EU and a representative of a Central American country for periods of one year. Although the list is open to the creation of those necessary, the following subcommittees have been created: cooperation, market access for goods; customs, trade facilitation and rules of origin; technical barriers to trade, sanitary and phytosanitary matters, and intellectual property.

A Parliamentary Association Committee has also been created, comprising members of the European Parliament, the Central American Parliament (PARLACEN) and representatives of the national congresses of the Central American countries that are not members of PARLACEN. And the Joint Consultative Committee as a consultative body of the Association Council, which will be made up of representatives of the European Economic and Social Council (EESC), the Consultative Committee of the Central American Integration System (CC-SICA) and the Consultative Committee on Economic Integration (CCIE).

There is also institutional space to promote meetings between representatives of EU and Central American civil societies, including the academic community, social and economic partners and NGOs. Beyond its objectives and organs, the AA faces the difficulty of being ratified, as was the case with the third political dialogue and cooperation agreement of 2003, which was never fully ratified. This was also the case, for example, with the EU-Canada agreement, which is provisionally in force pending ratification.

In the case of the EU and Central America, only Belgium has pending ratification of the agreement and this prevents the entry into force of the pillars of political dialogue and cooperation[2]. The Central American countries ratified the text of the agreement immediately after its signing in 2013. Most EU countries did so in subsequent years. United Kingdom, Austria and Greece followed suit between 2018 and 2020.

Ratification in Belgium is pending approval by the country's regional parliaments, particularly those of Wallonia and Brussels, where some objections to the agreements on human rights and the environment are being discussed. Belgium is the only Member State where EU agreements must be ratified at the regional level (Conconi, Herghelegiu and Puccio, 2021).

For the purposes of political dialogue and cooperation, therefore, and without the AA in force, the bodies derived from the Political Dialogue and Cooperation Agreement

2 Details of the ratification process can be found on this page of the EU website: https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2012001.

(ADPC) signed in 2003 and which was not ratified until 2014 operate. Since then, four meetings of the ADPC Joint Commission have been held (the first on 17 October 2014, the second on 22 February 2019, the third on 28 May 2020, and the fourth on 18 June 2021).

Precisely, the joint communiqué of the IV Joint Commission pointed out, in a paragraph that summarizes well the legal framework of the EU-CA relationship, that the representatives of the countries of both blocs "highlighted the importance of relations between the two regions, their positive and dynamic balance since the establishment of the San José Dialogue in 1984, the European Union Central America Framework Cooperation Agreement of Luxembourg in 1985 and the entry into force of the ADPC in 2014, as well as the entry into force of the Trade Pillar of the Association Agreement between Central America and the EU, and the previous meetings of the Joint Commission in 2014, 2019 and 2020". It is, therefore, a complex framework in legal and political terms. In the area of political dialogue and cooperation, work is carried out within a framework negotiated in 2003, which entered into force in 2014, with a subsequent negotiation within the framework of the AA already completed in 2013.

Meanwhile, as noted, the trade pillar entered into force and is in provisional application, given that the trade agreements fall under the exclusive competence of the EU and were ratified at the time by the Central American countries that signed the agreement. The dialogues and committees provided for in the trade pillar of the agreement have functioned regularly, as can be consulted in the corresponding section of the website of the European Commission's Directorate General for Trade.

4.2. Expectations of the parties in the negotiation and implementation of the AA

The EU and Central America approached the negotiation of the AA with the idea of making it a pioneering case of bi-regional negotiation. They were a win-win situation for both parties. The EU, reinforcing its status as a positive hegemon of Latin American regionalism and its commitment to Central America, which was extraordinarily raised in the San José Dialogue. Central America thus obtained not only privileged treatment with a powerful and close partner, but also a boost to its status as a global player despite its small size. Moreover, this time, their protagonism had nothing to do with conflicts or disasters.

The EU also intended to use the Central American case to validate its strategy of interregionalism, so important in its relations with Latin America. At the EU-Latin America Summit in Rio de Janeiro in 1999, the idea of the bi-regional strategic partnership and the mechanism of regional summits was launched and later transferred to CELAC. As is well known, this is a different international relations scheme than the one the EU applies with the ACP countries (Africa, Caribbean, Pacific) and with other regions of the world.

Within this framework, the EU signed an agreement with Mexico in 1997 and with Chile in 2002. It also attempted to sign an interregional agreement with the Andean Community, but was only able to do so with Colombia and Peru. The EU's complex negotiation with Mercosur, after 20 years of frustrated attempts, is well known, also after the 2019 agreement announcement (Sanahuja and Rodriguez, 2019). Thus, the EU-Central America agreement is the only viable interregional agreement to date.

Undoubtedly, the EU has geopolitical objectives in its relationship with Latin America and has intended the agreements to contribute to its repositioning in global society, particularly vis-à-vis the United States and China, but also in view of the emergence of other Asian economies.

It is difficult to compile exhaustively the national positions of the EU Member States on the agreement with Central America. Beyond the "problem of Belgian ratifications", resistance to the contents of the agreement has not generated major discussions in the Member States, although in some parliaments, such as the German one, objections have been raised regarding the requirements of respect for human rights, the protection of natural resources or the effect of trade agreements on certain vulnerable groups.

Nor have the member states shown particular concern about the damage that trade concessions to Central American economies could cause to their producers or productive sectors. The size of the Central American markets and the previous concessions with which they were able to access European markets do not appear to be of a worrisome magnitude. For this reason, environmental or human rights arguments have not been used as a parapet for other interests, as they are in the case of Mercosur.

It is important to recognize Spain's drive as a promoter of the AA not only within the EU itself, but also by encouraging Central American countries to engage in rapid and open negotiation of EU proposals. Spain is, together with the European Commission and Germany, the country that shows most interest in the evolution of SICA, and the one that devotes the most financial resources and instruments for cooperation and dialogue to regional cooperation.

4.3. Objectives and progress in the three pillars of the agreement

Beyond the arguments linked to geopolitical interests and the consolidation of the bi-regional relationship, the expectations and first results of the two regions can also be analysed in terms of the three pillars.

In the area of political dialogue, the EU's objective was to promote an institutionalized mechanism for discussion and exchange of information between the EU and Central America on bilateral and regional issues of common interest. The idea was to present the two regions, with all their asymmetries, as coordinated partners with common positions on issues of international importance. Issues, for example, such as the ratification of the Statute of the International Criminal Court, ILO conventions, or migration and security issues.

The content of the political dialogue pillar includes many elements of multilateral relations that reinforce the idea of the Union as a normative power. Political dialogue is for the EU a key element of the strategic partnership with Latin America to extend the commitment to the elements of the agenda and global governance that the EU promotes. From the European perspective, there is no doubt that this is a positive effect of its bi-regional relations.

It is worth asking whether the agreement, whether or not its political dialogue pillar has been ratified, will also be an instrument to influence the worrisome drift of the democratic crisis in Central America. The outrages to democracy by the government of Daniel Ortega before the elections of November 2021, the worrying decisions in El Salvador, Guatemala or Honduras are a test for the presence of the EU in the region. The reaction of European countries as a bloc —or in particular to this complex political situation— will be a major challenge for the EU discourse, the legitimacy of the political dialogue pillar and the perception of the EU as a global player.

In the area of cooperation, the agreement would raise the possibility of broader cooperation, not only at the regional level, but also at the bilateral level, in the coordination of both. Beyond the financial programming documents, the agreement could promote more strategic cooperation that is open to changes in the environment, using, for example, new instruments. In that sense, Nicaragua's failed proposal to develop the idea of the Common Fund for Economic and Financial Credit was a missed opportunity. Nicaragua made a disproportionate proposal that provoked the rejection of the European representatives, but this proposal, contemplated in Article 23 of the agreement, made and still makes enormous sense. It would make it possible to explore mechanisms similar to those of the cohesion funds, more open to a plural participation of stakeholders.

The AA should be an incentive to design ambitious cooperation between the two regions, both bilaterally and regionally, renewing instruments, enhancing the intensity of actions and linking them to political dialogue. Support for the regional dimension of development through SICA appears to be an indispensable condition in the new phase marked by the 2021-2017 financial forecasts. Within the framework of the plans drawn up by the new European Commission in this regard, the implications derived from Team Europe can be of great use in Central America and multiply the impact of the relationship between the EU and Central America. Latin American regional programs have been successful in Latin America. However, the cooperation that Central America needs goes beyond multi-country cooperation, and must strengthen integration mechanisms and extract the advantages and economies of scale of joint action.

On the trade front, expectations were focused on the development of a modern free trade agreement. In addition to the fact that the agreement would regulate trade relations between the two regions in terms of regulations/rules of origin, sanitary and phytosanitary regulations, etc.), and that intellectual property protection regulations could be regulated, its trade pillar offered the EU the possibility of access via CAFTA to the U.S. market under certain circumstances. On the other hand, despite the size of the region and its markets, incentives for investment in certain sectors can be significant.

In any case, the trade pillar goes beyond what is strictly related to the commercial exchange of goods and services. It is a modern agreement whose contents extend to the multilateral free trade agenda, including issues such as access to government procurement or the management of intellectual property rights. Undoubtedly, the EU incorporates the logic of the WTO into these agreements and uses them not only to promote the interests of its companies and access Central American markets. But, in turn —as Zabalo, Bidaurratzaga and Colom (2019) critically point out— the trade pillar of the agreement is a WTO Plus proposal that promotes more favourable conditions for large and transnational EU companies, especially in the area of service provision, capital movements or intellectual property protection.

It is, in short, the debate associated with free trade agreements. In defence of its expanded agenda, the EU emphasizes the benefits that the trade agreement offers the region: on the website of the European Commission's Directorate General for Trade (https://ec.europa.eu/trade/policy/countries-and-regions/regions/central-america/), the following are particularly highlighted:

- The elimination of most import tariffs.
- Improving access to public procurement, services and investment markets.
- Improved trading conditions through new disciplines on non-tariff barriers to market access, competition and intellectual property rights.
- A more predictable environment for trade with a mediation mechanism for non-tariff barriers and a bilateral dispute settlement mechanism.
- Strengthening regional integration, for example, by establishing a single import duty for the entire region and using a single administrative document for customs.
- Support for sustainable development, including consultation with civil society stakeholders.

The attraction of European investment to the Central American region and the possible positive effects it could have on Central America's insertion into global value chains can be added to this list.

Central America gains very obvious advantages from the trade pillar: access to one of the largest and richest markets in the world, and the possibility of going beyond static comparative advantages and taking advantage of the export diversification potential offered by the European market, including greater value added from its maquiladora operation, its participation in regional and global value chains, and the expansion of possibilities in its agrifood sector, as well as possibilities in services (Mataand Cordero, 2009).

But one of the most frequently mentioned objectives of the trade pillar is that the agreement should serve to accelerate the establishment of the Customs Union, based on the EU's demand to negotiate region by region. The initial assumption was that the Central American countries would finalize the pending issues for the establishment of the Customs Union and with a complete common set of regulations and a common external tariff free of exceptions, they would negotiate the trade pillar of the agreement. This was not the case, and the expectations placed in the EU as a great opportunity for Central American economic integration were disappointed. In hindsight, it was a difficult requirement, although the question remains as to whether it would have been feasible. The critical factor was undoubtedly the position of Costa Rica, always reluctant to trade integration and the country with the best defined interests in the AA.

The EU has developed an ex post evaluation process for the trade pillar of the AA that will be completed by mid-2022, but a draft interim report is now available[3]. The report (BKP Economic Advisors, 2022) analyses the economic impact by presenting the effects on trade in goods, trade in services, foreign direct investment, the overall impact on growth, regional integration and other areas of the trade agreement. It also analyses social impacts (employment, gender, welfare and poverty, and child labour, among other aspects, to complete nine categories) and environmental impacts. Also the effect on human rights and on the dialogue between trade and sustainable development.

It is difficult to draw consolidated conclusions on the overall impact of the trade pillar of the agreement, both because of its complexity and because the interim report does not yet provide an overall assessment. Based on the findings presented, it can be affirmed that the agreement confirms the trend of positive impact of most of its initiatives and provisions, but it is still difficult to assess whether it does so with the necessary intensity and imposing itself on other processes. It does not seem to find evidence of significant negative effects on any productive or social sector in the Central American and European economies. The report has much more elements and data to measure the impact in Central America than in the EU.

The findings on the evolution of merchandise trade may be of interest to illustrate the early effects of the agreement. According to the report (BKP Economic Advisors 2022), Central America's exports to the EU would have increased by 31% (from €5.1 billion in 2010 to €6.7 billion in 2019), especially due to increased exports of bananas, fruits and vegetables, sugar, medicines and coffee. Aggregate EU exports to Central America increased by 40% (from €5.3 billion in 2010 to €7.4 billion in 2019), mainly due to increased exports of machinery, automobiles and medicines. Based on these data, the EU's relative share of Central America's imports has remained fairly stable over the period 2010-2019, while its share of Central America's exports increased slightly from 21.7% to 24.4%.

The report also notes that the main EU exports to Central American countries benefiting from the trade pillar of the EU-CA agreement are medicines, motor vehicles, aircraft and spacecraft. In the case of Central America, these are bananas, coffee, palm oil and crustaceans. In general, Central American countries have made more intensive use of available preferential rates or tariff quotas than European countries. The reduction in tariff revenues from the agreement would be most significant for Guatemala and Costa Rica (which lose 14% and 12% of their total revenues).

3 The draft interim report of the trade pillar ex post evaluation and all preliminary inputs to this report are available at: http://central-america.fta-evaluation.eu/en/resources-2/study-outputs.

The evaluation has also estimated the economic effects of the trade agreement and highlights in particular a positive effect on GDP, from 11 million euros per year in El Salvador to 122 million euros per year in Costa Rica and an aggregate 297 million euros per year in the EU. The effects it points to on the impact of the agreement on regional economic integration seem to have more to do with technical cooperation projects than with trade dynamics.

Finally, the growth of trade in services seems to have been more important (73% for Central American exports and 61.5% for European exports, data from 2010-2013). As for foreign direct investment, one of the incentives of the agreement most highlighted by the European Commission and the Member States during the negotiation, the impact is still of low intensity with respect to the pre-agreement period, except in Panama and Costa Rica, but there is no evidence that the advantages of the agreement have a significant effect.

Undoubtedly, as the discourse underlying the AA suggests, the ability to combine the three pillars will be decisive for the two blocs to obtain the expected benefits from the EU.

However, the global landscape has changed following the pandemic and, as noted in the introduction, the response to COVID-19 has prompted a review of the European project. Beyond the remarkable intensity of the response and the new instruments, the EU has designed a new development agenda based on the European budget and the Next Generation EU Program. The transition to a greener, more digital, fairer and more equitable economy is set to be at the core of the EU's external relations, especially its relations with Latin America.

In the case of Central America, beyond the trade pillar, it is to be expected that this new agenda will be central to relations between the two blocs. Since, in addition, the response to the pandemic is accompanied by a change in economic policy paradigms (expansionary monetary and fiscal policy), the availability of resources should be greater if the most developed countries do not set limits to their conviction of what needs to be done to put the crisis behind them. The EU has every incentive to extend its crisis response instruments to its partners around the world, thereby strengthening its global position and the strategic autonomy to which it aspires.

5. Conclusions and recommendations

There is no doubt that the AA is an extraordinary milestone in interregionalism for both the EU and Central America. Its political value is unquestionable. However, an analysis of its development in recent years seems to confirm the hypothesis that the agreement is still far from having fulfilled its potential and from meeting the expectations imagined during its negotiation.

The Association Agreement between the EU and Central America has a specific value as an example of the bi-regional agreements that the EU intended to develop in its strategic partnership with Latin America. It is the only one that has been feasible to sign in view of the difficulties to do so with the Andean Community and Mercosur. It is an achievement that has to do with the EU's influence in the region and with the greater interdependence among Central American countries, and the greater relevance of its integration mechanism. The first factor is also present in other processes such as Mercosur, but not the second, which would give relevance to the dynamism of integration as a favourable condition for association agreements.

The agreement responds to the interests of EU countries to extend their strategic autonomy and global positioning in the post-pandemic society. It reinforces the perception of the EU as a development partner and positive hegemon, building on the extraordinary experience of the San José Dialogue, which has channeled an effective and positive relationship for both regions since the 1980s. It has also consolidated the EU as the main regional partner of the Central American countries and their integration process. It is very important as an instrument of positioning and external influence of the EU, competing in Central America with the multidimensional presence of the United States and in particular with the free trade agreement between North America, the Central American countries and the Dominican Republic, which is the other major regional agreement of the Central American countries.

However, it has a moderate relevance in the region's development agenda, which would confirm the limitations it has to develop its potential. Despite its importance as a political objective during the long negotiation process, and despite the effort that the negotiation entailed for the Central American countries, the day-to-day presence of the AA and its contents is limited except in the commercial sphere.

The dynamics of ratification and management of the agreement do not seem to be conducive to promoting it. Its monitoring bodies do not meet under the framework of the AA because it has not been ratified and do so with irregular frequency around the mechanisms of the 2003 Political Dialogue and Cooperation Agreement, ratified in 2014. Parliamentary dialogue and dialogue with civil society has been very scarce, probably due to the lack of definition of the political frameworks around which to meet. However, the follow up mechanisms in the commercial area have met with more frequency and publicity.

Ratification is a very significant problem in the Central American case and does not seem to be associated with the resistance of EU member states, as in the case of Mercosur, but rather with the complexity of a process that is lengthy even when it is not problematic. The difficulty in ratifying the political dialogue and cooperation pillars (incomplete eight years after signature) does not paralyse the objectives of the agreement, which continue to mark the common agenda of the two regions, but it does make it less effective.

The content of both pillars is so broad that it tends to serve as a framework for everything, but has no capacity to serve as an incentive or impetus. It is worth asking whether a simpler instrument should not be sought that can be ratified within a reasonable period of time or that is based on periodic summits with the presence of representatives of the countries of both blocs. The mechanism of formal agreements has not been more effective than the bi-regional dialogues of the San Jose Process in the case of Central America. The lack of regularity of follow-up meetings (as opposed to the annual or biannual frequency of the San José Dialogue) and the uncomfortable need to work with old instruments, prior to the new negotiated framework, but not in force, may explain this. Also the irresistible appeal of the commercial, which shifts the centre of gravity of the deal to their turf.

Although the circumstances are different, it can be said that the AA has not had as much impact as the San José Dialogue had. This is due to the lower global and EU relevance of Central America compared to the 1980s. But the expectations generated by the agreement suggested the recovery of Central America's position on the map of the EU's external relations. Does the Central American experience suggest that a more informal dialogue framework is better?

Central American countries are once again the focus of international attention (Harris/ Biden proposal for the Northern Triangle or Mexico's Comprehensive Development Plan, for example). The worsening of the region's structural problems (exclusion, violence, crisis of democracy) is related to the exhaustion of the model associated with the Esquipulas Agreements of the 1980s. The region is experiencing a change of cycle within the global cycle change. It will be a risk area in the coming years and the EU must be vigilant as a benign partner for the region in times of conflict. It is a favourable space for its global positioning.

The signing of the AA and the need to establish a region-to-region dialogue has been an incentive for Central American integration, but it has not lived up to the expectations generated or to its potential. The Central American countries' difficulties in establishing common positions in the negotiations ruined this possibility, which cannot be blamed on the EU, even though at times a more demanding position would have been desirable.

EU regional cooperation is, for practical purposes, one of the most visible instruments of the bi-regional relationship between the EU and SICA. Multi-year cooperation programs are an effective instrument for meeting the objectives of both parties. It is not clear that AA has any effect in reinforcing it. The 2021-2027 support planning exercise seems to be insufficiently inspired by the agreement and its objectives. In this field, there is a certain fatigue in European cooperation with SICA.

This is not an isolated case in Central America. First, all international cooperation with SICA has been significantly reduced with respect to the years 2005-2012, when flows were very important, probably higher than what SICA was able to absorb. Its effect was positive because it greatly increased the capacity of the institutions. It had the disadvantage of being oversized and could not respond to its execution with the desired levels of efficiency. Following the process of negotiation and design of cooperation programs after the 2011 international conference in support of the security strategy, the trend began to change. The partners decided not to hand over execution to the regional institutions and flows have been falling.

It cannot be said, however, that the design of objectives, amounts and strategic priorities of regional cooperation is particularly dependent on the AA. In fact, it is not the explicit framework in which these negotiations take place, which seems an obvious contradiction.

The trade pillar of the agreement is the one that has had the greatest impact during the years the AA has been in force. The results of the mid-term evaluation report suggest that, although there has not been a significant increase in trade flows between the two regions, the trade agreement consolidates the European market as the third largest source and destination market for Central American exports and imports, and has encouraged greater trade in goods and services between European companies and Central America. No significant negative effects are perceived in any European or Central American sector. The agreement consolidates the trade relationship and generates new opportunities; for some countries and specific sectors, it provides inspiration for the content of cooperation programs in the field of economic integration and confirms the strength of the EU as a regulatory power.

It can be concluded, therefore, that the AA has a clearly positive effect for both regions, but of a lesser intensity than expected and desired. It does not seem to have significantly transformed the bi-regional relationship beyond its formal and political consolidation. It is relevant in trade terms for Central America, but it has not changed the relevance of the area as a partner of the EU in any area or for any country.

Central America is in a period of great complexity that adds, to the global uncertainties caused by the great recession and the pandemic, the regional problems of democratic and institutional setbacks. The vulnerability of the region has amplified the effects of the pandemic and the resulting activity restrictions. The serious political tensions that some countries in the region are experiencing must be addressed in the text of the political dialogue pillar and solutions must be found in the cooperation pillar. The EU must be vigilant in the face of certain conflicts and abuses in order to reinforce both its status as a normative power and its role as a positive hegemon. As happened in the 1980s, its contribution can be decisive vis-à-vis more polarizing partners, such as the United States or China, if it confirms itself as an interested partner in the region.

The agreement has untapped potential, especially in the area of political dialogue. The lack of greater dynamism and political relevance of EU-Latin American relations seems to affect their development. Recovering the regularity of the meetings of its follow-up bodies could be a critical factor for its reactivation. The EU should promote a more informal political dialogue mechanism than the one proposed in the agreement (frozen due to lack of ratification).

The conclusion seems obvious: Why not return to a mechanism similar to the San Jose process? It would be much more effective, on the one hand, to mediate in the face of threatening national political conflicts and, on the other hand, to force solutions when these become unacceptable.

EU support at the regional level is a determining factor in the EU-CA relationship. In the most recent moments of crisis in the region (the conflicts of the 1980s, the destruction of Hurricane Mitch, the migration crisis), the regional dimension has been indispensable in the search for solutions (Esquipulas, Consultative Groups, the Plan for Transformation and Modernisation, and the International Conference in Support of the Security Strategy).

The Central American countries face the challenge of defining the axes of development for their future at a time of global cycle change marked by uncertainty. This environment is unfavourable, more because of complexity and uncertainty than because of the existence of negative forces.

SICA is not the root of the problems, but the consequence of the crisis of national projects. The EU's proven ability to understand and influence the integration process can be a basis for developing the potential of the AA. Not supporting integration with the intensity with which the EU has been doing so would generate several problems. First, the weakening of a political dialogue that will need the regional institutional framework to create solutions, as democratic risks and national conflicts become more complicated. Second, a vicious circle would be generated because the loss of capacity and resources of SICA bodies and institutions would worsen their performance, and encourage member and partner countries to reduce commitment to regional institutions and policies.

But the pandemic has become a major variable for the immediate future. The focus of the Association Agreement and its three pillars should be oriented towards the joint response to health crises, in the post-covid framework, and taking advantage of regional health instruments (COMISCA); the development of policies to promote equity and social protection, in urban and rural areas; and issues that coincide in the agenda of the two regions of the Green Pact, the digitalisation of the economy and other areas of innovation.

To this end, it seems important to force the ratification of the agreement or, in any case, to activate the dialogue on how to strengthen this agenda at the regional, bi-regional or multilateral level. It is important to leave behind the rigidity of an instrument whose ratification is not viable because of its late ratification, and to build on its content a more agile mechanism for dialogue and coordinated action programmes.

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4. MODERNISING THE EU-CHILE ASSOCIATION AGREEMENT: STRENGTHENING AN ALLIANCE FOR SOCIAL INCLUSION AND ENVIRONMENTAL SUSTAINABILITY

Beatriz Hernández

1. Introduction

Negotiations to sign an agreement between the European Union (EU) and Chile were officially opened in 1999 as a further step towards the support that the EU and its member countries had given to Chile's trade liberalization and economic restructuring(European Council, 1999). The signing of an Association Agreement (AA) between the EU and Chile in 2002 was a recognition of the political maturity and economic strength of Chile, which the Union identified as a qualified and reliable partner, as well as a model of development and stability (Blanc, 2005). Although trade with Chile represented only 0.4% of total EU trade in the world, it is important to note the importance of this pioneering agreement for South America, as it could serve as a model for other countries that adopted trade agreements in later years (Jara, 2020)[1].

After twenty years, the world has changed with some rapidity, with technological innovations that have influenced the development of digital commerce, or the use of a new generation of green energies, among other changes. The rapid industrialisation and growth of world trade have become unsustainable for environmental protection, so the change of economic paradigm has not only been pioneering for EU countries, but has also had an influence on the rest of the world. Although multilateral agreements to shift existing economic models to more sustainable ones have not been swift enough in all countries, Chile has embarked on a path towards a development model that contemplates equality,sustainability and social justice.

Chile is the country of the Organization for Economic Cooperation and Development (OECD) with the highest income inequality, preceded only by Costa Rica. In social spending, taking the percentage of GDP, it is the penultimate of the OECD with 11.4%, followed by Mexico, with 7.5% and far from the OECD average, which is 20% (OECD, 2021).

On October 18, 2019, Chile experienced a social outcry due to income inequality, low wages and high prices in basic services such as education, transport, health, etc. Mass protests,

1 Treaty with Caribbean countries 2008, Treaty with Central America 2012, Treaty with Colombia and Peru 2013, which Ecuador joined in 2017 and with Mercosur in 2019 (without entry into force).

sometimes violent, and peaceful mobilizations led the government, along with opposition political parties, to reach an Agreement for Social Peace and New Constitution on November 14, 2019. A plebiscite was called to vote on a Constituent Assembly to draft a constitution to replace that of General Pinochet in 1980, which had a clear neoliberal approach to political, economic and social rights.

Given this new national context, together with the global events of crisis of multilateralism, the rise of protectionism and commercial and territorial rivalries, it is necessary to analyse how the modernization of the EU agreement with Chile can contribute to a better international insertion of the parties, based on new models of post-pandemic development and a multilateral and progressive foreign policy.

This paper analyses the results of the AA between the EU and Chile, which entered into force in 2003, until now, when it is negotiating its modernisation. After nineteen years, the international context has changed both in its political and economic dimensions, so it is important to analyse what role these agreements can play in the face of the challenges of post-pandemic recovery and in view of the objectives of both regions in terms of strategic, geopolitical autonomy and in that of the transition towards new development models that respond to shared challenges such as climate change, ecological transition, digitization, social inclusion or the revitalization of multilateralism.

2. Trade and the benefits of the agreement

For Chile, as a mining and agricultural country, the AA represented an improvement in access to the European market, with copper and derivatives as the main export products. With the rise in copper prices, trade soared between 2004 and 2014[2], causing a trade surplus for Chile, until they fell again. Thus, the volume of exports to the EU of some copper products decreased, in particular copper cathodes, which in the following years fell by 78%. Therefore, copper went from 54% of total shipments from Chile (DIRECON, 2012) to 36% in 2020 (Subrei, 2020).

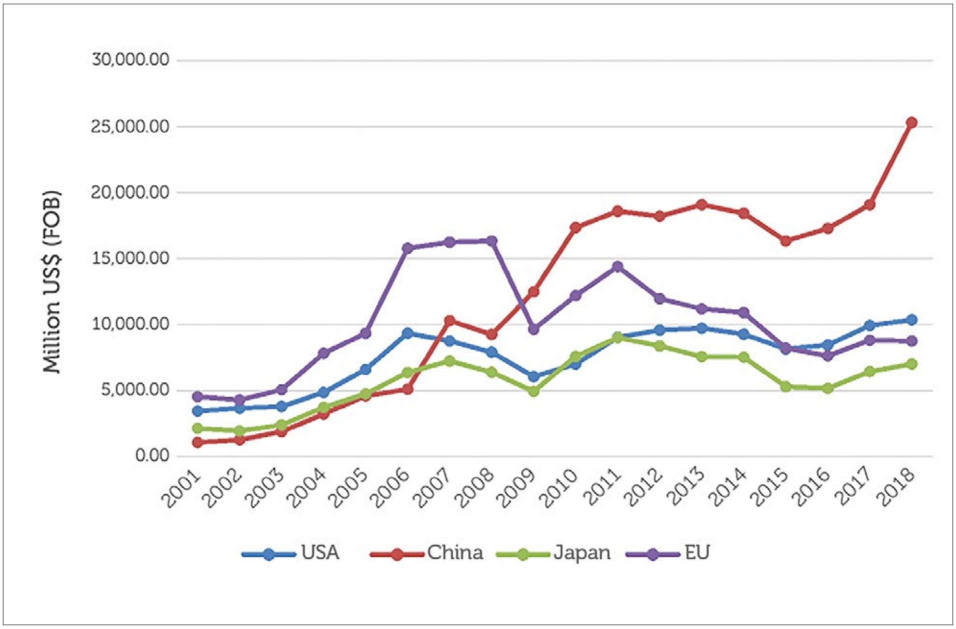
In addition to reducing dependence on copper, one of the main impacts of the AA has been the diversification of export products, as well as Chilean export companies. One of the sectors most benefited from the agreement was undoubtedly that of agricultural and fishery products, since the European market was highly protectionist in the agricultural sector, with ad valorem tariffs of 60% and 13% in the fisheries sector (ILO, 2008: 41).

In the case of wine and spirits, Chilean exports grew from 376 million euros in 2002 to 585 million in 2019 (Comext, 2020). Likewise, beef and pork grew 43% and 50% respectively from 2002 to 2017 (ODEPA,2017). The rest of the meats occupied their quotas at 100% (SOFOFA, 2013). In the case of fruits, trade with the EU has grown during the years of the agreement by 35%, in export volume, and 142% in terms of export value (ODEPA, 2017). The

2 The price went from 80.73 cents a pound in 2003 to 399 cents in 2011 and fell progressively to 256.24 cents in 2020. Comisión Chilena del Cobre. www.cochilco.cl.

star product has been blueberry, with a 1000% increase in export value between 2002 and 2019 (Comext, 2020). Other products such as honey were also favoured.

FIGURE 1. Chilean exports 2001-2018



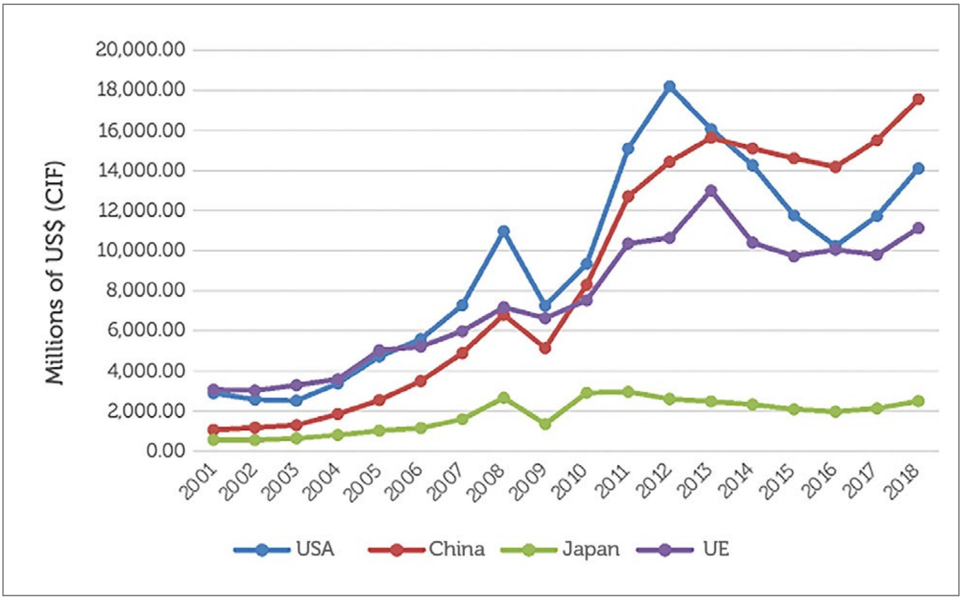
Source: Central Bank of Chile.

In terms of trade in goods, the agreement has had different stages: Chilean exports taking off between2003 and 2008; dropping due to the economic crisis in the EU between 2008 and 2012; and European exports picking up since 2015, when the EU became a trade surplus (DG Trade, 2003-2020).

According to the Evaluation Reports of the Agreement of the Directorate of Commerce (DIRECON), imports of European products rose mainly in terms of intermediate goods: they stand out with more than 50% of the total. Imports of capital goods also doubled between 2003 and 2012, accounting for 30 per cent of total imports. It is important to note that many of these intermediate and capital goods favoured Chilean industries because they are part of the production chain. Import products include automobiles, tractors, aircraft, ships, machinery and electrical appliances, liquors, beverages, vinegar and tobacco (DIRECON, 2014). For example, the European automotive sector quintupled its sales from131 to 667 million dollars in Chile (Comtrade, 2020).

Since the entry into force of the AA, exports of non-traditional services to the EU increased by 13% (2003-2019). The amount exported has increased sevenfold to $169 million. The majority of services are concentrated in the information and communication technologies

FIGURE 2. Chilean imports 2001-2018



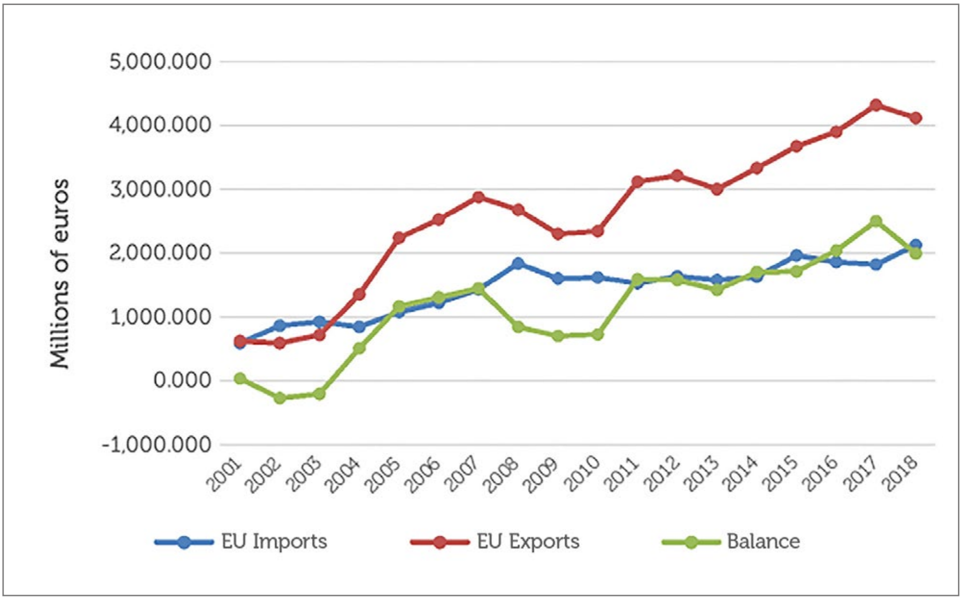
Source: Chilean National Customs Service.

(ICT) sector, financial services, research and development, and administration, at 72%, and in the field of travel, at 29.5%, with Spain, Germany, Luxembourg, France and Ireland as priority destinations (Subrei, 2020). In 2003 only 64 companies exported services to the EU and in 2020 247 companies did so, 48% of them SMEs (Subrei, 2020).

In terms of trade in services, the EU has a surplus with Chile, which offsets the benefits of the agreement for the EU. For example, from 2008 to 2016 trade in services grew by 100% leaving a positive balance of 2.3 billion euros for the EU in 2019 (European Commission, 2017 and 2021).

Agricultural exports have improved thanks to the gradual elimination of customs tariffs until reaching zero tariffs, but other products (5.3%) have been restricted or excluded from the agreement, such as olive oil, some frozen and pulped fruits, some dairy products, beef and pork bacon, among others (Subrei, 2020). Agricultural and fishery products represent 41.5% of Chilean exports, that are concentrated in few products; on the other hand, they represent only 10% for European exports; that is, 90% of EU exports to Chile are industrial (European Commission, 2021). Agricultural products are very important, especially fruits and wines, as European "most-favoured-nation" (MFN) measures have been relatively high for them (Hernández, 2020). For example, in 2004 the ad valorem measures for these products were, on average, 8 per cent for fruit and 6 per cent for alcoholic beverages. With the agreement they were reduced in 2008 to 3% and 0%, respectively, and the same for crustaceans, which fell from 6.9% to 1.6% (Jean *et al*., 2014).

FIGURE 3. EU-Chile trade in services



Source: Eurostat.

For Subrei, one of the most innovative aspects of the AA (compared to other trade agreements) has been the inclusion of animal welfare in the trade pillar, since it allowed improving the conditions of animals in productive activities, avoiding their suffering. In addition, in agriculture and rural areas, the AA promotes policies in the areas of training, infrastructure and technology transfer (Subrei, 2020).

In short, the AA has achieved two important objectives: to double trade between partner countries and to diversify the basket of export products. The case of Chile is more evident, since it is the world's largest producer of copper and has a high concentration of this mineral and its derivatives in its total exports. However, copper has decreased its percentage in recent years, from 57% to 36%, and exports of agricultural and fishery products have diversified. For example, the basket of export products increased from 1,458 to 1,577, while with the Chilean agreement with the United States, the number of products exported has decreased from 1,374 to 1,312 (ECLAC, 2020).

In terms of investments, the AA has been very successful in terms of EU flow in Chile, investments almost doubled in the first ten years of the agreement. Despite the crisis experienced by the EU, since2010 European investments have remained stable in Chile, and the Union remains the main investor: it adds up to a cumulative investment of 36% of foreign investment in the country (InvestChile, 2021). Most of these investments are concentrated in the service sector, such as telephony, water, electricity, financial services and retail, but they have also been extended to the manufacturing industry linked to fisheries and aquaculture, agriculture, livestock and forestry. Unlike other foreign investments (from the United States, Canada and China) European projects are not concentrated in the mining sector. In fact, 63% of the investments planned in Chile in the energy sector are from Spanish companies, especially in renewable energy (InvestChile, 2021).

According to a study on the impact of the modernization of the AA, it could increase investments by 25%, and would imply the improvement of investor confidence in dispute resolution mechanisms (European Commission, 2017). Being a chapter of the agreement under the competence of the Member States, 19 bilateral[3] agreements have been signed in the area of investments (17 in force), and some of them overlap creating possible inconsistencies, which has generated misgivings among investors (European Commission, 2016). However, since the entry into force of the Treaty of Lisbon in 2009, investment has been the exclusive competence of the EU. In this way, the modernisation of the AA could replace the above agreements in the area of investment with a general agreement covering the 27 EU countries (not just the 17). The most important negotiations have focused on the dispute settlement mechanism to be adopted, especially in the areas of regulation and compensation. The European proposal is to establish a multilateral investment court. In the ninth round of negotiations, concluded in January 2021, Chile was more receptive to adopting the model proposed by the EU.

3. Modernisation of the Partnership Agreement for Fair and Inclusive Trade

The EU trade strategy of 2015 Trade for All emphasized the need to add value to trade policy, that is, to promote sustainable trade, linked to the defence of human rights and good governance (Martens *et al*., 2019). Negotiations for the modernisation of the AA embrace this European vision and include new chapters to ensure that the benefits of trade reach society as a whole.

During the 2013 EU Summit with the Community of Latin American and Caribbean States (CELAC) in Santiago, Chile, it was agreed "to explore options for modernising the EU-Chile Agreement", as it would improve options for investors and traders in trade and services, and bring more benefits to consumers. For example, such modernisation could mean a simplification of administrative requirements and burdens for exports to Europe and vice versa (an important issue for SMEs) as well as a greater transfer of technology and know-how that would include the development of new renewable energies and more sustainable technologies.

Customs procedures based on mutual cooperation have become obsolete under the new provisions of the World Trade Organisation (WTO)[4]. In addition, a large number of

3 Until now, problems have been concentrated where the EU Member States had exclusive competence, such as transport, culture, the audiovisual sector and communications.

4 Trade Facilitation Agreement, WTO, Bali, December 2013.

non-tariff barriers retain agricultural trade, for example, due to sanitary and phytosanitary standards for beef, fresh fruit and vegetables (EU Council, 2017).

For Sebastián Herreros, one of the most important objectives in the modernization of the AA is to improve the access of agricultural and fishery products to the European market. Likewise, the chapter of digital services must be improved, since "electronic commerce practically did not exist in 2002, and in recent years commerce in digital manufactures and services is partially replacing traditional physical commerce as another business model" (Herreros, 2020). It was argued that the modernization of the agreement would allow an increase in Chilean exports of recreational, technological, engineering, creative industry, communications, transport and other services (sectors representing half of Chilean SMEs). This, however, in the expectation that the transfer of knowledge from the EU in the field of digitization and industry 4.0, sustainability for SMEs, access to global value chains and associativity would finally occur (EU Delegation, 2017b).

In this sense, one of the novelties of the modernized AA is the incorporation of a digital economy chapter, which creates added value. Thus, according to the Under secretariat of International Economic Relations of Chile:

> the digital economy is an emerging and dynamic area and this chapter of the Agreement is expected to be a platform for democratic access to trade. The benefits of this chapter have an important effect on the rules of digital commerce (very similar to those already negotiated between the EU and Mexico), for example, the recognition of electronic signature, authentication, recognition of standards, paperless commerce, etc. In this sense, the EU and Chile share the same agenda and there is a good understanding between the parties to regulate and promote digital commerce, electronic marketing and telecommunications (Subrei, 2021).

In addition, there are cooperation programmes between Chile and the EU to learn about good practices and processes adopted at European level such as the "digital single market", the resolution of aspects such as community roaming, the single digital portal, geoblocking, etc. However, Subrei has pointed out that "it is necessary to understand Chile's position with respect to European standards, since it is a small economy. Firstly, there is no characterisation of what a technology company is like in the EU. Neither have statistics been collected on the participation of companies in the digital economy, which is a problem to be able to design public policies" (Subrei, 2021).

In this regard, current data from Chile are based on the Digital Transformation Index (ITD) of the Chilean Chamber of Commerce (CCS) companies for the year 2021. It shows an increase in the digital maturity of companies, which have adapted to the challenges of the pandemic. On a scale of 0 to 100, ITD places most companies at a "digital middle" level. Large companies earn 59 points, SMEs 51 points and micro-enterprises 49 points. However, this index does not measure the digital economy as a whole, but e-commerce at the national level and small imports. In addition, it is known that some small businesses operate in the digital economy informally (Subrei, 2021).

To solve these problems, the Chilean government published a manual on the export of services, in order to promote this type of trade (especially aimed at SMEs) and take advantage of the commercial aspect of the AA. It was an initiative that worked in conjunction with the Pacific Alliance, drawing up a cross between the codification of the AA codes and the national customs code. It should be noted that Chile is one of the few countries in which the Customs Service is involved in the export of services, since it intends to comply with international standards and regulations, even if this has meant delays in exports. Thus, exporting companies must have an export invoice and request a qualification of the service that is exported by customs; the problem is that in the digital economy it is not so easy to qualify a service.

In addition to bureaucratic obstacles, there is another challenge for business digitisation, and in particular for services: the EU General Data Protection Regulation (GDPR) (2018), of an extraterritorial nature, which includes protection in the transfer of data outside the EU. The then Commissioner for Justice, Consumers and Gender Equality of the European Commission, Vera Jourová, explained during her visit to Chile in 2019 that in order for this country to receive the Commission’s adequacy decision, it had to update its data protection legislation, including the creation of a data protection agency. And, until that was the case, it would be necessary for companies to include contractual clauses. Compliance with these standards includes high costs for Chilean companies, since, in accordance with art. 47 of the GDPR, the EU requires that they have hired a person for cybersecurity (article 32) and a delegate for data protection (art. 37).

However, progress has been made: Law 21096 adopted in 2018 in Chile amended Article 19 No. 4 of the Constitution, constitutionalising the right to the protection of personal data, and incorporating it into the catalogue of fundamental rights. In addition, in December 2020, the then Minister of Finance gave urgency to the bill amending Law No. 19628 of 1999 to establish the five ARCOP Rights[5] and the creation of a Data Agency. The problem is that Chile does not yet have such an agency to implement current legislation. In fact, a debate persists in Congress and the Senate about the characteristics of its institutionality, whether it should be an independent or a mixed agency, and whether the Transparency Council could assume that responsibility. Given that the opportunity cost of not signing the modernization AA is very high, the new law has been given urgency (Guridi, 2021). In short, although Chile complies with high standards of protection (very similar to those of the United States) it has not yet succeeded in having the EU recognise it as a “suitable country”. Argentina and Uruguay, on the other hand, have achieved compliance with European standards (European Commission, 2017b).

5 Right to Access, Rectify, Cancel, Object and Data Portability (ARCOP).

Another important innovation is the proposal to create a chapter where benefits are provided to SMEs, access to information to the market and the possible establishment of an institutional structure so that their interests are taken into account in the implementation of the agreement (European Delegation, 2017b). The EU and Chile share the view that SMEs play a key role in economic growth, job creation and innovation. In fact, almost 40% of Chilean companies exporting to the EU are SMEs (much more than they do to their main trading partners). A total of 2,479 Chilean companies made exports to the EU in 2019, 22% more than in 2003. What distinguishes Chile's trade with the EU is that, as has just been pointed out, 38% of the companies that carry it out are SMEs and 5.2% are micro-enterprises, concentrating 25% of the total value exported (Subrei, 2020). This is a great achievement, since, of the total number of SMEs in the country, only 2.9% manage to export (Ministry of Economy, 2017; Lopez, 2021). According to Sebastián Herreros:

> Chilean SMEs have little access to credit and technology and modern management practices and lack an adequate policy framework, so their traditional niche is Latin America and not Europe. Taking into account the number of products exported, diversification is greater in Latin America,more than double that in the EU and seven times that in China. Therefore, the SME chapter is expected to improve Chile's exports or indirect exports with larger companies through goods or services (Herreros, 2020).

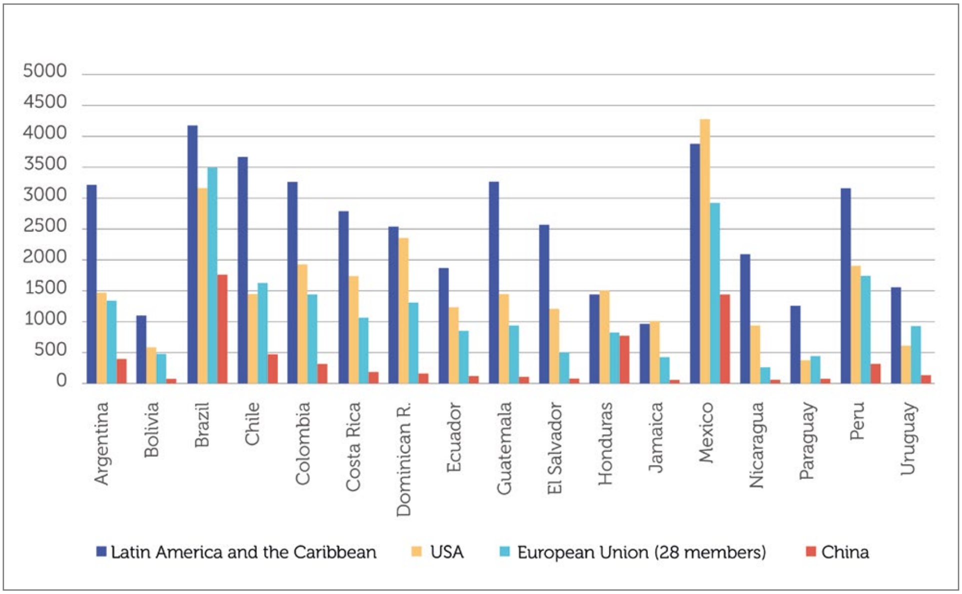
In Chile, more than an SME policy, there are initiatives, strategies and promotion networks aimed at SMEs. Work is currently underway with the World Bank to articulate the competencies that regional governments will have for the promotion of SMEs; for its part, ECLAC has pointed out the need to improve coordination between different government agencies (López, 2021).

With the pandemic, all business segments (large companies, SMEs and micro-enterprises) have experienced drops in their revenues, especially micro-enterprises, which have fallen by 38%. But the pandemic has also opened an opportunity to adopt new public policies to support SMEs. In addition, several studies show that the adoption of business technology was advanced between five and seven years; however, the adoption of digital channels has been disorderly, with few guarantees of cyber security, which puts businesses at risk.

The next challenge lies in managing technological development and improving the gaps left by the haste of change, and determining which areas advanced alone and which ones need to be improved. For example, Internet access in Chile reaches 98% of the population, but many connections are made by mobile phone and not by broadband, which produces problems of slow and intermittent business (Guridi, 2021). Export platforms, such as Amazon, have complex on-boarding systems, so SMEs need a lot of support to adopt e-commerce technology logistics and sell. That is why the work of Prochile (the General Directorate of Export Promotion) is very important for completing forms and carrying out market analysis. With the pandemic, familiarity with new technologies may force access to be faster in the future and exports to be standardized (Guridi, 2021).

A more detailed analysis shows that around 60% of exporting SMEs only export one or two products to only one market (López, 2021). In fact, SMEs have difficulty exporting: the main difficulty in doing so comes from the "unfavourable exchange rate", followed by "high demands of the country or area of destination" and, thirdly, "difficulty in finding customers or distribution channels" (Subrei, 2020).

FIGURE 4. Number of products exported from Latin American countries



Source: ECLAC data (2018). Division of Commerce.

In addition, half of the Chilean products subject to quotas are not being exported, either because the volumes set are very low, or because prices and the market do not make it profitable (cheeses, cereals, cookies, chocolate, tuna, etc.) (Subrei, 2020). Many companies "do not complete the AA market shares for chocolates, cheeses, confectionery or cherries, because the volumes set were very low and for them it was a risk to send a container that, when it arrived at the shipment, the quota would have been completed" (Subrei, 2020).

According to the Office of Agricultural Studies and Policies (ODEPA) and Subrei (2020), there are no exports of Chilean cheeses to the EU. In this case, moreover, it is no longer just a question of improving entry quotas, but of complying with EU requirements on Geographical Indications (GIs). The protection of GIs has been very important in the EU since the 1990s[6], as they protect the consumer on the origin and treatment of products, prevent the relocation of production and preserve biodiversity, indigenous knowledge

6 Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

and natural resources. For the EU, the inclusion of GIs in the modernisation of the AA also protects GIs of Chilean products in Europe.

TABLE 1. Use of tariff quotas (quotas) granted by the EU to Chile. Evolution 2014-2019

Product	Down payment (TN)	Quota 2014	% Used	Quota 2015	% Used	Quota 2016	% Used	Quota 2017	% Used	Quota 2018	% Used	Quota 2019	% Used
Bovine Meat (a)	1.000	2.150	33,5%	2.250	21,3%	2.350	14%	2.450	11,3%	2.550	12,9%	2.650	6,5%
Pork (b)	3.500	7.350	34,9%	7.700	30,2%	8.050	28,0%	8.400	23,6%	8.750	23,7%	9.100	27,8%
Sheepmeat (c)	2.000	7.200	49,4%	7.400	33,8%	7.600	33,4%	7.800	26%	8.000	27,3%	8.200	18,4%
Poultry Meat	7.250	15.225	95,2%	15.950	74,3%	16.675	100%	17.400	77,4%	18.125	100%	18.850	100%
Cheese	1.500	2.325	0%	2.400	0%	2.475	0%	2.550	0%	2.625	0%	2.700	0%
Garlic (d)	500	820	33,7%	846,5	0%	873	8,7%	899,5	1,9%	926	0,2%	952,5	9,8%
Cereals	1.000	1.550	0,1%	1.600	0%	1.650	0%	1.700	0%	1.750	0%	1.800	0%
Canned mushrooms	500	775	0%	800	0%	825	0%	850	0%	875	0%	900	0%
Cherries prepared with added spirit	1.000	1.550	0%	1.600	0%	1.650	0%	1.700	0%	1.750	0%	1.800	0%
Confectionery	400	400	1,5%	400	4,0%	400	0%	400	0%	400	0%	400	0%
Chocolate	400	400	0%	400	0,3%	400	0%	400	0%	400	0%	400	0%
Biscuits	500	500	0%	500	0%	500	0%	500	0%	500	0%	500	0%
Hake	5.000	5.000	68,4%	5.000	68,1%	5.000	72,4%	5.000	66,5%	5.000	69,0%	5.000	64,3%
Smoked salmon	40	40	89,8%	40	100%	40	97,9%	40	86,1%	40	95,2%	40	99,99%
Tuna	150	150	0%	150	0%	150	0%	150	0%	150	0%	150	0%

Source: Directorate of Studies (Subrei).

However, one of the obstacles that have been present in the negotiations involves some SMEs, which are competitive in the production and export of cheeses, but which have been affected by the EU's request to extend the protection afforded by GIs to 68 types of cheeses. This would prevent the production, sale and export of some generic varieties made in Chile, which has generated some criticism from this guild, because they could not export mozzarella, parmesan, edam and gouda cheeses to the EU. For Guillermo Iturrieta, executive president of the Association of Exporters of Dairy Products (Expor-Lac), the most serious thing is that neither cheeses under generic names could be produced or sold in Chile, such as manchego, gruyere or feta, nor partially use names such as camembert (from Normandy) and even gouda (Holland) (La Tercera, 2020).

According to the Ministry of Economy, "the diagnosis for exporting SMEs is clear, there are high transaction costs, there are low levels of competitiveness, small scale of production and that is where the promise of technology to generate higher productivity is relevant". In addition, public policy must generate conditions and enhance the insertion of SMEs in regional or global value chains from Chile (López, 2021).

In order for SMEs to take advantage of the modernisation of the AA, it has been proposed to create certifying agents, in the place of appellations of origin, and to simplify the procedures via the internet with one-stop shops for foreign trade. However, it will take until 2023 for the chapters to be implemented (López, 2021).

Gender must also be taken into account. In Chile, a key issue in Michelle Bachelet's government (2014-2018) was the implementation of UN Women resolutions on her empowerment and the need to strengthen human capital and market access opportunities. Thus, in 2015, Bachelet proposed the creation of a technical group on gender and trade in the Pacific Alliance and also in the Asia-Pacific Economic Cooperation (APEC) Forum. Under this approach, and as part of the equity agenda, during the Bachelet government, a Gender Department was created in 2016 in the Directorate of Commerce of Chile (Otero, 2021). And, in 2020, this body merged into a new Division of Inclusive Trade, which addressed gender issues, SMEs and indigenous peoples. In parallel, the former EU Trade Commissioner, Cecilia Malmström, expressed in those years the interest in including a gender chapter in the agreement to strengthen coordination and monitoring of women's rights in trade, following the model of the Chilean agreements with Canada and Uruguay, in what implied a learning for Europe (Morgan, 2017).

According to the Division of Inclusive Trade "trade does not reach all and there is a malaise with globalization, so the great challenge is that trade negotiations are not only between bureaucrats, but that citizens are involved" (Otero, 2021). In this sense, the new global challenges require improving the integration of women into the economy. This requires the compilation of statistics on the profile of women exporters. Currently, it is known that, of the total number of Chilean companies, only 38.6% are led by women (Ministry of Economy, 2020) and, in addition, most of them are micro-enterprises. As for the percentage of companies that export to the EU led by women, the figure is reduced to 5.3% (Subrei, 2020). Likewise, the export sectors are very limited; in fact, 70% of the products are from the food sector and are destined for a single market (Otero, 2021).

Well, through the new chapter of the AA, relating to Gender and Trade, it is intended that the agreement complies with the international commitments of the 2030 Agenda and the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). To this end, specific cooperation is envisaged that designs and implements improvement programs, training and studies, among other aspects, in order to increase the participation of women in foreign trade (Subrei, 2020). The Inclusive Trade Division, of other organizations such as Start Up Chile, Corporación de Fomento (CORFO) or ProChile, has sought to support women's SMEs and take advantage of the chapters of the AA in a transversal way.

4. The EU's Green Deal

According to the European Trade for All Strategy 2015, the EU's objective in this field is to promote trade in key green technologies (generating renewable energy that favours waste management and environmental pollution control) and to contribute to the fight against climate change and environmental protection (Directorate-General for Trade, 2015). It is about achieving responsible trade that is adequate to the commitments of the Sustainable Development Goals (SDGs), and that, in its international aspect, refers above all to SDG 17 (Alliances to achieve the Goals), which affects both Chile and the Latin American region (Ministry of Social Development and Family, 2021).

The Green Deal adopted by the EU in December 2019 is a further step forward, articulating an ambitious strategy for the Union to become the first climate-neutral continent by 2050. It is a commitment "to transform the EU into an equitable society" thanks to a more social and environmental economy. Along these lines, the European Commission adopted a set of proposals on climate, energy, transport and taxation with the aim of reducing net greenhouse gas emissions by at least 55% by 2030, taking 1990 levels as a reference (European Commission, 2019b). This implies an industrial transformation and a reform of agricultural policy that is in line with the goals of climate neutrality, zero pollution and new energy taxes, among other measures (Sanahuja, 2020). To achieve neutrality, a sharp increase in carbon prices is expected[7], internalising their environmental costs in production, which can put European competitiveness at risk (Sanahuja, 2020).

The Green Deal also has an impact on imports of products from Latin America, as the EU will take into account the effects of agrifood chains on greenhouse gas (GHG) emissions and deforestation from the productive base (Larrea, 2021). The mechanism to be adopted by the EU will preferably be a border tax, the socalled Carbon Adjustment Mechanism (CBAM), which will make the entry of Latin American products into the EU more expensive. It will be a process that will gradually affect the sectors that emit the most greenhouse gases.

In the case of Chile, the mining sector, in the first place, and the forestry sector (specializing in cellulose), in the third or fourth place, will be affected, so they must prepare to improve their environmental impact (Subrei, 2022). Although Chile is only responsible for 0.25% of global GHG emissions, its copperindustry accounts for 30% of global copper and its mining is responsible, directly or indirectly, for about 21% of its emissions (Minería Chile, 2021). According to the Mining Council, all large mining companies have committed to reduce their emissions according to the Climate Change Law regulations to achieve carbon neutrality by 2050 (Mining Council, 2020). The same applies to the forest industry, which exports 7% of the world's pulp for paper, positioning it in one of the main positions behind Brazil (24%), Canada (15%) and the United States (11%) (Cardemil, 2021).

It is important for the EU to cover the aspects of the negative externalities of the modernisation of the AA, in this case, relating to higher export productivity and its impact on the environment. For this reason, a new chapter on trade and sustainable development has been included, encompassing not only the environmental dimension, but also labour standards, corporate social responsibility provisions, etc. In this way, it is intended that trade contributes to the implementation of good environmental and labour practices, with an effective implementation of international commitments (Paris Agreement, multilateral environmental agreements, ILO core conventions, among others), and that a binding dispute resolution system can be available. European companies have been key in terms of investments in renewable energy projects in Chile and it is expected that, with the modernisation of the AA, EU cooperation in the country in green technologies and in the protection of the environment and biodiversity will increase (European Commission, 2017).

7 The EU Emissions Trading System (ETS) puts a price on carbon and reduces the emission limit of certain economic sectors each year. The Green Pact extends these economic sectors and strengthens the ETS.

In addition, a chapter on sustainable food systems is being included in the agreement, reflecting the new EU policy on Farm to Fork (F2F) which is part of the Green Deal[8]. Thus, negotiations are under way on the use of fertilizers in agriculture, as well as on the effects on water and air quality of aquaculture and forestry. For Llanos, health surveillance and control systems on exports have improved in those countries with a significant export basket, however, internal systems have been neglected; in this regard, adapting to higher standards to comply with international regulations obliges countries to harmonize their rules and systems, which in the long run will also benefit their populations. In any case, a large part of the resources of the cooperation between the EU and Latin America and national governments should be applied to the strengthening of what is called "quality infrastructure" (metrology, standardisation, accreditation and conformity assessment) to make decisive progress towards more sustainable production models (Llanos, 2021).

The 2016 OECD Environmental Performance Assessment report already indicated that Chile had highlevels of pollution, GHG emissions and poor waste management[9]. And, despite the fact that the regulatory framework and environmental institutionality have been strengthened, "greater coordination is required on an inter-ministerial basis in Chile to implement sectoral policies that would lead to more sustainable agriculture that meets the standards of the Green Pact" (Subrei, 2022).

Certainly, the EU has recognized Chile's leadership in advancing multilaterally on climate change issues and actively accompanied Chile in its presidency of COP25 (finally held in 2019 in Madrid), with 7.4 million euros (EU Delegation in Chile, 2021). In this sense, according to Subrei: "Given the implementation of the CBAM mechanism for imports, it would be important for the EU to take into account exceptions for countries with strong commitments to climate change such as Chile"[10] (Subrei, 2022). However, as the organization continues to affirm: "Chile is a small country open to the world that must adapt to change in the most demanding markets such as the EU, for example, it is already doing so with eco-labelling and will continue to work to achieve sustainability requirements" (Subrei, 2022).

In this regard, according to Sanahuja, it is important not to fall into the perverse incentive of environmental dumping with EU imports that contain carbon emissions: "it is essential to impose a tax on carbon imports at the EU's external borders, which, by internalizing these costs, level the playing field for European companies, and implies an incentive for similar systems to be established in other countries and/or on a global scale" (Sanahuja, 2020).

8 https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy_en

9 To comply with the SDGs, Chile already has Law 20920 on Recycling of "Extended Waste Liability (RED)" of 2016, an economic waste management instrument that obliges manufacturers of certain products to organize and finance the management of waste derived from their products. This law has not yet been implemented due to the lack of training and certification of technicians.

10 Chile has signed 34 international conventions and agreements to protect the environment and ranks first in the Environmental Performance Index in Latin America (EPI) and 44th in the world. https://epi.yale.edu/downloads/epi2020report20210112.pdf. (Editor's note: The 2022 EPI Index can be found at the following link: https://epi.yale.edu/epi-results/2022/component/epi)

Along these lines, according to Valdés, the "association with the EU should be seen as a process to add more countries to the challenge of achieving carbon neutrality, not as a trade restriction measure; this would remove any incentive to move forward in that process. What needs to be generated is a framework of international incentives that allows Latin American countries to align themselves in a common policy" (Valdés, 2022).

For Alejandro Jara, this debate is political in nature, given that any country has the right to impose a carbon tax at its borders as long as its products are subject to the same tax so that there is no discrimination or protectionism; in that case it should not have problems with WTO rules. Butthe key to the EU's intended measure is that "it will trigger a political discussion in the big markets to make these adjustments in international trade before 2050, which do not necessarily have to be the same in all countries" (Jara, 2022). As the WTO only reaches agreements by consensus and it is quite common for some countries to oppose them, separate groups are usually established, based on a plurilateral agreement between countries[11]. So, either the WTO can be a platform for political discussion of Green Deal proposals, or, as Sanahuja (2020) points out, the EU could push for a "carbon club" or "climate club" to multilateralise the Green Deal.

These alliances not only contemplate consensus among large markets, but also the inclusion of small and medium-sized countries in a system of international cooperation that finances sustainable development. Chile is a medium-high income country that can use regional and multilateral banks, such as the European Investment Bank (EIB), as well as private banks to finance the structural changes that the productive sector requires to reduce carbon emissions (Jara, 2022). In addition, "a new law[12] is being discussed in Congress to increase the Specific Tax on Mining (IEM) or new royalty to mining companies, for its impact on the extraction of natural resources, which would allow more tax revenues to help reform the rest of the productive sectors and transport" (Subrei, 2022). However, Chile's resources and capacities to promote sustainable development must continue to be supported.

5. Political dialogue and the promotion of multilateralism

The main objective of the political dialogue between the parties to the AA is the promotion, dissemination, development and common defence of democratic values such as respect for human rights, freedom of the person and the principles of the rule of law, as foundations of a democratic society (AA Part II, Article 12, Objective 2). In addition, the parties seek to coordinate their positions and take joint initiatives in appropriate international fora, and to cooperate on foreign and security policy (AA Part II, Article 14). The modernised agreement aims to broaden the scope of political dialogue in 52 articles, "although it is not a question of reinventing, but of deepening the commitments that already unite them, such as the Paris Agreement in the multilateral framework" (EEAS, 2020).

11 https://www.wto.org/en/thewto_s/whatis_s/tif_s/agrm10_s.htm.

12 https://www.ciperchile.cl/2021/05/12/el-royalty-acinara-con-la-inversion-minera-una-responuesta-des-de-los-ciclos-de-precio/

Among these new articles is one on digital policy, which recognizes the contribution of information technologies to economic, social and educational development; another on cybercrime, which reflects the interest in taking on new international security challenges, and another related to health, aimed at strengthening cooperation in the prevention and control of diseases, essential in a context of pandemic.

On the other hand, the inclusion of a chapter on ocean governance reinforces the ocean governance and fisheries dialogue that reached its fourth edition in 2021. Chile has 6,435 kilometres of coastline and is a fishing power that has seen how the degradation of the oceans has impacted the amount of catches. Currently, 43% of its coastline is protected and, since its presidency at COP25, has promoted a blue agenda that takes into account the recommendations of the 15th United Nations Convention on Biological Diversity, of COP26, in addition to compliance with the 2030 Agenda, with particular emphasis on SDG 14 (Underwater Life) (UN, 2021). In this sense, Chile shares the same objectives that the EU established with its sustainable blue economy strategy, aimed at creating global ocean governance (EEAS, 2021).

In this area, EU cooperation with Chile is mainly carried out in multilateral areas, such as the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR), where it supports the Chilean-Argentine proposal to protect the 672,000 km2 of maritime area in Antarctica. This proposal was rejected by Russia and China in 2018 and must be addressed at the multilateral level at the UN with the purpose of signing a Global Ocean Treaty, as a binding instrument for all countries.

Under the framework of the AA, a human rights dialogue has also been developed, the tenth edition of which was held in October 2020 and which is focused on five dimensions: i) Multilateral Cooperation in the UN Human Rights Council, where the EU collaborated closely with Chile when this country was part of the Council; ii) EU Institutional Framework for Human Rights and Democracy, which is implemented in Chile; Human Rights and Business (only composed of nineteen countries in the world): it is a space that deals with labour issues and programs such as the UN Women's Win, on business and women's participation; iv) Inclusion and non-discrimination (referring to LGBT groups and indigenous peoples); and v) Women's Rights and Gender Equity.

The eighteen ambassadors of the EU Member States present in Chile participate in these dialogues, in addition to the ambassador of the Delegation of the European Union. The Chilean side is represented by the Director of the Human Rights Division of the Ministry of Foreign Affairs and the Under-Secretary for Human Rights of the Ministry of Justice. According to Jaime Ferraz, these dialogues allow:

> the achievement of greater legitimacy for the State in its international action, since in each of these dialogues the openness is total: the idea is that the counterpart gets a true idea of what is happening in the other party, in order to improve and advance in these matters. All this is, of course, to the benefit of the population, since improve-

ments are being implemented in the application of the rule of law, the rules of the democratic system, respect for human rights, etc. (Ferraz, 2020).

Political dialogues have been strengthened by the initiative of the EU Delegation to meet with civil society actors prior to each dialogue. These meetings are established regularly with NGOs, the National Institute of Human Rights and the Office of the UN High Commissioner for Human Rights for Latin America (EEAS, 2021). In this context, the demands of civil society are heard, taking into account national laws and international treaties for the protection of human rights signed by Chile.

In addition, a line of financial cooperation was developed through the European instrument of the former Directorate-General for International Cooperation and Development of the European Commission (DEVCO) to promote democracy and support civil society, which has benefited numerous NGOs in Chile.

Political dialogue has also been strengthened since the creation of the EU-Chile Joint Consultative Committee (EESC) of civil society in 2016. Its regular meetings make it possible to share the EU's objectives in Chile, such as environmental protection, and to exchange ideas on progress in the negotiations on the modernisation of the AA.

This dialogue was also relevant in the face of the social explosion in Chile, originated in October 2019, due to the citizen malaise with the socio-economic model and the inequalities of the country. Indeed, according to the European External Action Service (EEAS), "bilateral dialogue has been a bridge to support the State in its conflict management and governance and social dialogue, so technical assistance and experience in the social model have been proposed" (EEAS, 2020). Following these events, the innovation in the modernised AA of the establishment of a permanent communication of the EU Delegation in Chile through the EESC is noteworthy.

The social outcry resulted in the organization of a plebiscite to change the 1981 Constitution, which was approved in October 2020 by 78.7% of citizens. The EU is supporting the constituent process with the Chile-EU Forum and through actions of the EUROsociAL programme, in order to share good practices and constituent experiences in the EU. Following the social explosion and the start of the constitutional process, Chilean interest in the EU's social values and governance systems agenda has increased (EEAS, 2021).

In addition, since the social conflict and the successive cases of violence experienced in the country[13], the EU is collaborating with the Ministry of the Interior and the Carabinieri to exchange experiences and good practices in the maintenance of public order in line with international standards and respect for human rights (EU Delegation, 2021b).

13 According to the National Institute of Human Rights, 2,825 victims and 4,075 events occurred in Chile that constitute human rights violations https://mapaviolacionesddhh.indh.cl/.

Also noteworthy is the agreement signed between Chile and the EU in 2015 to participate jointly in peace and security operations; previously, Chile had already participated with 312 troops from its Joint Centre for Peace Operations (CERCOPAC) in the Althea mission in Bosnia and Herzegovina (Ministry of Defence, 2014).

6. Development Cooperation

The EU and its Member States are the world's largest donors of Official Development Assistance (ODA), accounting for 46% of total aid, with a budget of €66.8 trillion. This budget increased by 15% in 2020 to contribute to the *#TeamEurope* Program to alleviate the effects of the pandemic and increase the average ODA contribution of member States to 0.5% of GDP (European Commission, 2021b).

Chile graduated from EU bilateral cooperation in 2013 (officially in force since 2017), i.e. it ceased to be an ODA recipient country. In view of this, it has been defining new models of cooperation. The modernized AA will involve a merger of two of its pillars (political dialogue and cooperation), so that a strategic and formalised relationship is being negotiated in terms of long-term cooperation; thus: "In the institutional framework of the Agreement, the Chilean proposal to create a Cooperation Subcommittee that in some way mitigates the effects of the loss of the cooperation pillar was accepted" (O'Farrill, 2020).

The main progress has been "the EU's recognition of the concept of development in transition, which frames Chile in the face of specific cooperation challenges (other than traditional cooperation) as recognized by ECLAC and the OECD Development Centre" (O'Farrill, 2020). This has resulted in the signing, in June 2020, of a Bilateral Fund for Development in Transition (which also includes Uruguay).It is a small fund in financial terms, but the important thing is that it implies continuity of dialogue and cooperation strategy. Chile is interested in continuing the exchange of experience and technical cooperation activities, where it can take advantage of some elements of the EU. In this sense, for the European Commission "there is little relationship between the amount of funding and the intensity with which cooperation can be developed" (EEAS, 2020).

The above-mentioned fund is a pilot project that creates the basis for a new modality of technical cooperation. It aims to promote Chile's transformation towards sustainable development through innovative projects, although so far there are few. The first two approved projects were presented by the Regional Undersecretariat to mitigate the impact of COVID-19 and to reactivate the economy of productive sectors in four regions of southern Chile: O'Higgins, Maule, Bio-Bio and Ñuble; another project is the one presented by the Ministry of Energy for the development and use of green hydrogen (AGCID, 2021).

Apart from this, the EU has adopted within the framework of its 2021-2027 budget the Neighbourhood, Development and International Cooperation Instrument (NDCI, also called Global Europe), as a new financial tool, managed by the EU's Directorate General for International Partnerships (DG INTPA, formerly DEVCO). This instrument makes it possible to finance activities beyond ODA (up to 7 percent of the NDCI budget)[14]. This means that Chile will be able to participate fully in the Sustainable Development Fund Plus (EFSD+) (European Commission, 2021c). Consequently, it will be possible for Chile to have technical assistance, blending mechanisms (contributions in the form of EU grants with repayable financing) and guarantees, to leverage the massive investments needed for the successful development of green hydrogen, and thus strengthen cooperation between the EU and Chile in the global fight against climate change.

In addition, the Team Europe initiative, which emerged after the health crisis, is based on joint work between the European institutions, the Member States and the financial development institutions. Under this approach, the EU and its Member States will be able to promote the development of green hydrogen in Chile, which is of great interest due to its great transformative potential for the creation of green jobs, the development of specialised human capital, the diversification of the energy sector and support for the de-carbonisation of the Chilean economy.

Likewise, and as indicated, the EU supported Chile in its presidency of COP25 in 2019 (held in Madrid)and in the co-presidency of COP26 in Glasgow, with 7.4 million euros channelled through the Partnership Instrument and the Euroclima+ programme. In addition, through this program, projects related to disaster risk management and reduction, urban mobility and energy efficiency are also implemented.

Additionally, as part of the strategic alliance in climate action and joint efforts to achieve carbon neutrality, reference should be made to the Latin American Investment Facility (LAIF). Created in 2010, LAIF promotes the mobilization of funds from European and regional financial institutions, governments and the private sector to carry out sustainable development projects in Latin America[15]. Under this instrument, the EU has contributed in Chile to the construction of the largest solar power concentration plant in Latin America, Cerro Dominador[16], with a subsidy of 15 million euros. This project is a powerful generator of employment, with gender equity and local development: of the 1,500 jobs created, almost half are filled by women, following the guidelines of the aforementioned Win program, implemented by UN Women and the Energy+ Women Program in Chile (Diario Sustentable, 2021). Finally, the Nama Facility project finances the renewable energy project for self-consumption in Chile, which currently also includes green hydrogen, with a contribution of 17 million euros[17].

14 At least 92% of NDICI funding must meet the requirements of the OECD Development Assistance Committee, i.e. it must be ODA. See: https://ec.europa.eu/neighbourhood-enlargement/news/questions-and-answers-eu-budget-external-action-next-multiannual-financial-framework-2020-06_en.

15 https://www.eulaif.eu/en/home.

16 Cerro Dominador is developed by a consortium of Spanish companies Acciona and Abengoa. The project will avoid the emission of 630,000 tons of CO_2, equivalent to the circulation of 135,000 vehicles per year (Euronews, 2021). Cerro Dominador will expand with the creation of the country's largest non-conventional renewable energy plant, called Likana Solar, and another plant, still in prospect, called Pampa Unión.

17 https://www.nama-facility.org/.

Focusing on South-South and Triangular cooperation, the agreement signed between Chile and theEU in 2016 should be highlighted. Thus, a project has been financed with six South American countries, another with Cuba (with funding from the Adelante Program), and another with the Central American Economic Integration Secretariat (SIECA), based on the Chilean experience for the negotiation of trade agreements (specifically with the EU) and its export promotion (Hernández, 2020; AGCID, 2017).In 2020, the EU launched a new phase of the Adelante Program, apart from the fact that Chile intends "to create and establish a specific Triangular Cooperation Fund" (O'Farrill, 2020).

Likewise, Chile has an active participation in EU global and regional programmes in priority sectors of common interest, such as good governance, justice or social cohesion, and by virtue of these, the EU is also cooperating with Chile today in the development of the constituent process.

Today, Chile (like other middle-income countries in Latin America) has suffered the socio-economic effects of the pandemic, reflected in rising unemployment and falling incomes, demonstrating the vulnerability in which these countries found themselves despite their good economic performance. Note that Chile is the OECD country with the highest income inequality, only preceded by Costa Rica (OECD, 2021), which particularly affects women. After the pandemic, according to Igor Dedic (2021), female employment has fallen by 15 years, and the percentage of women employed in the formal market has increased from 58% to 40% (85% of women lost their jobs in the service sector, according to the ILO). In addition, if we look at the female participation rate per income decile, before the pandemic it was 26.7% in the first decile, while in the last (richest) it was 72.1%. These social differences are often associated with their care work for adults and children (ECLAC, 2020). Hence the need to work on social cohesion.

This key to social cohesion has been, since 2005, one of the priority dimensions of EU development cooperation, when the EUROsociAL programme was created. Chile participates actively in this process and has developed 152 actions since 2006; currently it is the country that participates the most, with 53 actions (followed by Argentina, with 51, and Costa Rica with 46 actions). Social cohesion goes beyond social inclusion, as it works directly with citizens to consolidate democracy. In addition, EUROsociAL's area of gender equality, in accordance with SDG 5, promotes profound changes in the social structure of a country that, as just indicated, registers great inequalities between women and men (in matters of women's physical, political and economic autonomy). To do this, we work with the Ministry of Women and the Corporation for the Promotion of Production (CORFO, government agency responsible for the promotion of national production and regional economic growth), in order to improve the insertion of women in SMEs and avoid leaving them out of the labour market (González, 2021).

In another respect, Chile and the EU are also partners in research, science and education. Thus, and thanks to the BELLA submarine cable that connects Europe with Latin America, about 300,000 users of the National University Network of Chile have a bandwidth two thousand times faster to investigate and collaborate with other partners in Latin America and Europe. This also means that the rate of downloading Earth observation data via the Copernicus data repository in Chile has been multiplied (Copernicus, 2021). Through this program, the largest in the world for observing the planet, users can access and download images for different actions, such as fire fighting, biodiversity monitoring or climate change. It could also be used to identify the best places for green hydrogen production.

In the field of academic cooperation, thanks to Erasmus+, students from Chile participate in international mobility projects and joint master's programmes. In Chile, the quality and prestige of European higher education is valued, as shown by its international aid program Chile Scholarships. Fifteen per cent of the beneficiaries choose Spain as their study destination. Among the most demanded countries are the United Kingdom, the USA, the Netherlands, Canada, France, Denmark, Germany, Italy and New Zealand (ANID, 2021).

In addition, Chile and the EU have a bilateral agreement on scientific and technological cooperation, thanks to which Chile was able to actively participate in the Horizon 2020 research programme (2014-2020). The successor to this programme, Horizon Europe, is already open for the period 2021-2027 and covers, among other areas, renewable energy and green hydrogen. Also noteworthy is the EU-Chile scientific and technological cooperation agreement signed in 2002, which originated the Mission Innovation initiative, which aims to accelerate research and innovation in clean energy[18].

7. The strategic autonomy of the EU

The multilateral system has been in crisis since the rivalry between the United States, China and Russia became evident. The EU wanted to break away from this zero-sum game with its own strategy: strategic autonomy (Grevi, 2019). This first appeared in the 2016 EU Global Strategy linked to the need to promote peace and security within and beyond its borders. For the EU, strategic autonomy is a concept under discussion that comes initially from the field of defence and security (it implies less reliance on third parties according to the Security Strategy). However, it has been acquiring a greater dimension in the face of a more multipolar than multilateral world (Borrell, 2020a). According to Ayuso (2021), what it intends is for the EU to diversify its partners and align with different actors in a variable way to be less vulnerable to crises and deal with the challenges of a changing globalisation and context.

Strategic autonomy is defined as the political, institutional and material capacity of the EU and its Member States to manage their interdependence with third countries, with the aim of ensuring the well-being of their citizens and implementing their own political decisions (Helwig, 2020). As Josep Borrell points out, this is a European response to act "in its own way" (Sinatra Doctrine), and it disassociates itself from the Sino-American confrontation "seeking to promote its interests, but in close cooperation

18 XVII Meeting of the Joint Partnership Committee (September 22, 2021). Joint communiqué: 17th meeting of the EU-Chile Association Committee, European External Action Service (europa.eu).

with countries that defend a new and effective multilateralism and the primacy of international law" (Borrell, 2020b).

That said, the conflict between the US and China affects and worries Chile, since with the former country there are significant relations in the field of defence and with the latter important trade relations are maintained. However, according to Juan Gabriel Valdés, Chile's relations with the EU would be more politically important than those with the US, since the country is only interested in political issues (defence of democracy), while the political dialogue chapter of the AA with the EU also includes gender issues and the defence of human rights. In addition, the US absence in Chile has been notorious and, in fact, between 2019 and 2021, the US had no ambassador to Chile. Therefore:

> The US is losing importance in the region in an accelerated way, and China's influence in the commercial, financial and technological fields does not bring any incentive to face global warming and climate change, so the EU has a great space of influence and collaboration in the current context (Valdés, 2022).

Moreover, neither the US nor China has the capacity for dialogue on economic development, just at a time when the neoliberal and extractivist model is being questioned in Chile and, in general, in Latin America. In this sense, the EU can be a central ally for the economic development and industrial transformation that Chile needs, through the EIB or other financing bodies.

Certainly, in economic matters, China appears with a growing presence. However, Chile does not share an agenda or political dialogue with China on issues such as multilateralism, the environment or the defence of human rights. To date, China is a strategic trading partner with a strong economic dependence on copper and other minerals. In fact, Chile is its fourteenth trading partner, and there is growing Chinese investment in key sectors such as electricity distribution services and renewable energy. On the other hand, unlike other countries in the region, Chile has no debt owed to China that implies financial dependence, so Chinese political interference in the country is unlikely. So, although Chile is the third country in the region to receive more Chinese investments (of the four projects, three in energy), it is one of the few Latin American countries that have not received State-to-State loans, whichare political in nature and are usually linked to more complex investment conditions (Gallagher *et al*., 2021).

However, the latest Chinese offensive against Latin America and Chile has been marked by the response to the pandemic, in the rivalry of "vaccine diplomacy". The EU initially missed its opportunity, but is ready to reverse it thanks to the aforementioned Team Europe aid programme (with a budget of 40 billion euros)and the scope of the global mechanism for equitable access to COVAX vaccines: the EU is the main agent for low and middle-income countries to access vaccines manufactured in the EU (EEAS, 2021). It is true that Chile, being a high-middle-income country, obtained quick access to Pfizer and AstraZeneca vaccines at lower prices than the market[19] (EEAS, 2021). In any case, according to the EU ambassador in Chile, "the European Union and its Member States are the main financiers of COVAX, with more than 2.47 billion euros, and the best exporter of vaccines in the world. We will continue to work with Chile facing this pandemic, because we will only be sure if the whole world is safe" (MINSAL, 2021).

Recovering the European approach to strategic autonomy, it has an external projection based on alliances for this, the so-called Global Gateway has been launched, which aims to counteract Chinese influence in the world and, in particular, in Latin America. In a new geopolitical scenario, the EU could position itself as an alternative partner to China, whose loans have generated a debt trap in several countries through its Gaza Strip Initiative. Indeed, the loans of the European Bank and its private entities do not represent a predatory debt, but are aimed at the development of countries with concrete actions focused on the promotion of trade, key infrastructures such as ports and roads, optical fibre or green hydrogen, among others (Euronews, 2021).

Ultimately, the EU is strengthening its foreign policy capabilities and geopolitical position to be a global player in a fragmented international system. According to Van Klaveren, "in Chile, debates revolve around political, economic and social experiences in European countries, so the EU is expected to take that political leadership at the international level" (Van Klaveren, 2022). Chile had been committed to multilateralism and respect for international law; however, in recent years it had lost part of that spirit,weakening its regional relations because of such sensitive issues as the crisis in Venezuela, citizen participation in environmental protection policies and the regulation of migration.

A group of specialists has proposed to open a new cycle of Chilean foreign policy more attuned to contemporary challenges, with an entrepreneurial and progressive diplomacy defined on the basis of fourfundamental elements:

> it is feminist and puts human beings at the centre of international action; aspires to a turquoise climate agenda, that is, combines traditional protection for the land (green) and for the ocean (blue); is strongly multilateralist; and is inherently participatory (Bywaters *et al*., 2021: 8).

It is thus expected that the actions and decisions of Chilean foreign policy will also be based on a model of strategic autonomy, of active state enterprise. This is a change that could have a multiplier effect in the countries of the region where societies demand changes to design and implement public policies that guarantee sustainable and inclusive development.

19 In 2021, 1,174,700 AstraZeneca vaccines had already been distributed through the COVAX mechanism.

8. Post-pandemic EU-Chile relations: a shared agenda for social inclusion and environmental sustainability

The modernization of the AA takes place in a global scenario convulsed by social, economic, health and environmental crises, but also in a Latin American context where new forms of economic development, inclusion, equity and democracy are sought. The world is changing rapidly, and global, regional and local challenges need joint responses from the various international actors. Since 2017, the negotiations on the modernization of the AA bear witness to the common interest in the issues on the international agenda and position Chile as a strategic partner, not only for the EU but also for the rest of Latin American countries.

According to Jaime Ferraz, "it is difficult to make a projection at 30 years. However, it is clear that we are experiencing complex moments and moving towards a new international order" (Ferraz, 2020). To this uncertainty has been added the COVID-19 pandemic, which, according to experts, would not be the only pandemic that will be experienced in the coming years. In this context:

> Chile should be committed to strengthening and making concrete alliances that will certainly be decisive for its future. The signing of this new Association Agreement with the EU will be a keyfactor for the future development of Chile, since we have a substratum of common values and principles that will allow us to deepen the relationship more and more and to include priority areas for our country, such as the issues of gender and trade, cooperation in science, technology and innovation, sustainable development, etc. (Ferraz, 2020).

The AA represents an alliance between countries with a positive agenda for both, marked by an economic model with a focus on social cohesion, digital economy and aimed at energy transition and environmental protection.

The EU's leadership as a "regulatory power" reflects the identity and nature of an integration that seeks to promote the well-being of its citizens and that of countries such as Chile. As Ian Manners indicates, the EU acts in a normative way, managing to extend these rules in the international system (Manners, 2002). The "Brussels effect", coined by Anu Bradford in 2013, has enabled an innovation in Chile's regulatory framework. And this, both in agricultural matters (from phytosanitary standards to animal care, in accordance with the requirements Farm to Fork) and, currently, through data protection standards, corporate social responsibility with a focus on human and environmental rights, and reduction of carbon emissions in exports. The "Brussels effect" is very important in Chile, and reflects a readiness to adopt European legislation since the 2002 AA was negotiated (Van Klaveren, 2022).

The EU's contributions to overcoming the post-pandemic effects are linked to the economic and health crisis, but also to a continuing crisis, that of climate change. While the EU has lost competitiveness against the US and China in technological and digital leadership, "Europe could lead the transformation towards a sustainable economic model based on the fight against climate change"[20], that is, based on a pioneering commitment to a sustainable approach that benefits all countries.

Chile is a country committed to the fight against climate change and coincides with the EU policies of the Blue Pact, as it has 43% of its coasts protected and continues to negotiate in the United Nations, together with the EU, to protect the territory and the Antarctic Ocean. In addition, as a signatory tot he Paris Agreement, it has established decarbonisation policies and a proposed Climate Change Framework Law, although strategies to achieve carbon neutrality by 2050 are still being defined (Climate Action Tracker, 2021; Ministry of Environment, 2020).

Chile ranks first in the Environmental Performance Index in Latin America (EPI) and forty-fourth in the world[21]. It is also important to highlight its potential to develop non-conventional renewable energies, as it ranks first in the world in Bloomberg's 2020 Climatoscope ranking for green energy investments. The favourable conditions in Chile to produce renewable energy, together with the European technological offer, represent a unique opportunity to achieve carbon neutrality goals.

In addition, EU investments can play a role in promoting green employment. In fact, despite the pandemic, European investments grew in 2020 by 18.3% compared to 2019; the amount of investments of new projects is 4,097.29 million dollars and a potential growth of 2.4 million jobs is expected (Invest Chile, 2021).

Renewable energies already represent 25.8% of Chile's energy matrix, and the decarbonization policy aims to close all coal-fired thermoelectric plants by 2040, in a transition process that converts them to gas and biomass. European energy companies, such as Enel and Engie, have been the most likely to shut down their coal-fired power plants and generate clean energy before the date proposed by the government. Despite the impact on job destruction, green employment growth (direct and indirect) is expected once technicians operating in specific gas installations, photovoltaic panels, solar concentration, green hydrogen, waste management, etc., have been trained.

In terms of promoting SMEs and green employment, the EU has also co-financed the Reactivation with Impact Circular Economy Business Round, generating a business expectation for 721 SMEs and entrepreneurial enterprises of more than $4.815 billion. This initiative emerged under the presidency of Chile at COP25 and has been co-financed by the Euroclima+ cooperation programme. This program has also been very active in organizing workshops to advance carbon neutrality in several regions of Chile, with actors from the public, private and civil society sectors. These activities are of great importance because

20 https://www.ey.com/en/rethinking-sustainability/sustainability-tsunami-regulatory.

21 The EPI report has become the main metric framework for the analysis of global environmental policies, classifying 180 countries according to 32 performance indicators of 11 categories on topics ranging from environmental health to ecosystem vitality. https://epi.yale.edu/downloads/epi2020report20210112.pdf. (Editor's note: The 2022 EPI Index can be found at the following link: https://epi.yale.edu/epi-results/2022/component/epi)

one of the great gaps in Chile has been that of citizen participation in the process of formulating and implementing policies related to climate change (Hernández and Huepe, 2019)[22].

It should be noted that the EU and Chile share a political agenda in many areas that complement the European strategy for inclusive trade, such as climate change, gender and support for SMEs; there is also a common position in international bodies such as the POPs, UN Women, the UN Human Rights Council, the UN High Commissioner for Human Rights for Latin America, the Commission for the Conservation of Antarctic Marine Living Resources, among others. In this regard, the EU ambassador to Chile has stressed that the:

> countries of Latin America and the Caribbean, together with the EU, represent a third of the countries in the United Nations and, therefore, jointly construct positions in international agreements because there is a coincidence of views. This closeness is especially evident with Chile, since the AA has favoured voting practically the same in the votes of international forums (De la Torre, 2021).

Chile changed its government in March 2022 in a context of constitutional reform. Boric's new, progressive left government advocates a multilateral foreign policy, focused on human rights, feminism, and the environmental protection of land and oceans (a "turquoise" diplomacy) (*La Tercera, 2021*). According to Juan Gabriel Valdés, the government must work with certain European countries that are decisive in bilateral relations. Note that the previous government restricted its multilateral approach, subtracting from signing the Migration Pact or the Escazú Agreement (to which it has acceded in March 2022) or criticizing the powers of the OAS Inter-American Commission on Human Rights (Valdés, 2022).

Chile's association with the EU takes place in a context of mutual gains and horizontality and its modernization is contemplated under a more progressive and inclusive Chilean foreign policy agenda. The challenges are not minor: the crisis of multilateralism and the climate of international polarization are compounded by the democratic and economic instability in the Latin American region. In a contextof citizen unrest and demands for development with greater well-being for all, the AA represents a political and economic alliance towards more inclusive societies, where participation in public policies is decisive, fair and equal.

22 The OECD (2006) understands participation as one that generates partnership, that is, where citizens "participate in setting the agenda, and contribute to shaping the dialogue with the public administration".

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5. THE POLITICAL DIALOGUE AND COOPERATION AGREEMENT AND RELATIONS BETWEEN THE EUROPEAN UNION AND CUBA

Antonio F. Romero G.

1. Introduction

On 12 December 2016, the European Union (EU) and Cuba signed a Political Dialogue and Cooperation Agreement (PDCA)[1] that rescinded the so-called Common Position[2] that had remained in force for two decades. The signing of the EU-Cuban agreement marked a new phase in bilateral ties between the EU and Cuba.

The nature of the PDCA is of the mixed type, and therefore had to be ratified by the European Parliament and the legislative powers of all the members of the bloc[3]. However, since its signature and entry into force in November 2017, most of the text began to be applied provisionally.

The PDCA between the Republic of Cuba and the EU is important for both parties. For the EU because it implies the official formalisation of the abandonment of its strategy of conditional commitment with Cuba, which generated growing frustrations in certain European circles in the face of the null results of the previous policy embodied in the Common Position. In addition, it allows the EU to be positioned as a relevant external actor, with the possibility of effectively cooperating in the complex process of economic, social and institutional transformations that Cuba is currently going through.

For Cuba, the PDCA with the EU formalises and gives greater predictability and certainty to its ties with a bloc of nations that are relevant in the country's external relations matrix. The EU —as a bloc— has remained the second external trading partner for Cuba in the last decade, is the second most important source market for tourism for the country, is a vital source of foreign direct investment flows and the main supplier of resources for development cooperation that Cuba receives. In addition, the agreement recognises the special circumstances of the Cuba-EU relationship, and the singularities of the political and economic model in force in the Ibero-American nation.

1 The official name is "Political Dialogue and Cooperation Agreement between Cuba, on the one hand, and the European Union and its Member States, on the other". It was signed on 16 December 2016, but entered into force on 1 November 2017.

2 Unilateral decision of the EU adopted in November 1996, promoted by the Spanish diplomacy of the then president José M4 Aznar that privileged the international isolation of Cuba.

3 By the end of May 2021, the PDCA had been ratified by all EU Member States, with the exception of Latvia.

Until the signing of the PDCA, Cuba was one of the few countries in Latin America and the Caribbean that did not have a framework cooperation agreement in force with the nations of the European bloc, the result of the interaction of dissimilar factors both from the European perspective and from the Cuban side. Although in 2000 Cuba was admitted to the ACP group (Africa, Caribbean and Pacific) and joined CARIFORUM in 2001, it did not participate in the negotiations and was not a signatory to the Cotonou Agreement. That is why it did not participate in the negotiation of the EU's Economic Partnership Agreement (EPA) with CARIFORUM in 2008[4].

The main objective of this document is to make an assessment of the PDCA between Cuba and the EU —in its scarce three years and nine months of validity (November 2017-August 2021)— and of the evolution of political, trade, investment and cooperation relations between both parties. This general objective is concretised with the fulfilment of four specific objectives:

1. Carry out an analysis of the evolution of the political dialogue and the specific ones, which have been developed between the Cuban and EU authorities since 2018, as part of the mandates of the PDCA.
2. Identify the main trends that describe commercial and investment transactions between the parties and assess their prospects in the short-medium term.
3. To estimate the implications of the PDCA in strengthening cooperation relations between the EU and Cuba.
4. Assess how the EU can contribute, in the context of the implementation of the PDCA, to the complex process of economic and institutional transformation underway in Cuba. This process has accelerated recently, from the increase in hostility of the US government, the adverse effects derived from the COVID-19 pandemic, the worsening of the domestic economic crisis, and the foreseeable modifications that the emerging "new normal" is having on globalisation and on the external environment of Cuba.

In line with these specific objectives, the article is structured under five headings. The first deals with the background, determinants and significance of the PDCA between Cuba and the EU; the second describes the main elements that have been addressed in the political dialogue —and in thematic dialogues— between the Cuban and EU authorities since 2018. It is followed by a section that analyses the central aspects of economic relations between Cuba and the EU, including the exchange of goods, tourism flows and foreign direct investment (FDI). Subsequently, the economic cooperation relations of the EU and Cuba are studied, and the fifth section contextualises the potential that the EU has —through the implementation of the PDCA— to contribute to the process of transformations that the Cuban economy and society are currently going through, in the midst of a very complex conjuncture. The main ideas contained in this document are synthesised by way of summary and conclusions at the end.

4 This EU-CARIFORUM (EPA) agreement, in force since 2008, is currently under renegotiation with the expiry of the Cotonou agreement in 2020.

2. The Political Dialogue and Cooperation Agreement (PDCA) between the European Union (EU) and Cuba: background, determinants and significance

The signing of the PDCA, on 12 December 2016, in Brussels, implied the definitive abolition of the so-called Common Position, which had governed the European bloc's ties with the island since 1998. That Common Position had frozen relations between Cuba and the EU for twenty years; although Cuba maintained full diplomatic relations with the 28 countries that were part of the Union and celebrated in 2018 the 30th anniversary of official ties with the European Community. Since its adoption, the Cuban authorities have rejected the Common Position because of its "unilateral, interventionist, selective and discriminatory nature".

These three decades of official relations between Cuba and the European bloc showed a non-linear trajectory, with periods of greater proximity between both parties and also of deep disagreements, which even restricted diplomatic interactions and European cooperation with Cuba since 2003.

At the internal European level, the ups and downs in the relationship with Cuba reflected the political-ideological changes within the EU and, particularly, in Spain. According to a renowned expert, three factors have historically conditioned the formulation of European policy towards Cuba: i) the European ideological-domestic conjunctures; ii) the dynamics of triangular and transatlantic relations with the United States and Cuba's strategic allies, and iii) the process of socio-economic and political reforms in Cuba (Ayuso, 2017).

Since the 1990s, Cuba has unleashed an intense political-ideological debate between the Member States, both within the European Parliament (EP) and at the national level. The ideological affiliation of European governments and the composition of the EP conditioned the changes in European policy towards Cuba in the last thirty years and, particularly, since the Common Position. The signing of the PDCA in December 2016 demonstrated that Member States buried their differences in favour of consensus through constructive engagement.

This commitment recognised that isolation was not functional as an opening strategy in Cuba, so it was necessary to replace the long phase of conditional commitment, formally in force between 1996 and 2016.

In the last stage before the PDCA, Germany's support was key to approving the negotiating mandate to the Council of the EU and finalising the negotiation. France, Italy and Portugal were the countries most clearly in favour of a constructive commitment with Cuba. This pro-PDCA approach and the firm rejection of unilateral sanctions has to do, on the one hand, with a more distant relationship of these three countries with the US and, on the other, with the low relevance of the promotion of democracy in their foreign policies that favour cooperation, dialogue and economic relations. The United Kingdom also belonged to this group of countries, but its special relationship with the US weighed more heavily, which meant that London had a minor role in the process of dialogue with Cuba.

The EP, as reflected in its resolutions on Cuba, has been a leading entity in discussions and policies around the promotion of human rights and support for dissent in Cuba. The position of a mostly conservative EP committed to dissent changed with the PDCA's negotiating mandate; in its first session on the ratification of the agreement with Cuba, in April 2017, it reached a consensus in favour of the approval of the agreement.

It must be considered that the new pragmatism on the part of the EU regarding Cuba could be determined by the continuity and political stability in the country, by significant transformations that since the beginning of the presidency of Raúl Castro outlined a perceptible modification in the economic and institutional model of the island, and also by the process of de-escalation of tensions with the United States during the second term of the Obama Administration, given that for the EU Cuba's main strategic value derived from its complicated relationship with Washington.

The presidency of Donald Trump (2017-2020), and the acute economic and institutional crisis of Venezuela —Cuba's main external economic partner in the period 2008-2019— once again configured a situation in which the EU could have assumed a leading role in the face of renewed hostility from the US, granting the European bloc a more relevant role in Cuba's external relations matrix.

According to Federica Mogherini —then the EU's High Representative for Foreign Affairs and SecurityPolicy— what happened at the Commission's headquarters on 16 December 2016 implied "a strong statement on our part. The EU and all its Member States signed together today as a sign of their commitment to work with Cuba". In addition, Mogherini considered that the PDCA had regional significance towards Latin America and the Caribbean, as it was a sign of the willingness of the community bloc to work together with that region, of which Cuba was an indisputable part. "When in Europe we talk about transatlantic ties, we usually think of the United States, but there is more, our transatlantic ties with the Caribbean and Latin America are as strong as with the United States", she said[5].

The agreement signed between Brussels and Cuba began a new stage of more pragmatic relations, without prerequisites or major controversies. In this sense, the EU's policy effectively distanced itself from the US policy that conditioned the future, as soon as the Europeans finally accepted the economic and political changes and the pace of the transformation of the economic, political and social model designed by the Cuban authorities. This new approach of constructive engagement expressed a certain realistic pragmatism in the EU, reflecting frustration with the null results of the previous policy of conditional engagement in the Common Position. Thirdly, the shift towards constructive engagement provided the EU with a more cohesive image of a single actor vis-à-vis Cuba (Ayuso, 2017).

The PDCA is relevant to Cuba insofar as it strengthens its capacities for external insertion and counteracts the permanent, and growing, hostility of the US Administration. From the perspective of the Cuban authorities, the change in the EU's position in favour of promot-

5 Statements by F. Mogherini at a press conference at the headquarters of the European Commission in Brussels, reviewed by the news agency Prensa Latina.

ing a "satisfactory development" of bilateral ties marks an abysmal difference with the other major actor (globally and in bilateral terms), the United States. For Cuba, while Washington continued to insist with old methods on the same cause —"economically and politically suffocating the Cuban Revolution"— Brussels sought to bring positions closer to the Caribbean nation and chose to be present in what the European scall "modernisation" of the Cuban model.

In any case, it must be recognised that in the case of Cuba, traditionally the EU —long before the signing of the PDCA— had denounced the imposition of sanctions that are considered contrary to international law, because they are applied outside the borders of the United States, such as those stipulated in the framework of the Helms-Burton Act. In fact, almost all the members of the European bloc have accompanied Cuba in the votes within the UN General Assembly that every year, since 1996, approves a resolution that demands an end to the economic, commercial and financial blockade maintained by the United States against Cuba.

In the most recent period, sanctions have increased and since 2020 there has been an increase in lawsuits against foreign companies in US courts since the activation of Title III of the Helms-Burton Act by the Trump Administration in May 2019. In this regard, Brussels reiterated (on the occasion of the Second Joint Council, held in Havana, in September 2019) the illegality of the extraterritorial application of unilateral coercive provisions and ratified that it would take measures to protect its legitimate interests, its companies and its citizens.

3. The political dialogue between the EU and Cuba

In 2020, it was five years since Foreign Minister Bruno Rodríguez's visit to Brussels (2015), and his firstofficial meeting with Federica Mogherini, then High Representative for Foreign Affairs and Security Policy. At that meeting it was decided to launch a dialogue on human rights and at the same time negotiate the PDCA that was finally signed in December 2016.

Since the signing of the agreement, there has been a political dialogue and cooperation which, according to authorities on both sides, had been strengthened on the basis of mutual respect and trust. "I think the most important thing we've achieved in these years is building trust; we can talk, with more and more confidence, and that way we can talk about everything", said the EU ambassador on the island in May 2020. Similarly, the then first secretary of the Communist Party of Cuba (PCC), Raúl Castro, expressed in his report to the last Congress of the PCC: "We have advanced, despite the existing political differences, in the ties with the European Union, through the implementation of the Political Dialogue and Cooperation Agreement, on the basis of mutual respect and reciprocity. It must mean the promotion of cooperative relations, in sectors such as renewable energy, agriculture and culture" (Granma, 2021: 8). Unfortunately, this positive scenario registers in recent months symptoms of deterioration, based on the reaction of the EU to the events that occurred in Cuba from the demonstrations of social protest in several cities of the country between 11 and 12 July 2021.

The EU and Cuba are holding five political dialogues on the following themes: i) human rights; ii) sustainable development; iii) weapons of mass destruction; iv) trafficking in small arms and light weapons. In addition, three sectoral dialogues were agreed: a) energy; b) agriculture; and c) climate change.

Since the signing of the PDCA, three EU-Cuba Joint Councils (Councils of Ministers) have been held: the first in Brussels, on 15 May 2018, the second in Havana, in September 2019 —both chaired by Federica Mogherini and Bruno Rodríguez— and the last in January 2021 (virtual), chaired by the Cuban Foreign Minister and Josep Borrell, High Representative for Foreign Affairs and Security Policy of the EU at present.

On the occasion of the first EU-Cuba Council, Mogherini and the Cuban Foreign Minister signed a cooperation programme to help Cuba reach the goal of producing 24% of its electricity by 2030 on the basis of the exploitation of renewable energies, and advanced projects on food security and sustainable agriculture. It was also agreed to institutionalise the dialogue on human rights, "as a key pillar" of the bilateral relationship, concretised on 9 October of that same year, when the first bilateral meeting for the treatment of this issue took place. Despite profound differences on human rights, the October 2018 meeting reflected a more balanced approach between civil, economic, social and cultural rights. Both sides were interested in an effective, constructive and non-discriminatory treatment of the issue, which could be considered a sign that, in scenarios outside its relations with the United States, Cuban foreign policy towards ideologically different States exhibits signs of moderation, in line with the challenges derived from its complex economic and institutional transformation in a very adverse international environment (Lopez-Levy, 2019).

In addition to the Dialogue on Human Rights of October 2018, the first Dialogue on Unilateral Coercive Measures also took place, which is of particular interest to the Cuban side. Likewise, at the end of 2018, the first Cooperation Subcommittee was held, where —in follow-up to what was agreed in the Political Dialogue— a financing agreement for renewable energy projects was signed, worth 18 million euros.

Areas of harmony and potential for cooperation were also identified: combating the production, trafficking and consumption of illicit drugs; safety and environmental protection; confronting racial discrimination, xenophobia and intolerance; women's, children's and gender rights. On 8 October 2018, the first seminar took place between representatives of Cuban and European non-governmental organisations (NGOs) to exchange views, in particular on gender equality and the rights of the lesbian, gay, bisexual, transgender and intersex (LGBTI) community.

On 16 April 2019, the first dialogue on sustainable development began in Havana, with the aim of promoting projects and programmes that help meet current needs without compromising the resources of future generations. This dialogue was chaired by the Director General of International Cooperation and Development of the European Commission, Stefano Manservisi, who said that projects and programs related to agriculture and renewable energy, areas linked to the challenge of climate change, innovation and sustainable consumption, have been analysed and implemented. According to the European official, these talks were of great relevance for the EU, "because they were the first time that a truly global agenda,which identifies the problems of globalisation, was debated" between the EU and Cuba.

In September 2019, the second Joint Council between Cuba and the EU was held in Havana, and rounds of dialogue on human rights, unilateral coercive measures and energy cooperation immediately took place. On the occasion of this visit to Havana —the third in two years— the High Representative of the EU for Foreign Affairs and Security Policy, said that the discussions with the largest of the Antilles were "frank, open and very positive", including issues "where we have different perspectives", obviously referring to issues related to human rights. For his part, Cuban Foreign Minister Bruno Rodríguez stressed that the discussions and agreements adopted in this second Joint Council marked "the beginning of a new cycle in the advancement of our bilateral ties".

The third session of the Subcommittee on Cuba-EU Cooperation took place virtually between 2 and 3 December 2020. It was chaired by the First Deputy Minister of the Ministry of Foreign Trade and Foreign Investment (MINCEX) of Cuba, Ana Teresita González, while the European delegation was headed by Jolita Butkeviciene, Director for Latin America and the Caribbean of the Directorate-General for Cooperation and Development of the European Commission. This meeting —as the main bilateral mechanism for the follow-up of collaboration and sectoral dialogues— reviewed the progress of the main cooperation programmes and projects between Cuba and the EU. It also made a positive assessment of the closure of the bilateral programming cycle planned until 2020 and initiated the dialogue to define the priorities of development cooperation between the EU and Cuba until 2027.

The III Cuba-EU Joint Council —held on 20 January 2021 virtually— was attended by Josep Borrell[6] (High Representative for Foreign Affairs and Security Policy, and Vice President of the European Commission) and Cuban Foreign Minister Bruno Rodríguez. In his speech, Borrell highlighted the good state of bilateral relations and the importance of mutual support in the face of the COVID-19 pandemic. He also confirmed the EU's support for the Cuban resolution against the economic sanctions imposed by the US on the island, and its opposition to the application of Titles III and IV of the Helms-Burton Act. He also reiterated the European bloc's rejection of Cuba's inclusion in the list of state sponsors of terrorism drawn up by the US State Department.

In this last meeting between the authorities of the EU and Cuba, the state of cooperation, and bilateral investment and trade was discussed. As a result of the discussions, the two sides ratified the existence of conditions that could help the diversification of bilateral economic-trade relations. In addition to taking a positive assessment of the sectoral policy dialogues between the two actors and ratifying the interest in moving forward in future periods, the Cuban counterpart informed the EU about its priorities with a view to the new Cuba-EU cooperation programme for the period 2021-2027.

6 Josep Borrell, a Spanish diplomat with a well-known career, knows Cuba well; he visited it on several occasions on an official mission and also as Minister of Foreign Affairs of Spain.

The Third Round of the Human Rights Dialogue between Cuba and the EU took place, virtually, on Friday, 26 February 2021. This meeting, on the bilateral dialogue that addresses the most conflictive issue between the two parties, took place in a relatively complex context, as it was preceded by a much-publicised friction between the EU ambassador in Havana and the European Parliament. On 22 February 2021, a group of European parliamentarians sent a letter to the Vice President of the European

Commission, Josep Borrell, denouncing the conduct of the EU ambassador to Cuba, Alberto Navarro, when his name appeared among the signatories[7] of an open letter to the US president calling for an end to US sanctions against the island. The MEPs questioned the performance of Ambassador Navarro, saying that "[...] in addition to being inappropriate, it is completely alien to the functions and rules of conduct that should govern a diplomatic representative".

The second part of the letter accused Navarro of denying access to the EU embassy in Havana to Cuban Sakharov Prize winners. The letter took effect: Ambassador Navarro had to travel to Brussels to report his actions to Vice President Josep Borrell.

In these circumstances, the Vice-President of the European Parliament in charge of Latin America, Dita Charanzová and the coordinator of the EPP group in the Subcommittee on Human Rights of the European Parliament, Leopoldo López, invited a group of Cuban artists to give their testimony on art and politics —and, especially, on human rights violations— in Cuba. The event was attended by Cuban artists and dissidents in the European Parliament and was scheduled for the same day that the Dialogue on Human Rights was held in Havana.

The press release issued that same day by the Ministry of Foreign Affairs of Cuba mentioned that in the third dialogue "issues relating to civil and political rights, and economic, social and cultural rights were addressed; as well as multilateral cooperation and with the human rights mechanisms of the United Nations" and that "as on previous occasions, the differences in positions and approaches in relation to several of the topics discussed were revealed".

For its part, the European Commission recognised that the official meeting between Cuba and the EU "addressed the importance of allowing all citizens to actively participate in civil society organisations and associations, as well as the need to respect the obligations of international human rights law". As a result of the pressure exerted from the European Parliament event, the European Commission's press release noted that "the EU stressed the need to respect different and non-aligned views among citizens, including those expressed through artistic means, and to promote an inclusive and constructive dialogue".

Despite the fact that conservative MEPs had called for the dismissal of Ambassador Navarro to Vice President Borrell, he allowed him to finish his term in Havana until the

7 This open letter to the president Biden it was signed by 790 people.

summer of 2021, although he acknowledged that he had made "mistakes". Everything indicates that the decision of the European high representative weighed heavily on Navarro's 40-year diplomatic career, but also the interest in not exacerbating a disagreement that could be perceived as a critical event for the EU's relations with Cuba.

This "relatively favourable" environment in relations between Cuba and the EU was significantly modified from the events of 11 and 12 July 2021 in Cuba, when several actors in the European Parliament asked the Commission to review the PDCA in the face of the human rights violations that had occurred. In this regard, it should be recognised that on 12 July 2021, on the occasion of a meeting of the Council of Foreign Ministers of the EU, Josep Borrell informed the governments of the bloc of the situation in Cuba and reiterated: "I want to defend the right of Cuban citizens to express their opinions peacefully, and that the Government allows demonstrations and listens to expressions of discontent".

The High Representative of the EU, appearing before the Foreign Affairs Committee of the European Parliament two days later —on 14 July 2021— acknowledged that there were political problems in Cuba, but it was natural that such a tense social and economic situation would provoke protest movements", recalling that part of the factors that had triggered such a serious situation was due to the US sanctions policy against Cuba, that all EU Member States condemned year after year in the frameworks of the UN General Assembly.

Recently, with 426 votes in favour (62% of those cast), the European Parliament (EP) adopted —on 16 September 2021— a resolution on human rights violations in Cuba. That resolution condemned "the violence and repression exercised by the Cuban government in the wake of the protests of 11 July 2021",and called on the Cuban authorities to "end the repression and release political prisoners", while lamenting the criminalisation of protests by the island's government.

The EP recalled that the PDCA includes a human rights clause that allows it to be suspended in case of violation of the provisions contained therein. It therefore asked the EU to activate Article 85(3)(b) in order to immediately convene a meeting of the Joint Committee in view of the Cuban government's breaches of the Agreement. At the end of the resolution, the EP called on the Council to adopt sanctions against those responsible for human rights violations in Cuba (European Parliament, 2021).

Obviously, the different political formations that exist in the EP assumed differentiated positions regarding the Cuban situation after 11 July 2021. Right-wing MEPs accuse the Cuban government of "en-trenching" itself after the demonstrations and question the role of the EU and the High Representative for Foreign Policy in this scenario, and the very viability of the dialogue with Havana. On the other hand, the social democrats agree that the protests mark "a before and after in Cuba" and, in the face of the right-wing parties, defend the dialogue between Brussels and Havana as the best instrument to influence a process of opening and modernisation of Cuba. In the same vein, this sector and the legislators of the European left reiterate the request that the US renounce its policy of economic sanctions imposed for more than six decades on Cuba.

This EP resolution was categorically rejected by the National Assembly of People's Power of Cuba (ANPP), even from the very day the session was convened. The International Relations Committee of the Cuban Parliament adopted a statement of denunciation in which it said: "We note with indignation that the same small group of MEPs who respond to Washington's agenda has managed to impose a new debate on Cuba on 16 September, dragging behind it the political groups of which they are members, which once again makes that legislative entity a sad hostage to an aggressive escalation alien to genuinely European interests and contrary to the spirit of respectful dialogue that has prevailed in relations between Cuba and the European Union". Later, the ANPP document warned "about the danger posed by politicised exercises like this, which respond more to the personal agendas of their promoters than to a genuine concern for the protection of human rights in Cuba and in the world" (ANPP, 2021).

Despite the evident tension that the unfortunate events derived from the demonstrations of 11 July 2021 generated in relations between the EU and Cuba, on 8 September 2021, the new EU ambassador in Havana, Isabel Brilhante Pedrosa, presented her credentials to the President of the Republic, as planned according to the "rotation" stipulated by the European External Service. Six days later, an important European Union cooperation project was inaugurated, through its EUROCLIMA+ regional programme, which will contribute to disaster risk reduction and adaptation to the effects of climate change in the face of the dangers of floods and droughts in north-central Cuba.

4. Cuba's economic relations with the European Union in recent years

European interest in Cuba has a significant economic component. The European Union is an important trading partner of Cuba —in which Spain stands out, representing more than 35% of the commercial exchange of goods of the island with the Old Continent— with a weighting of practically more than a quarter of all international transactions of goods from Cuba in recent years. Similarly, EU countries rank the island among the main suppliers of tourism, and also occupy the first places in the list of foreign investors in Cuba.

The EU has been key in the process of some economic diversification —with limitations— that Cuba has experienced in recent times. Decisive in this has been not only the participation of EU companies as suppliers and buyers of Cuba's foreign trade, but also the very important participation of European companies as foreign investors, which have played a perceptible role in some modification of the productive structure and exports of the country. In addition, the EU has long been Cuba's main source of development cooperation, as will be discussed in the next section.

Next, we will make a brief analytical description of the current state of economic relations between Cuba and the EU in recent years will, addressing the trade of goods, the dynamics of the arrival of tourists and investments. It is noted that in the Cuban case there are many limitations regarding the availability of official data, especially in the section referring to the flows and accumulated amounts of FDI. Therefore, the author acknowledges that the analysis that follows is incomplete and does not comply with the generally agreed terms for the realisation of a study of the matrix of external economic relations, but it is —in the case of Cuba— probably the only possible option under current conditions.

4.1. Trade between Cuba and the EU

In the last five years, Cuba's merchandise exchange with Europe —on average— was equivalent to 30% of all international transactions of goods on the island. If commercial operations with Russia, Ukraine and Switzerland are excluded from Cuba's foreign trade statistics —to have an approximate closer to the weight of the EU— the economies of the European integrationist bloc represented 26.7% of the purchases and external sales of goods of the Cuban economy between 2015 and 2019.

Estimates from the Economic and Commercial Office of Spain in Havana indicate that in 2020 exports to Cuba from EU countries fell by 31%, as an expression of the sharp contraction of imports given the severe crisis experienced by the Cuban economy in times of COVID. Meanwhile, imports from Cuba grew by 5%, although they remain at very low levels, just over 400 million dollars (ICEX, Cuba, 2021).

In terms of merchandise trade, Spain's weight is transcendental. On average, between 2014 and 2019, exchange with the Iberian nation accounted for 37.6% of all Cuban foreign trade with the EU.

The balance of Cuba's trade in goods with the EU is in deficit; purchases from Europe quadruple the sales of Cuban products that manage to insert themselves into the European market. It is noteworthy that the EU is an essential supplier not only of machinery, equipment and intermediate goods, but also of agricultural products, which are considered strategic taking into account the high restriction of domestic supply and, therefore, the high coefficient of food imports from Cuba. According to the 2020 Congressional Research Service, Cuba imported agricultural products totalling one billion dollars, and the 27 EU countries were beneficiaries of 39.2% of all those purchases (Congressional Research Service (CRS), 2021).

Although there is an evident inability for the Cuban supply of goods to take advantage of the possibilities offered by a market with high levels of income and considerable sophistication, such as that of the EU, European consumers are very important for the international materialisation of several of Cuba's typical export products: tobacco, rum, fishery products, certain minerals and, more recently, charcoal.

Cuba was a beneficiary of the EU's Generalised System of Preferences (GSP), which allowed the access of products from developing countries (DC) to the Community market on preferential terms. However, Cuban goods were excluded from the European GSP as of 2015, as the island exceeded the per capita income limit established by this mechanism to be a creditor of trade preferences. The PDCA between Cuba and the EU has certain particularities; one of the most important is that it does not include a commercial section. Therefore, the exchange of goods and services between the parties does not stipulate, in this new stage of collaboration, any kind of commercial advantage, and transactions are governed —in terms of trade policy instruments— by what is stipulated in the frameworks of the WTO.

TABLE 1. Cuba. Commercial exchange of goods (2015-2019) (in millions of dollars)

	2015	2016	2017	2018	2019
Totalexchange	**15,052**	**12,586**	**12,573**	**13,856**	**11,963**
With Europe	3,948	3,624	3,975	4,080	4,217
Germany	406	382	361	400	338
Belgium	170	102	174	138	214
Spain	1,334	1,311	1,309	1,390	1,346
France	255	257	311	387	318
The Netherlands	359	226	228	232	422
Italy	452	434	408	409	405
Poland	56	80	59	33	105
The United Kingdom	97	69	63	50	51
Europe/Total (%)	26.2	28.8	31.6	29.4	35.2
EU/Total(%)	24.2	26.5	27.5	25.6	29.9

Source: ONEI (2019).

In the analysis of Cuba's foreign trade with the EU, it is important to consider tourism flows, given thattourism has become one of the fundamental sectors of national economic activity in recent times, and is key in generating export earnings. Keep in mind that, at the end of 2019, the country had 58 tourist poles in different phases of growth, where an important investment programme had been executed, which brought the total number of rooms to 75,771, distributed in 394 hotels. To this are added almost 24,000 rooms and more than 1,000 restaurants (paladares) linked to tourism in the private sector of the economy. In addition, tourism generated until the end of 2019 a total of 117,390 direct jobs (42.6% private) and multiple chains within the national economy.

After a sustained growth dynamic, in 2019 the total number of foreign visitors who travelled to Cuba fell by 9.3% compared to the previous year. The implementation of new restrictions and the suspension of cruise ships by the US government, as of June 2019, is pointed out by specialists as the main cause of this deterioration. Likewise, the main tourism markets were already affected by the prolonged uncertainty about the exit of the United Kingdom from the EU (Brexit). This caused, among other factors,the collapse of Thomas Cook, one of the world's largest tourism and travel operators operating in Cuba,and also affected several airlines and flights from Europe to Latin America and the Caribbean.

Europe is not the main source market for tourists to Cuba (it is America, essentially Canada and the United States), but the Old Continent contributed —on average— almost a third of the total number of tourists who arrived on the island in the period 2014-2020. Excluding from these data travellers from Russia and Switzerland —to have an almost real approximate to the EU space— the countries of the European integrationist bloc contributed on average 25.7% of the international travellers who visited Cuba in the last seven years.

TABLE 2. Cuba. Arrival of tourists (2014-2020)

	2014	2015	2016	2017	2018	2019	2020
Total Arrivals	**3,013,584**	**3,540,175**	**4,009,169**	**4,653,559**	**4,711,910**	**4,275,561**	**1,085,989**
From Europe:	852,233	1,037,969	1,383,939	1,380,188	1,423,463	1,227,823	326,883
Germany	139,136	174,415	242,355	243,408	208,506	174,956	34,104
Italy	112,076	137,727	191,585	228,028	177,852	133,436	29,463
The United Kingdom	123,910	155,802	194,815	205,727	189,963	123,745	12,717
Spain	77,099	107,368	153,340	169,507	167,969	146,339	22,941
France	103,475	138,474	187,468	209,642	197,521	169,394	45,587
The Netherlands	19,828	22,338	22,862	35,026	47,614	40,234	12,103
Poland	1,428	2,355	7,006	24,239	33,598	22,175	4,879
Portugal	33,560	42,577	52,613	52,432	31,843	32,677	7,189
Belgium	15,928	20,478	26,909	24,079	20,639	17,449	3,839
(Subtotal 9 Europe)	627,440	801,534	1,078,953	1,192,088	1,075,505	860,405	172,822
Europe/Total (%)	**28.3**	**29.3**	**34.5**	**29.6**	**30.2**	**28.7**	**30.1**
EU/Total(%)	**24.3**	**25.1**	**29.4**	**24.5**	**26.8**	**24.0**	**25.7**

Source: ONEI (2019) and Perelló (2020).

Germany, Italy, the United Kingdom, Spain and France are the main European markets that send tourists to Cuba, which show falls in terms of the number of citizens of those nations who visited Cuba since 2018. In any case, these countries decide practically 68% of tourist arrivals from Europe, and although they began to decline since 2017, other EU markets (Poland, Portugal, Belgium) had begun a process of increasing their weighting within the total, which could have meant the beginning of a stage of geographical diversification of Cuban tourist income from Europe.

Obviously, the COVID-19 pandemic and the subsequent serious economic crisis have had a devastating impact on the tourism sector in the world, and this has also been reflected in the Cuban case. In 2020, the fall in tourist income to the country —compared to the previous year— was 74.6%; dramatic reductions (of more than 70%) were recorded in all source markets for Cuba. In the case of Europe, as shown in Table 2, the fall in the arrival of tourists to Cuban territory in 2020 was 73.3% compared to the previous year.

Everything indicates that 2020 could represent a before and after for the international tourism industry, as the paradigms that had guided the development models of this sector seemed to be obsolete for the new postcovid era. Undoubtedly, this represents a greater challenge for small economies — such as Cuba— that had opted for the development of tourism (especially that of "sun and beach") as a pivot for international insertion, and an engine of growth and economic development.

But Cuban tourism is very relevant for economic relations with the EU, not so much because of its commercial dimension (tourism flows) but from the point of view of investments. As will be seen in the next section, Europe almost absolutely dominates some of the most important businesses with foreign capital linked to the tourism sector, developed in Cuba for several years.

4.2. Investments

The European bloc is not only a very important trading partner of Cuba, but it is also the first investor in the Caribbean country mainly in the tourism, construction, light industry and agribusiness sectors. One of the goals with the greatest impact of the new cycle of cooperation between Cuba and the EU is to achieve the sustainability of joint actions through the attraction of investments from the Member States to Cuba.

In this regard, it should be borne in mind that, according to current regulations, the modalities of Foreign Direct Investment (FDI) in Cuba are threefold: the joint venture, the International Economic Asociation (AEI) contracts and the company with totally foreign capital. 50% of businesses with foreign capital on the island are carried out under the modality of AEI contracts and, within them, Hotel Administration and Marketing Contracts predominate. The joint venture modality represents 34% and the rest corresponds to companies 100% of foreign capital (MINCEX, 2020).

With regard to Cuba's policy to attract FDI flows, two novel aspects stand out. The first, that the Portfolio of Business Opportunities 2020-2021 says that "smaller businesses and investment amounts that have a marked export character or are chained with productions of goods and services for export will be promoted" (MINCEX, 2020). Expanding the scope and amounts of investment opens up an opportunity for those investors willing to negotiate smaller-scale projects for both origin and destination. As foreign investment can only be selectively directed to the development of forms of non-state property with legal personality, this provision amplifies business options with foreign capital for the Cuban cooperative sector. In any case, it is clear that to effectively promote this type of business (smaller scale,with smaller amounts) and to solve more territorial or subnational problems, it will be necessary to advance more in the development of a much more diverse and efficient business fabric than the one existing today, including the incorporation of state and private SMEs.

The second, the launch in January 2020 of the Single Window for Foreign Investment (VUINEX). It is an electronic platform that allows it to provide information and advice on foreign investment, promote business opportunities, facilitate the constitution of foreign investment modalities, and the realisation of its investment processes, as well as the processing of permits, licenses and authorisations. This initiative was launched thanks to the collaboration of the EU and the United Nations Conference on Trade and Development (UNCTAD).

The presence of European investors is the majority in the Mariel Special Development Zone (ZEDM), an enclave on the island that is regulated by special regimes and policies and designed to attract investments in the production of value-added goods and services, clean technologies, favour the substitution of imports, the promotion of exports and the generation of quality employment.

Between 2014 and 2020, a total of 55 projects have been approved in the ZEDM for an investment of 3,026,454,500 dollars. 8 100% Cuban companies, 30 with totally foreign capital, 15 joint ventures and 2 AEI, represented by 21 countries and 11 multinational companies, are based in this area. Of the 55 projects approved, 30 correspond to European nations and, of these, 27 to members of the EU; 29% of the total belong to Spain, which is ratified as the main European investor in Cuba. However, in practice —so far— only 31 of the 55 approved projects are in operations in the ZEDM (ZEDM, 2020).

TABLE 3. Cuba. Hotel Administration and Marketing Contracts (CACH)

European Management	CACH Quantity	Number of rooms
Spain	63	29,233
France	4	1,795
Italy	1	291
Portugal	1	508
Switzerland	1	246

Source: Perelló (2020).

In the case of Cuba, it is difficult to assess the role that FDI is playing in terms of employment generation, value added and its contribution to development, because there is no official statistical series that reflects the real amounts captured (neither in terms of flows nor stock) by the approved FDI modalities. In general, there is talk of investment commitments and projects approved in terms of value and amounts, which is very different from invested capital and projects in execution. Nor are figures published on the composition of FDI inflows and outflows by source and destination. In this way, the fragmentation of information significantly limits the analysis and prevents the objective identification of the advances and challenges that still lie ahead.

TABLE 4. European companies with CACH in Cuba

Foreign management	Country of origin	Number of rooms in administration contracts
Meliá Hotels International	Spain	13,706
Iberostar Hotels & Resorts	Spain	7,164
H10 Hotels	Spain	2,040
Blau Hotels & Resorts	Spain	395
Valentin Hotels	Spain	1,208
Sercotel Hotels	Spain	1,195
Roc Hotels	Spain	1,022
Be Live Hotels -Globalia	Spain	999
Barceló Hotels & Resorts	Spain	1,253
Accor Hotels	France	946
Pestana Hotels & Resorts	Portugal	508
Elite Club Vacanze	Italy	291
Kempinski Hotels S. A.	Switzerland	246
NH Hotels	Spain	251
Louvre Hotels Group	France	849

Source: Perelló (2020).

At the beginning of 2020, 105 hotel administration and marketing contracts were signed in Cuba with 21 foreign managements, which managed 132 hotels in operation with 50,207 rooms. There are 26 incorporated joint ventures operating 4,995 rooms (all 4 and 5 stars). Most of these deals with foreign investors are executed by European hotel chains (70 in total, 69 with chains from EU countries).

Obviously, in this type of contracts associated with foreign investment in the Cuban tourism sector, the protagonists are some of the most internationally recognised corporations.

As can be seen in Tables 3 and 4, Spanish companies are protagonists —like no other country— in foreign investment operations in Cuba, in the tourism sector. But, in general, FDI flows are practically dominated by investment by Spanish companies on the island. Unofficial data on Cuba-Spain bilateral relations indicate that there are 40 Spanish joint ventures in Cuba, and 16 joint ventures, or with a subsidiary or branch of Spain in the ZEDM, in addition to the 63 hotel management contracts shown above. In 2018, the Spanish investment position in Cuba amounted to 418 million euros, which represented an increase of 17%

compared to 2017. In 2018, Cuba ranked number 55 in the ranking of countries by Spain's investment position abroad.

As reflected in the following table, the stock of Spanish investments in Cuba was concentrated in 2018 in four sectors that covered 94% of the total: tobacco (45%), accommodation services (25%), commerce (18%) and financial services —except insurance and pension funds— (6%). For its part, Cuba's investment in Spain is insignificant: 53 million euros of stock in 2018, 6% less than in 2017. Cuba ranked 67th in Spain in 2018 (ICEX Spain, 2021).

TABLE 5. Stock of direct investments from Spain in Cuba (in millions of euros)

Sectors	2018	2019	2020
Tobacco industry	189.5	N/A	N/A
Accommodation services	104.7	N/A	N/A
Wholesale trade and commercial intermediation	77.0	N/A	N/A
Financial services	25.0	N/A	N/A
Furniture manufacturing	8.2	N/A	N/A
Graphic arts	6.5	N/A	N/A
Construction	4.1	N/A	N/A
Sale and repair of vehicles	2.1	N/A	N/A
Storage and activities relatedto transport	0.3	N/A	N/A
Information services	0.1	N/A	N/A
TOTAL	**418**	**N/A**	**N/A**

Source: International Financial Analysts (AFI) (2020).

In terms of flows, in the period 2007-2019, Spanish FDI to Cuba amounted to 96.3 million euros. However, the bulk of this investment was very punctual, since around 66% of the total invested in that period (53.5 million euros) was allocated to the hydrocarbon extraction sector during 2012. Other Cuban sectors of relative interest to Spanish companies were wholesale trade and financial services (15.8% and 12.2%, respectively, of the total invested) (AFI, 2020). As shown in Table 6, from 2018 onwards these flows contracted until they managed to recover discreetly in the first nine months of 2020, when three million euros were recorded in the financial services sector (ICEX Spain, 2021).

TABLE 6. FDI flows from Spain to Cuba (in millions of euros)

	2018	2019	2020
Gross FDI flows	0	0	3
Net FDI flows	0	0	3
Direct investment flows from Spain in Cuba by sector			
Financial services, except insuranceand pension funds	0	0	3

Source: AFI (2020).

For its part, Cuban FDI flows in Spain were only two million euros between 2007 and 2019, basically channelled into the construction and restoration of buildings sectors (37.1% and 23.9% of the total) (AFI, 2020). However, Table 7 reflects the greater importance that the biotechnology sector is acquiring, even more so in a context of pandemic; by 2020 FDI flows from Cuba to Spain worth ten million euros were channelled in the field of pharmaceutical manufacturing.

TABLE 7. Flows of direct investments from Cuba in Spain (in millions of euros)

	2018	2019	2020
Gross investment	0,03	0,02	10,0
Net investment	-0,06	0,02	10,0
Gross investmentby sector			
Pharmaceutical manufacturing	0,0	0,0	10,0
Programming, consulting and others	0,005	0,0	0,0
Wholesale trade	0,0	0,003	0,0
Accommodation services	0,005	0,0	0,0
Construction activities	0,0	0,003	0,0
Real estate activities	0,0	0,004	0,0
Health activities	0,0	0,001	0,0
Other personal services	0,0	0,0	0,0
Management consultancies, headquarters activities	0,002	0,0	0,0
Sale and repair of motor vehicles	0,0	0,0	0,0
Financial services	0,0	0,005	0,007
Advertising and studies	0,0	0,003	0,0

Source: AFI (2020).

Since mid-2019, companies such as Meliá, Iberostar, NH Hoteles, Barceló, BBVA, Iberia, Amadeus or Air Europa have been threatened by the strengthening of the economic blockade during the final phase of the mandate of President Donald Trump, who decided to activate Title III of the Helms-Burton Act,under which citizens and companies (American or Cuban) that were expropriated when the 1959 Revolution triumphed, can claim compensation from companies —mostly European— that have exploited such assets under subsequent agreements with the Cuban government.

This situation generated tensions and fears in European institutions, which began to assess the possible consequences and prepare to face them. The EU has warned it could lodge a case against the US with the World Trade Organisation (WTO) if it tries to interfere in trade links between sovereign states, and has said it is prepared to defend European interests, including investments on the island.

“The EU will be forced to resort to all the instruments at its disposal, including cooperation with other international partners, to protect its interests”. It has argued that, if a US hotel chain claims compensation from a European hotel chain in US courts, “the European could claim the same compensation from the American before a European court”. Furthermore, the EU recall that the case of confiscations of assets on European soil can also be reached from US companies and reiterate their threat asserting that “the vast majority of the 50 largest whistle-blowers so far, which account for 70% of the total value of certified claims, have assets in the EU” (Tourinews, 2019).

The most affected sector would be the hotel industry, given the high commitment that has been made,especially from Spain, for tourism development in Cuba. In fact, Spanish investors control 71% of Cuban hotel rooms managed by foreign companies (Tourinews, 2019).

Meliá is one of the most affected companies; for this cause a fighting litigation against the Sánchez Hill family is under way. Under Title IV of the Helms-Burton Act —which requires the denial of entry visas to the US to those who “traffic” with confiscated property in Cuba claimed by US citizens— the US Secretary of State decided to veto the entry into the country of the company’s CEO, Gabriel Escarrer, and a score of executives of the multinational hotel company, as well as their families (Reuters, 2020).

Other companies that have been filed against lawsuits from Cuban families have been Iberostar, NH, Barceló or BBVA. Some of these claims have been withdrawn to speed up cases against other US companies, but that does not mean that in the future these lawsuits cannot be reactivated.

In any case, the interesting thing in this whole panorama of strengthening the extraterritorial character of US sanctions has been the EU’s support response to Cuba and its assistance to reverse this critical situation. Of course, there has been risk aversion, but there is no capital outflow from the country, and there is no European divestment process in Cuba. This has had the positive consequence that the Cuban authorities have strengthened mechanisms and modified policies with a view to facilitating trade and external investment and improving the investment climate in the country.

It is in this context that the actions of the European Commissioner for International Cooperation and Development, Neven Mimica, were accelerated to concretise the EU’s contribution to the creation of a single window for foreign investment, which was already being inaugurated in January 2020 and began its activities, although still in the phase of improvement.

On the Cuban side, it has been assured that the guarantees contemplated in the legal framework in force in Cuba will be applied to protect foreign companies that have business in the country and that are based on three fundamental norms. The first of these, article 28 of the Constitution of the Republic, states that the State promotes and provides guarantees for foreign investment, as an important element for the economic development of the country, based on the protection and rational use of human and natural resources, as well as respect for national sovereignty and independence.

The second, Law 118 of 2014 or Foreign Investment, reflects in one of its articles that investments are protected in the country —in accordance with Cuban laws and what national courts provide— against claims by third parties through the extraterritorial application of the legislation of other States.

The third, Law 80 of 1996 or reaffirmation of Cuban dignity and sovereignty, declares the Helms-Burton Act illegal, unenforceable and without any legal value or effect. Therefore, any claim of a natural or legal person, regardless of their citizenship or nationality, is considered null and void. It also empowers the Cuban government to apply or authorise the formulas required for the protection of foreign investors against the application of US legislation, including the transfer of the investor's interests to trust companies, financial entities or investment funds (EFE, 2020)

Cuba is not a member of the Multilateral Investment Guarantee Agency (MIGA), belonging to the World Bank Group, but has signed Agreements for the Promotion and Reciprocal Protection of Investments (APPRI) with 15 EU countries: Germany (1996), Austria (2000), Belgium (1998), Bulgaria (1998), Croatia (2001), Denmark (2001), Slovakia (1997), Spain (1994), France (1997), Greece (1996), Hungary (1999), Italy (1993), Luxembourg (1998), Portugal (1998) and Romania (1996). The signing of these bilateral treaties is essential, because they serve as a stimulus and guarantee for the economic and legal interests of investors when they invest in the territory of the other contracting party, which in the case of Cuba becomes fundamental due to the particularities of the country's economic model.

5. EU development cooperation with Cuba

European cooperation in Cuba is regulated in the PDCA, which sets the conditions for the development of "stable, mutually beneficial and long-term ties". However, the cooperation of the European integrationist bloc with Cuba is long-standing and has been of undoubted importance for the advancement of some Cuban sectors, territories and projects that have benefited from the European contribution.

Officially, cooperation relations between the EU and Cuba began in 1988, and since that date the EU has financed more than two hundred cooperation projects worth €300 million. During the first two decades of cooperation, the priority of European collaboration focused on the financing of emergency projects in response to hurricanes, managed by the Directorate-General for Civil Protection and European Humanitarian Aid Operations (ECHO).

Since 1994, ECHO has financed humanitarian aid actions equivalent to around one hundred million euros.

Subsequently, between 2007 and 2013, bilateral cooperation focused on the sectors of sustainable agriculture and food security, renewable sources of energy and climate change, and modernisation of the economy. In the 2014-2020 cooperation cycle, this strategy remained relevant and has remained relevant to this day in what is defined as the priorities of the new cooperation cycle 2021-2027 (European Union, 2019).

It should be noted that, in the middle of the last decade (2015), there was a significant increase in the amounts of ODA from the EU, mainly due to the cancellation of public debt as part of the agreement that Cuba reached in October 2015 with the Paris Club, in the middle of the PDCA negotiation process.

The renegotiation of Cuba's foreign debt with official creditors

Since the early 2000s, Cuba began to reorganise its relations with creditors by reaching some bilateral agreements with Germany, China, Japan, Mongolia, Mexico and Russia, which involved significant levels of debt forgiveness.

In December 2015, an agreement was closed with the Ad-Hoc Group of Creditor Countries of Cuba in the Paris Club on the debt that had been in default since 1986. Of the outstanding amount, estimated at $11.1 billion, $8.5 billion (77%) was forgiven. The terms and conditions agreed were very favourable for Cuba: non-payment of interest until 2020 —at which time only 1.5% of the total outstanding debt would be paid— and an 18-year repayment term with annual payments that will gradually increase from 1.6% of the 2,600 million owed (about 40 million) in 2016, up to 8.9% in 2033. It was agreed that creditors could negotiate debt swaps bilaterally for up to 30% of what was owed, or $20 million in development aid, whichever was higher. It was also provided that if, for certain reasons, the agreed annual payment for amortisation was temporarily suspended, the country would be taxed with interest of 9% until the final payment, in addition to interest for the delay of the portion in arrears.

In practice, during 2016 and 2017, the country, not without great efforts, managed to meet its obligations, although it failed to catch up on current payments to suppliers. During 2018 the agreed punctual payments continued, but in 2019, out of 82 million dollars to be paid to the Paris Club, 33 million could not be honoured. So, the country had to negotiate a new postponement that affected creditors such as Austria, Belgium, the United Kingdom, Japan, France and Spain.

In February 2020, the Cuban government communicated to the Paris Club its intention to pay that outstanding debt no later than May 2020, but by that date the country was already immersed in the fight against the pandemic. A moratorium on payments until 2022 and exemption from penalties for late payments due to COVID-19 was then requested, which was approved, while new negotiations were expected in the spring of 2021.

Source: Sánchez (2021).

The EU-Cuba cooperation framework also has as transversal axes the rights approach and gender equity, as well as the strengthening of civil society.

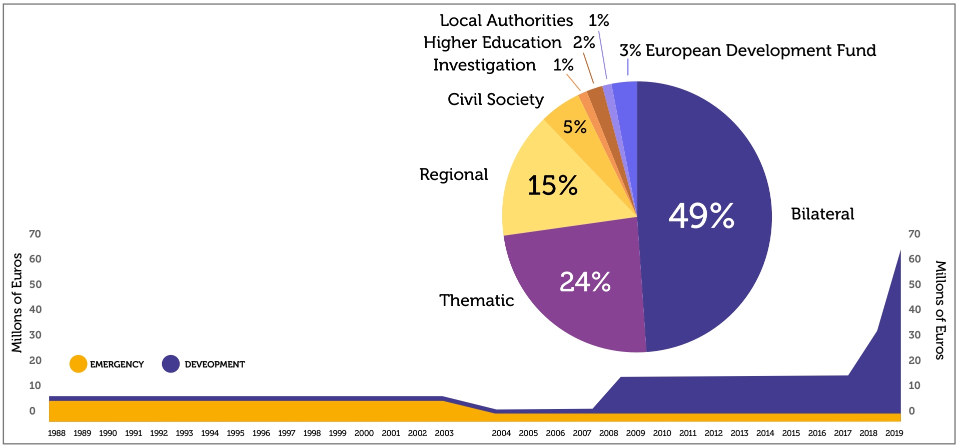
With the signing of the PDCA, new areas are created for the relaunch of cooperation and the results are visible. The EU's own ambassador in Havana, Alberto Navarro pointed out: "we have tripled our cooperation and at the same time we have promoted political dialogues in practically all areas. It is with this new phase [...], when we have begun to cooperate with greater force in the sector of sustainable agriculture —the number one sector for us in Cuba— and that of sustainable energies, and in the accompaniment of economic modernisation with an exchange programme of experts" (Deny Extremera San Martín, 2020).

EU-Cuba cooperation materialises through: i) bilateral cooperation; ii) regional, thematic and emergency programmes, and iii) knowledge generation programmes. As the following graph shows, bilateral cooperation is dominant, representing 49% of the total, followed by regional and thematic programmes.

Until the last date for which information is available (December 2019), 48 projects worth 83 million euros and 23 projects worth 56 million euros in the process of direct contracting or by call to tender planned to start before the end of 2019 were registered in the implementation phase (European Union, 2019).

Overall, the value of ongoing projects at the end of 2019 was more than four times the average of the last ten years. This is explained by the commitment of funds for the sustainable food security programme, contracts relating to the renewable energy sector, and the mobilisation of regional (such as those intended to accompany investments in various sectors) and thematic funds (especially in the areas of climate change and culture), which accounted for half of EU-Cuba cooperation. In addition, there is an increase in multi-country

FIGURE 1. Annual contracting of EU-Cuba cooperation projects: 1988-2019



Source: European Union (2019).

programmes in which Cuba participates as a partner and which are more difficult to quantify economically, such as those related to exchanges of experiences in public policies in Latin America (EUROsociAL, ElPacto, Euroclima+, Alinvest and Adelante) and those oriented to higher education (Erasmus+) and research (Horizonte 2020) (European Union, 2019).

Around 50% of the projects are dedicated to the environment and climate change, which demonstrates the interest and commitment of both parties to this sensitive issue. The EU supports the country in the implementation of the Life Task[8] through thematic and regional programmes such as the Euroclima+ programme or the Global Action against Climate Change programme (CGGA+) (Graph 2).

On the other hand, 60% of the EU's cooperation with Cuba is implemented through United Nations agencies, mainly by the United Nations Development Programme (UNDP), with 36%, followed by the United Nations Educational, Scientific and Cultural Organisation (UNESCO), with 11%, and the Food and Agriculture Organisation of the United Nations (FAO) with 7%; 22% by agencies and development banks of Member States of the European Union; 6% by universities; 8% by civil society organisations; 3% by local authorities and 1% by institutions in other Latin American and Caribbean countries through triangular cooperation.

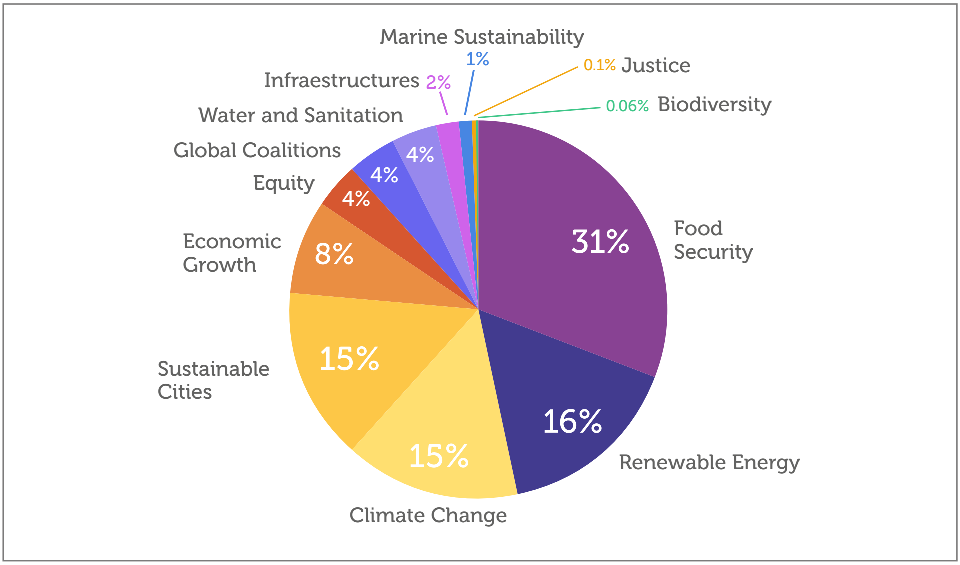
This distribution reflects a significantly low degree of financial appropriation of EU cooperation by the Cuban government, as only 17% of it is implemented directly through local authorities, civil society organisations and universities. To the extent that these actors become coordinating entities, they identify more with the projects, they feel more responsible, more secure in their capacities to be able to manage, coordinate and monitor the projects and the financial resources associated with them.

However, the PDCA could considerably reverse this panorama, considering that, since it began to be implemented, a process of signing and ratifying financing agreements in each bilateral cooperation sector has begun, which recognises and ensures the coordination nature of bilateral cooperation projects from the EU to relevant institutions in Cuba. These include the Ministry of Energy and Mines (MINEM) for the renewable energy sector and the Ministry of Agriculture (MINAG) for the sustainable agriculture and food security sector. In addition, the EU-Cuba Cooperation Subcommittee in November 2018 took the decision to establish sectoral dialogue processes with international cooperation partners, which will allow EU cooperation funds to be channelled directly to Cuban institutions in the form of budget support.

At the end of 2019, a project for the rehabilitation of the convent of Santa Clara, in Old Havana, was initiated with a view to creating a training centre for young people from

8 The "Life Task" is the State Plan for fighting climate change in Cuba based on a multidisciplinary scientific basis. It includes five strategic actions and eleven tasks aimed at counteracting the effects on the most vulnerable areas. It was approved by the Council of Ministers of Cuba on 25 April 2017 and constitutes a priority for the country's environmental policy.

FIGURE 2. EU-Cuba cooperation under sustainable development goals (SDGs)



Source: European Union (2019).

all over the Caribbean[9], and EU funds were also provided to the School of Film and Television of San Antonio de los Baños and the University of the Arts (ISA). In this context, the programme known as Transcultura, of 15 million euros, is aimed at supporting Cuban cultural cooperation with the rest of the Caribbean.

In the wake of the COVID-19 pandemic, part of the European cooperation funds has been rescheduled, and significant aid has been announced, including a grant of five million euros to accompany a loan from the French Agency for Development that would go to the Pedro Kourí Institute of Tropical Medicine for the purchase of mechanical ventilators, personal protective equipment, retrovirals and reinforcement of laboratories. The donation of a significant quantity of medicines, both dedicated to treating COVID-19 patients and otherwise for Cuban pharmacies, is also under study through PAHO (Deny Extremera San Martín, 2020).

The new EU-Cuba cooperation framework for the 2021-2027 cycle is currently being built. The Delegation of the European Union in Cuba has already begun to dialogue with institutions of government, civil society, the private sector and academia, as well as with the countries of the community bloc and United Nations agencies, about the priorities of cooperation with Cuba for the coming years.

9 The objective is to turn the convent of Santa Clara, located in the historic centre of Havana, into a centre of academic training in arts and crafts for the restoration and conservation of the Heritage of Cuba, the Caribbean and the Antilles.

6. COVID-19, crisis and restructuring in Cuba: the potential of the PDCA with the EU

Cuba is experiencing, since mid-2019, a very difficult economic situation that has important social repercussions. There are several elements that interact simultaneously and that explain the complexity of the current conjuncture. First, the cumulative effects of a long-term economic crisis that the country has been experiencing for years, the overcoming of which requires a substantial change in the management model and the economic structure. This transformation of the "Cuban economic model" has not yet taken place in a systemic way, despite the fact that a roadmap for such restructuring has been approved ten years ago (April 2011) within the framework of the Sixth Congress of the PCC.

Secondly, the sharp accentuation of the US government's web of economic sanctions against Cuba, which was applied by the Trump Administration, and which remains unchanged —so far— by the Biden administration. To this we must add the very acute negative effects derived from the COVID-19 pandemic on the Cuban economy and society since the first quarter of 2020.

Finally, more recently, the contradictions and design errors of the process of monetary and exchange rate unification —which began in the country on 1 January 2021— have generated a notable increase in aggregate demand, in conditions of acute shortages, and therefore an accentuated growth in inflation,while the productive reaction that was expected as a result of the devaluation process of the Cuban peso and the realignment of relative prices did not take place.

The above elements, together with dissimilar attempts at destabilisation promoted from abroad, are the causes that explain the popular demonstrations —and also the violent disorders— that occurred in the country on 11 and 12 July 2021.

From the political point of view, this complex situation occurs at a singular moment in recent Cuban history. On 19 April 2021, the VIII Congress of the Communist Party of Cuba (PCC) took place in Havana, which made a critical assessment of what has been done in the last five years and defined the main political, economic and social guidelines of the island for the period 2021-2026.

The congress had important significance from the historical and symbolic point of view: this meeting concluded the process begun in 2018 of transfer of power to a new generation of Cuban leaders, born after the triumph of the Revolution of 1959. As a result, the President of the Republic, Miguel Díaz-Canel Bermúdez, was elected first secretary of the PCC, and the Political Bureau, the Secretariat and the Central Committee of the PCC, the three highest levels of leadership of the PCC, were significantly renewed.

Issues related to the economy, in particular the reform process —which Cuban political jargon defines as "updating the economic and social model"— occupied a relevant place in the debates that took place. A significant part of the Report to Congress read by Raúl

Castro, in his position as first secretary, and the discussions in various commissions during the second and third days of the event, were dedicated to analysing issues that were directly or indirectly linked to the Cuban economy.

At least in the immediate future, the new leadership is "normatively" guaranteed the agreement of the last Party Congress to move towards economic transformation. This is made explicit when you read two of the resolutions adopted.

a. The Resolution on the Conceptualisation of the Cuban Economic and Social Model states that among the main transformations to be implemented in the immediate future will be: i) recognising and diversifying the different forms of ownership and management in the economy, properly interrelated; (ii) comprehensively improve the system of planning and management of the economy; iii) recognise, regulate and achieve a correct functioning of the market, and iv) the elevation of the standard and quality of life of the population is a permanent priority objective, with emphasis on food and energy security, education and health.

b. The Resolution on the Status of Implementation of the Economic and Social Policy Guidelines concluded that the main lines of work for the period 2021-2026 include, among others: i) to strengthen the management of the different economic actors, especially the government owned company; ii) To make progress in solving structural problems, in particular to develop food production and marketing, with an emphasis on the agricultural sector; achieve a greater participation of renewable sources in the energy matrix; increase exports and the efficient substitution of imports, recover and develop tourism, and boost foreign direct investment, and iii) To consolidate greater use of financial instruments in the conduct of the economy and advance in achieving fundamental macroeconomic balances.

President Díaz-Canel's closing address at the VIII Congress —in his capacity as the first secretary of the PCC elected— had among its central elements the analysis of the nation's economic problems, especially the reform process.

On this last aspect, the President of the Republic said: "Allow me now a few words about the crucial economic battle, without which all the others may be useless". From there he reiterated that "the five-year period evaluated by this congress did not exhibit good economic results, which was influenced by inefficiency and ineffectiveness in an important part of the Cuban business and budgetary system, structural problems of the model that could not be solved, and unnecessary obstacles and bureaucratism, among other evils that hinder national economic development, whose solution depends on us".

After that diagnosis, President Díaz-Canel concluded: "To overcome the crisis, it is necessary to boost the process of updating the economic and social model, [...] flexibly combining the relationship between the necessary planning, decentralisation and the autonomy indispensable for territorial development; with the participation of all economic actors, including state enterprises, micro, small and medium-sized enterprises and cooperatives" (Granma, 2021).

Everything indicates that, in the immediate future, the process of economic and institutional transformations in the country must be accelerated —as has been verified since last January 2021— for which it would be very convenient to have external support. In this regard, the EU is undoubtedly positioned as an important international actor, which could be functional to the modifications of the Cuban development model. It should be reminded that the EU has adopted a strategy of presence and support to the process of transformation in Cuba, as a policy without the ideological and emotional burden that prevails in that of the US towards Cuba and, in a certain way, in contrast to Washington.

There are four dimensions in which the actions of the EU and its member countries would be important for the dynamics of internal changes in Cuba, which could ultimately contribute to the success of the transformation of the Cuban model:

1. Technical assistance, advice, transfer of knowledge and good international practices in relation to the design and implementation of public policies, macroeconomic management, decentralisation and local development. In this sense, the EU has already been developing an important cooperation programme with the Cuban authorities —in its second stage from 2017 to 2021— which could be reinforced in the face of the foreseeable new demands by Cuba in this area of action (see Annex 2).

2. The continued support of the EU and its member countries to the fight against climate change and the essential transformation of the productive and technological structure of Cuba, through the cooperation projects that have been developed, especially those linked to the sectors and strategic areas according to the Cuban authorities: (i) developing food production and marketing, with emphasis on the agricultural sector; (ii) achieving a greater participation of renewable sources in the energy matrix; (iii) increasing exports, and iv) promoting the efficient substitution of imports.

3. Support and promotion —in conjunction with relevant Cuban institutions— of FDI flows to Cuban productive sectors as a mechanism par excellence to increase potential levels of production, advance in terms of technological modernisation and improvement of Cuba's productivity and competitiveness. In this dimension, the presence that Europe already has in the island's tourism sector —especially Spain— would be fundamental for the recovery of that Cuban economic sector and the indispensable learning with a view to offering reliable, safe and efficient tourism services in conditions of the post-pandemic "new normal".

4. Finally, the EU could be key in diversifying the sources of bank financing for Cuban development. In this sense, investment opportunities in the financial field could be explored with the European Investment Bank (EIB) under the PDCA, which leaves the way open for said entity to operate on the island. The EIB could complement bilateral cooperation and play an important role in areas such as infrastructure, climate change, innovation, and small and medium-sized companies. This would contribute to a diversification of exter-

nal financing sources, not only in terms of the origin and nature of the funds, but also in terms of their monetary composition. Additionally, it would be convenient to study the current state of the links of the International Investment Bank (IIB) and the EU, since Cuba is part of that institution and, of its six European members, five belong to the EU: Romania, Bulgaria, Hungary, Czech Republic and Slovakia.

7. Summary and conclusions

1. The signing of the PDCA between EU and Cuba (PDCA) in December 2016 implied the definitive abolition of the so-called Common Position, which had governed the European bloc's ties with the island since 1998. The new approach of constructive commitment recognised that isolation was not functional as an opening strategy in Cuba, so it was necessary to replace the conditional commitment phase, formally in force between 1996 and 2016. The PDCA began a new stage of more pragmatic relations, showing that Europeans finally accepted the economic and political changes, and the pace of transformation of the economic, political and social model designed by the Cuban authorities.

2. The EU and Cuba have held five political dialogues on human rights, sustainable development, weapons of mass destruction, trafficking in small arms and unilateral coercive measures. In addition, three sectoral dialogues are being developed: energy, agriculture and climate change. They show profound differences in the area of human rights, although a more balanced approach had been observed between civil, economic, social and cultural rights. However, the scenario in this regard was unfortunately modified from the social protest demonstrations in several cities of the country on 11 and 12 July 2021, and the government response to them.

3. The European interest in Cuba has a significant economic component. The EU is an important trading partner of the island, its countries are among the main suppliers of tourism, and they also occupy the first places in the list of foreign investors in Cuba. In these three components of the island's external economic relations with the EU, the decisive weight of trade with Spain stands out.

4. The Cuban tourism sector is relevant for relations with the EU, not so much because of its commercial dimension (tourism flows) as from the point of view of investments. European companies dominate, almost absolutely, the most prominent businesses with foreign capital linked to this important Cuban economic sector.

5. The European bloc is also the leading investor in the Caribbean country mainly in the tourism, construction, light industry and agribusiness sectors. The presence of European investors is the majority in the Mariel Special Development Zone (ZEDM).

6. With the signing of the PDCA, new spaces are created for the relaunch of cooperation and the results are visible. Flows of development cooperation from the EU to Cuba have tripled. Until the end of 2019,48 projects worth 83 million euros and 23 projects worth

56 million euros were registered in the implementation phase in the process of direct contracting or by call to tenders.

7. Since mid-2019, Cuba has been going through a difficult economic situation with significant social repercussions. Several elements —of an internal and external nature— in their simultaneous interaction, explain the complexity of the current conjuncture, and the scope and nature of the social protest demonstrations of 11 and 12 July 2021.

8. In the immediate future, the process of economic and institutional transformations in the country should be accelerated, requiring external support. The European Union, unlike the US, is in a position to play an important role in this transformation. There are four areas in which European support would favour the dynamics of change in Cuba: i) technical assistance and advice for the design and implementation of public policies, macroeconomic management, decentralisation and local development; (ii) cooperation in the fight against climate change and the transformation of Cuba's productive and technological structure; (iii) strategies for promoting and stimulating FDI flows from Europe to key production sectors; (iv) the exploration of financial opportunities for Cuba through the EIB under the current PDCA.

Annexes

Annex 1. Ways of implementing EU-Cuba cooperation

Bilateral programmes

- Food and nutrition sovereignty through resilient and sustainable food production.
- Energy sovereignty and sustainability through the promotion of the use of renewable sources of energy and energy efficiency.
- Socio-economic modernisation in key sectors such as planning, statistics, fiscal equity, judicial records, prevention of money laundering, and innovation and management capabilities of the emerging private sector.

Regional, thematic and emergency programmes

- Adaptation to climate change through integrated planning on coasts affected by sea level rise; the development of resilient agri-food and energy systems; and capacities to detect and respond to natural phenomena, especially drought, floods and cyclones.
- Incentives for investments in sustainable infrastructure such as waterchannelling and treatment, biomassplants, wind power plants, management of environmental and transport projects, and credits to sustainable agricultural projects.
- Promotion of culture as a vector of dialogue and social cohesion, and as a differentiating factor of the country in activities such as tourism and creative industries.

Knowledge generation programmes

- Erasmus+ academic cooperation programmes between Cuban and other universities in Latin America and the EU focus on the promotion of internationalisation, renewable energies and the promotion of academic mobility.
- The scientific cooperation programmes of the Horizon 2020 programme between Cuban and EU research centres are focused on biotechnology for the control of medical epidemics and pests in crops, nanotechnology, and information technologies, in addition to promoting the mobility of scientists.

Annex 2. Socio-economic modernisation

Cuba – European Union II Expert Exchange Programme

In 2017, the second phase of this programme began, to accompany Cuba in the implementation of its "Economic and Social Policy Guidelines" through the exchange of experiences, knowledge and good practices in the management of the Administration and Public Policies both at the central and local levels, as well as in business management and innovation.

Financed with 10,365,000 euros, this programme is directed, on the Cuban side, by the Ministry of Economy and Planning (MEP), hand in hand with the Ministry of Foreign Trade and Foreign Investment (MINCEX), and with the coordination of the Ministry of Higher Education (MES) for issues related to university quality, innovation and business management. The beneficiary Cuban institutions are the National Institute of Economic Research (INIE), the National Office of Statistics and Information (ONEI), the National Office of Tax Administration (ONAT), Pro-Cuba, the Chamber of Commerce of Cuba, the MINCEX Improvement Centre, the Ministry of Justice (MINJUS), the Attorney General's Office and the Ministry of Energy and Mines (MINEM). Other institutions participating in the Programme are the Institute of Refrigeration and Air Conditioning (IRC) and the Institute of Physical Planning (IPF), and the BioCubaFarma group. The programme is implemented by the International and Ibero-American Foundation for Administration and Public Policies (FIIAPP) and the European Foundation for management development (EFMD).

Activities

Various activities are proposed, with great flexibility —and designed jointly with the beneficiary in order to adapt to their needs— including identification missions, conventional training, seminars, study visits, short term technical assistance, congresses, conferences, etc. So far, important progress has been made in some of the processes on which the programme has worked in the following areas:

- Local planning and development.
- Public policies and economic models/scenarios.
- Energy-efficient production chains and business development.
- Foreign trade, foreign investment and economic collaboration, including issues related to single windows for foreign trade and foreign investment.
- Statistics and population census.
- Tax administration.
- Public records system.
- Official Gazette.
- Quality in university management.
- Innovation and creativity in local management for development.
- Pharmacoeconomics.

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6. THE MODERNIZATION OF THE EUROPEAN UNION-MEXICO: ASSOCIATION AGREEMENT: BETWEEN CHANGE AND CONTINUITY

Enriqueta Serrano Caballero.

1. Introduction

In the midst of the geopolitical dispute between the US and China, the EU needs to reaffirm its role as a player in the international arena and project its essence as a strong supporter of multilateralism. It must do so on the basis of the conviction that, in order to face global crises, challenges and threats, the international community needs an efficient multilateral system, based on universal rules and values, as expressed in the rules that gave rise to and make the EU operational.

The need to reaffirm its geopolitical power has been confirmed by the leadership of Ursula von der Leyen in the European Commission. The President of the Commission, since the beginning of her mandate, has advocated raising the EU's external political profile, through a geopolitical Commission that leads the ecological and digital transition. To this end, even in the context of the pandemic, the EU has launched major initiatives such as the Green Deal and the Next Generation EU plan for its economic recovery.

In the international context, the EU is aware that the economic and social crisis resulting from the COVID-19 pandemic will have profound negative effects on efforts to achieve sustainable development. The Union has reinforced its intentions to lead an ecological, digital, inclusive, just and sustainable global recovery, geared towards meeting the Sustainable Development Goals (SDGs) and the Paris Agreement; economic recovery is of no use if global challenges such as climate change are not addressed. Hence, through the promotion of its strategic autonomy, the EU aims to "shape the world around it through leadership and collaboration, reflecting its values and strategic interests" (European Commission, 2021: 4-5).

That being the case, the EU can make use of the tools it has shaped throughout its history, both within the Union and externally. It has a set of instruments with which it has stood out as a pioneer: its development policy -with which it has positioned itself as the main donor of international cooperation and humanitarian aid in the world and its trade policy, thanks to which it maintains commercial relations mainly with Latin America and the group formed by Asia, the Caribbean and the Pacific (ACP), which does not exclude that it negotiates with commercial partners throughout the world (European Commission, 2021 and 2021b).

Through its trade policy, the EU has been able to adapt, face current challenges, in addition to "achieving its ambitions and safeguarding its position in the world" (European Commission, 2021: 26). Looking ahead, trade policy should be reoriented towards "the objectives of supporting a fundamental ecological and digital transformation of the EU economy, practising a more sustainable and equitable globalisation based on modernised rules and adopting stronger enforcement measures" (European Commission, 2021: 26).

On the other hand, the EU "is a global regulatory power, whose rules, with undoubted extraterritorial effects, contribute to the governance of global society" (Mangas-Martín, 2018: 86). In this way, the EU's foreign policy can act as a real channel for the export of standards, through trade agreements incorporating human rights clauses or social clauses (for example, labour and environmental clauses)which the parties are obliged to comply with.

In this context, this document describes and analyses the modernization of the Agreement on Political Coordination, Economic Partnership and Cooperation between the European Union and Mexico, known as the Global Agreement (hereinafter, AG), in its three pillars: political dialogue, trade and cooperation, contemplating its concrete results as enhancers of a new international order. The questions that guide this research are the following: what assessment can be made of the three pillars that make up the AG? Can the association agreements contribute to the strategic autonomy of both regions and the strengthening of multilateralism in the face of the globalisation crisis? How can the Association agreements (AA) and, in particular, the modernised agreement between Mexico and the EU contribute to generating new models of post-pandemic development?

The main objective of the document is to identify and examine to what extent the modernisation and ratification of the AG, and its full use, can contribute to a better international integration of each party in economic matters, to its role in international relations, and to the transitions to be undertaken by the EU and Latin America in areas such as sustainable development, digitisation and social cohesion. More specifically, it is a question of presenting the results of the GA (and its components of political dialogue, trade and cooperation) in order to demonstrate its potential for the strategic autonomy of both parties and contribute to the strengthening of multilateralism.

And all this, taking into account that, just as the EU has changed direction and geopolitical strategy, Mexico has also faced substantial changes in its direction. Thus, although a previous government began negotiations for the modernization of the AG, the current government has confirmed different orientations regarding key issues, although sometimes there have been gaps between their agendas.

This document has been structured in three sections. The first examines the three pillars of the agreement: political dialogue, trade and cooperation; while the second section describes the process of modernisation of Mexico's GA with the EU. In the third section it presents, as a key aspect in this new international structure, the actors involved in free trade agreements through the mechanisms of political dialogue, which can become a key and effective resource for their enforceability. The approach is structured from the perspective of international relations, and from the analytical perspective of the concept of strategic autonomy. This document is a starting point to understand the relevance of the EU as a strategic partner of Mexico and the modernization of the AG.

2. 20 Years of the Global Agreement: A Brief Review

The relationship between Mexico and the EU has gone through different stages, from indifference and disinterest to the signing of several agreements, but with a clear and constant thread that has been gradually intensifying. Serrano points out that there has been a shift from 'ignorance between Mexico and EU members, characterized by the absence of institutional relations and by the scarce European interest towards Mexico, to the establishment of political dialogue, to consultation in all fields, to economic cooperation, and to development, and to the establishment of an associative relationship that has placed Mexico in an increasingly priority position in the European Union's external relations' (Serrano Caballero, 2008: 78-79).

The Economic Partnership, Political Coordination and Cooperation Agreement between Mexico and the European Union marked a new phase in relations between the EU and Mexico. On 8 December 1997, three agreements were signed: (a) the Economic Partnership, Political Coordination and Cooperation Agreement; (b) the Interim Agreement on Foreign Trade and Trade-related Matters between Mexico and the EU; and (c) the Joint Declaration on General Exceptions. These instruments constituted the legal framework to negotiate, not only a free trade agreement, but a broad pact of cooperation in multiple fields, mechanisms of political agreement and even the promotion and consolidation of democracy (Serrano-Caballero, 2008: 94-95).

The agreement had three pillars: economic, political dialogue and development cooperation. It also included a democratic clause, which Mexico took several years to accept (Serrano-Caballero, 2008: 98). The entry into force of this agreement, known as the Global Agreement between Mexico and the EU, on 1 October 2000 (OJEC L 278, 28.10.2000, p. 45-79), provided a legal framework for the parties with the aim of strengthening the bilateral relationship, "especially through intensified political dialogue, progressive and reciprocal liberalisation of trade, liberalisation of current payments, capital movements and invisible transactions, promotion of investments and wider cooperation". In addition to establishing the institutional basis for a dialogue in the field of policy and cooperation between the EU and Mexico, the AoA had an Economic Partnership component containing guidelines for free trade in goods and services between the parties.

The result was set out in Joint Council Decisions 2/2000 (Official Journal of the European Communities, L 157/6, 30.6.2000) and 2/2001 (Official Journal of the European Communities, L 157/10, 30.6.2000). These are known as the Free Trade Agreement between Mexico and the European Union (FTA EU-MX), whose trade negotiations began on November 8, 1998 and ended on November 25, 1999. In 2000, the Senate of the Republic ratified the agreement, which entered into force. This agreement was the first of its kind negotiated by the EU with a Latin American country, within the fourth generation agreements. One of the characteristics of these agreements is that it is structured around three pillars: the economic-commercial pillar, the cooperation pillar and the political dialogue pillar.

The EU had signed similar agreements with Mercosur and Chile, but they did not include some aspects incorporated in the GA with Mexico (Serrano-Caballero, 2008: 95). As mentioned above, the GA was structured in three parts, setting out the objectives and rules for political agreement (political dialogue), economic partnership and cooperative relations, as well as its institutional framework and final provisions. A brief assessment of each of these dimensions will be made further on.

In 2008, the Strategic Partnership between Mexico and the EU was established with the aim of strengthening the bilateral relations that the GA had formalized and shaping common positions at the multilateral level. In this way, the EU and Mexico opened the institutional opportunity to hold High Level Dialogues between the EU and Mexico, in the field of global security, environment, cooperation and human rights, among others.

Mexico shares the Union's strategic partner character with other countries, such as the US, Japan, China, Canada, India, Russia, South Africa, Brazil and South Korea. Formally, Mexico became a strategic partner of the Union in 2008 (European Commission, 2008), which was reflected in the 2009 European Union Strategic Partnership with Mexico and the 2010 Joint Action Plan (Council of the European Union, 2010). These documents also contained specific actions, common goals and policy dialogue initiatives to identify areas of collaboration on bilateral, multilateral and regional issues. Thus, the pre-existing political dialogue was expanded and cooperation between the two sides was strengthened, coordinating common positions in international forums. This made Mexico the country with which the EU has the most institutionalized bilateral relationship.

For Mexico, the GA signified the strengthening of its foreign opening policy, after its incorporation into the North American Free Trade Agreement (FTA EU-MX) with Canada and the United States in December 1992, in addition to strengthening its commitment to democratic values, respect for human rights and good governance.

For Mexico, the EU is a key partner in multilateralism. Both actors share a series of principles for their external action: respect for the norms of international law, the commitment to multilateralism, the defence and promotion of human rights and commitment to global issues such as joint efforts in favour of disarmament and arms control (Chanona and Dominguez, 2020: 165), sustainable development, or climate change, among others. From the Mexican perspective, the relationship with the EU is essential to promote the common interest within international organizations. Such is the case of the development commitments and the SDGs of the UN 2030 Agenda (2015).

It should be noted that, in trade, not all investments are limited to the framework of the Association Agreement. Fifteen EU Member States have bilateral relations with Mexico through the Agreements for the Promotion and Reciprocal Protection of Investments (BIPPA), as well as Bilateral Investment Treaties (BITs). Like the association agreement, these agreements promote the investment process and offer legal conditions such as investor-state dispute settlement mechanisms.

2.1. Trade and investment

In economic matters, Mexico and the EU committed themselves with the GA to coordinate the economic sectors, distinguishing the commercial from the financial. Both sides agreed to start negotiations for the signing of a free trade agreement that would remove tariff and non-tariff barriers to bilateral trade in goods and services, in accordance with World Trade Organization (WTO) regulations. To that end,they signed the Interim Agreement on Foreign Trade and Trade-related Matters, which (after its signature on 8 December 1997) entered into force on 1 July 1998. This agreement laid the groundwork for starting negotiations on comprehensive trade liberalization with rights and obligations.

Furthermore, the Joint Declaration on General Exceptions (also signed on 8 December 1997) laid the foundations for negotiations on trade in services, capital movements and payments, and intellectual property. In December 1999, two Joint Council Decisions were concluded which, as a result of the Interim Agreement and the Global Agreement, contained specific rules on trade liberalization, capital movements and intellectual property. These two decisions, as has been progressed, are known as the Free Trade Agreement between the European Union and Mexico (FTA EU-MX) (Serrano-Caballero, 2008: 100-103).

According to the outcome of these negotiations, the FTA EU-MEX was composed of 11 chapters: market access; rules of origin; technical standards; sanitary and phytosanitary standards; safeguards; investment and related payments; trade in services; public sector procurement; competition; intellectual property and dispute settlement. The FTA EU-MX also envisaged an interim phase of gradual liberalization of trade in goods, beginning with the entry into force of the treaty on 1 July 2000.

The EU accounts for 31% of total investment in the country, with a total of 185 billion dollars invested since 2000 (Government of Mexico, 2021). In 2020, the EU was Mexico's third largest trading partner, after the United States ($506.9 billion) and China ($81.5 billion), accounting for 7.8% of the country's total trade. In turn, Mexico is the EU's eleventh trading partner, accounting for 1.5% of its foreign trade (SRE, 2021c).

Mexico is the EU's second largest trading partner in Latin America and the Caribbean, behind Brazil. In 2018, total trade in goods between the EU and Mexico reached 65,386 million euros, an increase of 5.8% since 2017, and EU exports grew faster than Mexican exports. Mexico accounted for 1.7% of the European bloc's total trade, placing it as the EU's eleventh largest trading partner (European Commission, 2019). Unlike exports from other Latin American and Caribbean economies, Mexican exports are dominated by industrial products, machinery and transport equipment.

Although it is true that trade between the two regions had registered sustained growth, with the COVID-19 pandemic crisis there was a decrease of 17%, going from 75 billion dollars in 2019 to just over 62 billion in 2020. Likewise, exports decreased from 24.2 billion dollars to 18.7 billion, while imports increased from 51.2 billion dollars to 41.8 billion (SRE, 2021c).

Regarding investment, EU members represent 31.1% of the investments received by Mexico in the period 1999-2020, with 189.3 billion dollars, making the EU the second largest investor in the country. In 2020, in the context of the pandemic, overall investment by EU Member States decreased by 38% compared to the previous year, from US $13.7 billion to US $8.4 billion. The main European investors are Spain ($73.4 billion), Germany ($26.9 billion), the Netherlands ($21.3 billion), Belgium ($21 billion) and the United Kingdom ($15 billion) (SRE, 2021).

European investment has been concentrated in the automotive, aerospace, beverage and pharmaceutical sectors (SRE, 2021c). In Mexico, there are 19,080 companies with capital from the EU distributed mainly in Mexico City (23.6%), the State of Mexico (10.8%), Nuevo Leon (8.6%), Puebla (5.6%) and Jalisco (5.4%) (SRE, 2021b).

2.2. Political dialogue

The overall balance of the political dialogue is positive. Political dialogue mechanisms are institutionalized in the Global Agreement and the Strategic Partnership. The institutional framework consists of a Joint Council at ministerial level; a Joint Committee at senior officials' level; and the possibility of establishing ad hoc committees established by the Joint Committee to assist it in carrying out its tasks, in addition to the dispute settlement mechanism.

The political dialogue addresses issues of common interest and is aimed at promoting new forms of cooperation in favour of common objectives. The establishment of objectives was accompanied by a mechanism that envisaged the manner in which the dialogue would be conducted: through contacts, exchanges of information and consultations between the different bodies in Mexico and the EU. On the other hand, the High-level Political Dialogue takes place at the presidential and ministerial levels (senior officials. Diplomatic channels and meetings between foreign ministers, the modalities of which are defined by the parties, are taken full advantage of. In the case of parliamentary dialogue, the Joint Declaration on Parliamentary Dialogue (annexed to the AG, but without any real binding value) provided that it would be carried out through contact between the European Parliament and the Congress of the Union of Mexico.

In relation to the dialogue with civil society, there is no clause in the GA that explicitly incorporates this actor. Civil society is only mentioned when it refers to cooperation in human rights and democracy (OJEC, 1997, art. 39). However, a series of efforts on the part of civil society has led to its incorporation into activities that make up the political dialogue.

The Joint Parliamentary Committee (JPC) has been the most consistent bilateral dialogue mechanism, meeting continuously twice a year since 2005. The JPC has served as a space to deepen parliamentary dialogue with the aim of improving relations between Mexico and the EU and its member States, agreeing common positions in the defence of human rights and the rule of law, as well as supporting the implementation of joint projects in economic, scientific and educational matters (Del Río and Saavedra Cinta, 2018: 45). As a result of their work, meeting after meeting, joint statements have been issued in which recommendations are addressed to government agencies and bodies of the bilateral relationship (https://centrogilbertobosques.senado.gob.mx/cpm). In addition to generating a forum for socialization among parliamentarians and being a pillar for the development of an institutional memory, the meetings of the JPC have had positive effects. This is reflected, for example, in a more articulated vision in the joint declarations, in the strengthening of relations between Mexico and the EU, and in the identification of the best mechanisms for the review and evaluation of the GA (Domínguez and Velasco, 2015: 43).

Through this mechanism, European parliamentarians have been able to point out the human rights violations in Mexico, an essential issue for advancing the modernised agreement. One of these cases was the one that occurred in 2014 with the students of Ayotzinapa. In a resolution of the European Parliament, MEPs spoke out strongly against the disappearance of the 43 students and invoked the principles that gave rise to the Global Agreement and the Strategic Partnership, concerning respect for human rights and democracy. They condemned these acts and called for action to be taken in accordance with the law (European Parliament, 2014). In addition, they called on the Mexican authorities to act "quickly, transparently and impartially" to arrest and prosecute those responsible for the "unacceptable forced disappearances" of the 43 students in Guerrero, Mexico (Rueda, 2015; Reuters, 2014).

Sectoral dialogues are also important; they are held within the framework of the EU-Mexico Strategic Partnership and are a mechanism for exchange on international and regional policy issues. These dialogues are governed under the SA and the Joint Executive Plan of the Strategic Partnership. "The main function of the sectoral dialogues is to constitute themselves as forums for the exchange of views and best practices, which can be translated into cooperation actions on specific issues" (Del Río and Saavedra Cinta, 2018: 39).
The first political dialogue was held in 2014 and has since been conducted on an ongoing basis, year after year. In addition to the political dialogue, other high-level dialogues have been held within this mechanism on specific issues such as multilateral affairs, human rights, environment, climate change, and security and justice (SRE, 2021).

2.3. Cooperation

Development cooperation has been one of the most active axes on which the relationship between Mexico and the EU has been structured. It represents the third pillar of the GA and is the most dynamic, and also the one that has undergone the most changes, since it currently takes place in an environment very differrent from that which existed 20 years ago (when the GA came into force) and even that of a decade ago.

At the time, the GA appeared as a visionary and modern agreement, which incorporated new areas of cooperation into the agenda: human rights, consolidation of democracy, refugees, environment, education, development and social cohesion. Taken together, these actions have been reflected in increased academic exchange, scientific cooperation and institutional strengthening. The cooperation enabled both sides to strengthen their ties, and to establish knowledge and experience flows to develop joint projects in the face of development challenges. Social and economic cohesion policies are priority objectives of the EU to reinforce the structural factors that determine the competitiveness and growth potential of the less favoured regions.

Mexico focused its participation on cooperation on specific issues (human rights and democracy, the role of non-state actors, the environment, nuclear safety, health, and migration and asylum) all managed through calls for proposals, in regional programs for Latin America, and in other European programs such as Horizon 2020, and the Framework Program in Science and Technology. However, the disappearance of many bilateral development cooperation programmes has posed difficulties in restoring relations with middle-income and upper-middle-income countries that have been "graduated" by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). This is why more horizontal relations have been assumed. At the bi-regional level, some of the programmes in which Mexico participates are: SOCIEUX+, EUROsociAL, EURO-CLIMA, EL PAcCTO, LAIF and AL INVEST 5.0.

Since 2014, bilateral cooperation between Mexico and the EU has been carried out according to a scheme based on the Partnership Instrument, through which both parties have expressed their political will to maintain high-level cooperation links, using instruments such as political dialogue and sectoral dialogues on issues of social cohesion, science and technology, human rights, democracy and the environment.

3. Modernisation of the Comprehensive Agreement between the European Union and Mexico

The EU and Mexico decided to explore the possibilities of updating the GA and, in particular, the trade pillar, in the context of the First Summit of the Community of Latin American and Caribbean States, and the European Union (CELAC-EU) in Santiago de Chile (2013). The review clauses, established in the AG, did not allow their updating. In the same year, at the 12th Meeting of the Mexico-EU Joint Committee, a Working Group was created consisting of three subgroups focused on each of the main areas of the relationship. Its aim was to review the provisions of the legal framework that could be extended and modernised, explaining how to make progress in updating the AG. The groups drafted the Mexico-EU Joint Vision Report, which identified the need for a regulatory update to prevent non-tariffmeasures (in addition to the emergence of new regulatory and policy frameworks in Mexico and the EU, in areas such as agriculture, telecommunications, intellectual property rights and competition) from holding back the advance of trade and investment between the two sides. The report was adopted at the Seventh Mexico-EU Summit in Brussels in June 2015.

In September of the same year, the European Economic and Social Committee adopted an Opinion, the Revision of the Association Agreement between the EU and Mexico, on the trade pillar of the AG, in which it identified the following issues: the importance of civil society participation, the obligation to sign and ratify International Labour Organisation (ILO) conventions, and the relevance of including chapters on intellectual property rights (in particular the inclusion of the geographical indication) and on investment protection to replace existing bilateral investment treaties (Grieger, 2020: 9).

In December 2015, the European Commission presented a first draft of the Council Decision or Negotiating Mandate. It also presented an impact study which pointed out that the modernisation of the GA would have positive effects on both sides, in terms of increasing GDP, exports, workers' wages, gaining competitiveness and improving the relative position of both Mexico and the EU. The modernisation of the GA was significant because it sought to reflect the political will of Mexico and the EU to provide an updated regulatory framework in areas of common interest that: a) were not covered by the Global Agreement, b) were covered by the Global Agreement to a limited extent, or c) needed to adapt to internal transformations in Mexico, the EU and internationally (Del Río and Saavedra, 2018).

The modernisation of the GA was inserted in the trade agenda of the European Commission Trade for All, adopted in October 2015, which was formulated in the framework of trade negotiations with the US. and Canada. This agenda sought to deepen multilateral trade liberalisation and the introduction of an investment dispute settlement court, as inclusive trade consistent with respect for human rights represents one of the core values of the Union in its trade strategy (European Commission, 2015).

This reorientation has been further expanded to include concern for the environment. In this way, the EU trade strategy advocates the use of trade agreements and preferential trade programmes to promote sustainable development, human rights, fair and ethical trade, the fight against corruption and improving supply chain accountability worldwide. These questions then responded to the fact (widely recognized today) that business activities "affect the public interest and may affect a number of human rights" (Wouters and Hachez, 2009: 301-316).

In this regard, in 2017, the European Commission published the Communication "A balanced and progressive trade policy to drive globalisation" (COM (2017) 492 final). It was based on the idea that "world trade is a key factor for a competitive and prosperous

European Union", but it clarified that "global trade needs to be shaped proactively and managed so that it is fair, reflects our values and remains firmly rooted in a rules based system". The EU's objective is to develop a transparent and accountable trade policy that benefits all citizens and offers modern solutions to the realities of today's technologically changing economy.

The main objective of this policy is to form "new trade associations to establish progressive global trade rules, and to use trade policy to promote universal values with regard to environmental, social and labour protection and fundamental rights, as well as to preserve the right to legislate in the public interest" (WT/TPR/S/395/10, 2019: 10).

Some of the factors that drove the negotiations between Mexico and the EU in 2016 (aimed at modernizing the trade pillar of the AG) were the profound changes that had occurred in global trade and investment policy since 2000. In addition, both the EU and Mexico had adopted a variety of new trade and investment agreements with third countries during that period, which contained technical and legal innovations. Likewise, both parties had the need to strengthen the Strategic Partnership and standardize their position on issues such as climate change, the 2030 Agenda for Sustainable Development, security, peacekeeping operations, the fight against transnational organized crime and migration (EU-Mexico Delegation, 2021).

During the government of President Enrique Peña Nieto (2012-2018), Mexico carried out a set of structural reforms (Pact for Mexico) that opened key sectors that were previously closed to foreign investment (such as energy and telecommunications) which created business opportunities for EU companies. In May 2016, Mexico's Secretary of Economy, Ildefonso Guajardo Villarreal, and EU Trade Commissioner Cecilia Malmström reported on the formal start of negotiations to modernise the AG. In total, ten rounds of negotiations were held.

Negotiations on political consultation/political dialogue and cooperation ended at the end of 2017. On21 April 2018, the conclusion of the negotiations on the modernisation of the GA was announced: both parties stated that, after two years of negotiations, an agreement in principle had been reached, also on the modernised trade pillar of the AG. Despite this, there were still some technical aspects to be closed in this commercial part, such as those relating to geographical designations and sub-state public procurement. Finally, on 28 April 2020, the EU and Mexico concluded their talks by agreeing on the last element: the Union's access to Mexico's sub-federal public procurement markets (Grieger, 2020: 10). Thus, the new agreement between the EU and Mexico contemplated "political, economic and cooperation aspects with the aim of strengthening political dialogue, increasing trade and investment flows and raising technical and scientific cooperation for the benefit of both parties" (SE, 2018).

The viability of the new agreement and its entry into force depends on a complex ratification process. After legal debugging and translations, the final text will be submitted for approval to the European Council and its counterpart institution in Mexico, and will be submitted to the European Parliament for approval. The new agreement has a mixed character, which means that, in trade matters, the EU has exclusive competence in some areas, and its Member States in others, which means that the different parts of the agreement can enter into force at different times.

It is therefore possible that the new agreement will fragment and enter into force provisionally: first, the commercial part over which the EU has exclusive competence could do so, when it is ratified by the Council of the Union and the European Parliament. The other two pillars, political dialogue and cooperation (which include political issues such as "respect for and promotion of human rights, labour and environmental rights, fundamental freedoms and the rule of law, among others") will enter into force when ratified by the EU's national parliaments. This proposal by the European Commission is in line with the decision of the Court of Justice of the European Communities on the Singapore Agreement of 2017.

Currently (as of March 2022), the entry into force of the new agreement between the EU and Mexico has been slowed down by technical problems, but (two years after the signing of the agreement in principle on trade matters) everything seems to indicate that it will enter into force in this year 2022.

3.1. Agreement in principle on the modernisation of the Global Agreement

The modernised agreement consists of 31 chapters, an anti-corruption protocol and a series of annexes integrated into six parts. The new agreement aims to "favour the exchange of goods and services between Mexico and the EU, as well as investments and access to companies in the markets of both regions" (Grieger, 2020: 5). The agreement will eliminate many of the customs duties on trade in goods and services between the EU and Mexico. Moreover, it has left virtually all merchandise trade between the EU and Mexico duty-free. In the agricultural sector, more than 85 per cent of tariff lines will be fully released; 10 per cent will be marketed with a maximum of seven years' relief (tuna, rice, flour, wheat, lactose, chocolate, Maltese extracts, pasta, biscuits, etc.), and 4 per cent will receive special treatment (partial reductions, long periods, exclusions). Sensitive products for Mexico (dairy products, meat, apples or peaches, among others) will continue to be subject to specific restrictions (including quotas and tariff quotas).

Virtually all merchandise trade between the EU and Mexico, including in the agricultural sector, will be exempt from customs duties. The agreement has included a chapter on animal welfare and antimicrobial resistance, which sets an innovative precedent for EU and international trade policy, as well as animal welfare. It should be reminded that Mexico is the fourth producer of eggs (most of them chicken) and the seventh in poultry meat, so that in this issue it is a key country that could promote cooperation in the application of the rules of the World Organisation for Animal Health (Grieger, 2020: 11).

The modernised agreement shall also protect geographical indications, in particular that of the foodstuffs and beverages characteristic of each party. In the case of Mexico, 20 geographical indications of food products are protected (mango ataulfo, Veracruz coffee, Papantla vanilla, handicrafts such as Talavera...). In the case of the EU, 340 indications are protected (champagne, Parma ham, Modena balsamic vinegar, Manchego cheese...) in addition to the protection that already exists for EU alcoholic beverages under the 1997 agreement on spirits, as amended in 2020 (Grieger, 2020: 11).

As a result, the EU and Mexico will reciprocally protect almost 600 geographical indications. It should be noted that, in 2018, a special registration procedure was established for the protection of geographical indications through amendments to its Industrial Property Law (Grieger, 2020: 11). In addition, the agreement provides for the protection and enforcement of intellectual property rights that go beyond what is established in agreements on trade-related aspects of intellectual property rights (TRIPS), such as copyright, related rights, industrial designs and trade secrets. These aspects benefit from rules in line with the most recent EU regulations (Regulation (EU) 2019/1753 of the EP and of the Council of 23 October 2019), following its accession to the Geneva Act of the Lisbon Agreement on designations of origin and geographical indications (Grieger, 2020: 10).

Customs procedures are also simplified, which will also benefit the European industry, including the pharmaceutical, machinery and transport equipment sectors. The agreement also pays attention to the revision of the rules of origin to include transparency and cooperation on sanitary and phytosanitary measures with common commercial partners (Grieger, 2020: 11).

Trade in services, such as financial markets, e-commerce, telecommunications, postal and courier services and transport, has been included in the services chapter. In the public procurement sector, both parties have extended their coverage at the state level. In addition, a chapter on digital commerce has been introduced, which proposes the removal of unnecessary barriers to online commerce (such as the charging of customs duties when downloading an application) and the establishment of clear rules to protect online consumers. The new agreement includes small and medium-sized enterprises (SMEs); mutual recognition of professional qualifications; and the promotion of transparency, anti-corruption and sustainable development (CEIGB, 2020).

With regard to the chapter on trade and sustainable development, a cooperation framework is established for the sustainable management of the supply chain and the sustainable use of biological diversity; in addition, a commitment is made to combat climate change (CEIGB, 2020: 8). Neither party may lower its environmental or labour standards with the intention of attracting investment. In addition, they retain the right to regulate to achieve public policy objectives, and effectively implement the ILO core conventions and multilateral environmental agreements (Grieger, 2020: 11).

As in the "trade and sustainable development" chapters of other EU preferential trade agreements, disputes between the parties will be governed by non-binding dispute settlement agreements that apply horizontally to the whole agreement and make it impossible to impose special sanctions. This is one of the most innovative chapters of the new agreement, since it sets out the objectives for building a more open and fair trade relationship, and in which the values of sustainable development are linked to the engine of trade.

Likewise, the new agreement includes the precautionary principle and sets out the commitments of the parties in the implementation of the Paris Agreement on Climate Change (2015). It also modernises the chapters of the rules of origin with regard to sanitary and phytosanitary measures, and with regard to industrial property rights.

In addition, it is the first EU agreement to contain provisions on the fight against corruption, in the areas of trade and investment, and in the public and private sectors (ICE Economic Bulletin, 2021: 158), through the promotion of integrity in these sectors, the improvement of internal controls, external audit and financial reporting. It also strengthens the fight against corruption by introducing compliance with the provisions of various international instruments, including measures to combat bribery and money laundering (in particular, the United Nations Convention against Corruption, which entered into force in 2005).

In the chapter on energy and raw materials, the agreement lays down rules on the adoption of transparent and non-discriminatory authorisation procedures that guarantee access for EU companies to the Mexican hydrocarbon and clean energy markets.

The agreement also includes a chapter on liberalisation and investment protection. It thus improves the conditions for investment and includes the Union's new Investment Court System, which should ensure transparency and the right of governments to regulate in the public interest. It also ensures that Mexico and the EU collaborate in the creation of a permanent Multilateral Investment Court (Grieger, 2020: 12). One of the main consequences of the inclusion of this chapter will be that privatizations and pro-business reforms in Mexico's oil and gas sector will be shielded (Olivet and Pérez-Rocha, 2016).

The new agreement will be the EU's fourth signed trade agreement that includes a permanent dispute settlement court between the parties and investors, following those signed with Canada (2016), Singapore (2018) and Vietnam (2019). This mechanism is made up of two instances and permanent arbitrators. It will ensure the protection of foreign investment and strengthen its certainty. It should be noted that this mechanism will replace bilateral agreements on the promotion and reciprocal protection of investments (APPRI). Mexico has 16 bilateral investment agreements with EU countries, which will be replaced by a single one, raising the level of investments (Grieger, 2020: 12).

Another innovative chapter is that which refers to public procurement, a critical area for investment. Both parties have agreed to ensure reciprocal access to public procurement. The agreement incorporates new generation disciplines, in terms of transparency, equivalent to those established in the Public Procurement Agreement within the framework of the WTO, to which Mexico is not a party (Grieger, 2020: 11). Mexico agreed to open, for the first time, access to purchase beyond the federal level, with 14 states willing to open their procurement markets to EU companies (Drazen and Blenkinsop, 2020; Dominguez, 2020: 6).

In addition, the modernised agreement between the EU and Mexico incorporates a paragraph aimed at reducing poverty and strengthening social cohesion, thus contributing to the implementation of the 2030 Agenda, in which this is an indispensable element. In this sense, social cohesion is a strategic axis of the cooperation relations between Mexico and the EU (EU Delegation in Mexico, 2021: 2).

Finally, the renewed EU-Mexico agreement is bound to align with the Sustainable Development Goalsof the UN 2030 Agenda (2015), the Addis Ababa Action Agenda on Financing for Development (2015), the Paris Agreement on Climate Change (2015), the new Consensus on Development (2017) and the EU Global Foreign and Security Policy Strategy (2016).

3.2. Potential impact of the trade and investment agreement

The effects of the modernised agreement can be indirectly estimated. Progress and achievements will depend on the combination of the new legal framework, the political will of governments to maximize their potential and the actions of economic agents to take advantage of trade and investment opportunities (Dominguez, 2020: 3). The agreement's estimates, based on current economic trends and the possible incentives that legal innovations bring to the relationship, are positive. One of the most important positive trends is the steady growth in the volume of trade flows between the EU and Mexico. Unlike Brazil (the largest Latin American economy, and the EU's main trading partner in Latin America for decades), trade between the EU and Mexico has increased to the point that Mexico became the EU's eleventh trading partner in 2018, displacing Brazil, which fell to thirteenth place (SIA, 2019; Dominguez, 2020: 4).

Regarding the economic pillar, LSE Consulting carried out in 2017 a sustainability impact assessment of the agreement entitled "Sustainability Impact Assessment in Support of the Negotiations for the Modernization of the Trade Pillar of the Global Agreement with Mexico" (SIA). This assessment, whose initial version is of 2017 and the final version of 2019, analysed the economic, social and environmental potential of the modernisation of the agreement, and the main conclusion reached was that there would be a benefit for both parties: total exports of goods and services from the EU to Mexico could increase by 17%, in the conservative scenario, and by 75% in the more ambitious scenario. Imports of goods and services from the EU could increase by 9.3% in the most conservative scenario and by 32.5% in the most ambitious scenario. Similarly, in the most ambitious scenario, EU GDP would increase by 1.8 billion euros, while Mexico's GDP would increase by 6.4 billion euros (SIA, 2019: 4; Dominguez, 2020).

This assessment also mentioned that the modernisation of the GA would allow 99% of merchandise trade between the EU and Mexico to be duty-free. According to EU estimates, savings for EU exporters were estimated at €100 million per year, a result of tariff changes, essentially due to the impact of the inclusion of food and beverages (SIA, 2019: 5). In addition, the SIA predicted that, for every €1 billion of exports to Mexico, 14,000 jobs could be created in Europe. In the conservative scenario, estimates of cross-sectoral changes in employment are much lower, for both the EU and Mexico: approximately 5,000 unskilled jobs and 2,800 skilled jobs in the EU, and around 21,000 unskilled jobs and 4,500 skilled jobs in Mexico (SIA, 2019: 5).

The SIA suggested liberalising trade to improve energy management and boost renewable energy. The liberalisation in these areas would promote their development and strengthen the exchange of green technology between the EU and Mexico, favouring a transition towards green energy. It also noted the importance of the chapter on public procurement and the provisions to ensure reciprocal access of both EU and Mexican companies to public procurement markets. Mexico, as indicated, would thus open its markets for the first time, not only at the federal level, but also at the sub-federal level, which would create new business opportunities.

With regard to the chapter on sustainable development (which calls for the implementation of the Paris Agreement and trade promotion that contributes to the decarbonisation of economies) a study by Power Shift and the Transnational Institute (TNI) points out that there is a lack of a sanction mechanism for cases in which the international environmental framework is violated or human rights are violated. Thus, although the agreement adds a chapter on social and environmental provisions, the possibility for the people concerned to hold investors accountable for environmental, human rights or labour standards violations is not consolidated. In this sense, the SIA already recommended strengthening trade and sustainable development mechanisms, by virtue of their positive effects on the implementation of the international environmental framework, on compliance with labour standards and on the protection of human rights in Mexico.

Moreover, the Power Shift and Transnational Institute study mentions that the GA is the first agreement that includes a chapter for the protection of investments that the EU makes, as a bloc, in a Latin American country. This chapter makes it possible to safeguard private interests through the judicial investment system (ICS). As an example of the type of situations that can be resolved with this chapter, we can refer to the following: currently Mexico is the second country in the world that has received the most claims before investment arbitration courts for measures taken in the context of the COVID-19 crisis, in particular, for imposing restrictions on the production of renewable energy after the fallin electricity demand caused by the pandemic.

The government issued two resolutions suspending the entry into operation of renewable energy plants and which, in the midst of the pandemic, limited generation by wind and photovoltaic power plants. These measures affected European transnational energy companies: three Spanish (Iberdrola, Naturgy and Acciona), one Italian (Enel) and one French (Engie). They also affected Canadian (ATCO) and American companies (Finley Resources Inc., MWS Management, Prize Permanent Holdings, among others), who had invested in the renewable energy sector in Mexico. The country faces nine lawsuits from European investors before the International Centre for Settlement of Investment Disputes (ICSID). The government has argued that the changes introduced (which give the government greater power to control the Mexican energy market) were necessary during the pandemic and were intended to "maintain energy security and independence" and to guarantee "the supply of electricity", especially essential services, such as the health system.

3.3. Challenges in the implementation of the agreement

As has been said, the modernised agreement is not limited to updating the trade pillar, but both sides are committed to cooperating on issues such as climate change, human rights, the fight against poverty or corruption. Joint cooperation to deepen these areas and achieve the common objectives will be one of the main challenges of the agreement.

Certainly, it is expected that there will be differences with the European and Mexican climate agenda. Already in 2020, the EU sent a letter to the Energy Secretariat to express its disagreement and concern about the future of renewable energy in Mexico. But it does not seem that politics will change in the coming years; this is a point to consider. As a direct example, the EU has already refused to ratify trade agreements that are not in line with its climate agenda, as has been the case with the agreement with Mercosur, following the position expressed in 2019 by French President Emmanuel Macron. For its part, Mexico faces a set of important challenges related to respect for human rights and, more specifically, to the indications of international organizations and organizations to resolve the migration crisis in the south of the country and on the care provided to migrants in transit.

The EU is one of the main promoters of sustainable development in the global context; meanwhile, the orientation of the current Mexican federal government's energy policy is far from pursuing these ends. One issue that has attracted international attention is the electricity reform initiative in Mexico launched by the government of President Andrés Manuel López Obrador to dismantle the 2013 energy reform. The proposed change in the rules of the electricity market, which favours the power plants of the Federal Electricity Commission (CFE), increases regulatory uncertainty, limits free competition and hits both private investment in the energy sector and the use of renewable energies. This is a material change in the rules of the sector (which have so far attracted domestic and foreign investment) which creates significant solvency risks for private sector investments in electricity generation.

In this regard, two crucial moments can be noted in 2021: 1) on February 1, 2021, when the draft decree reforming and adding various provisions of the Electricity Industry Law for preferential processing (Federal Executive Power, 2021) was presented to the Congress of the Union, and 2) on September 30, 2021, the day on which the initiative to reform articles 25, 27 and 28 of the Mexican Constitution (Federal Executive Power, 2021b) was presented.

Several provisions of the proposed electricity reform may violate the Mexican Constitution (including the rights to a healthy environment, comprehensive and sustainable national development) and may be considered to be anti-competitive. The electricity reform also violates Mexico's rights to foreign investors. Faced with this panorama, the Mexican Institute for Competitiveness (IMCO) has stressed that the constitutional reform favours the CFE, limiting the participation of private industry in the Mexican electricity market and dismantling the regulatory institutional structure of the current electricity market. In addition, the reform reduces the country's competitiveness (by raising electricity costs for Mexican households and businesses), harms the environment and undermines the rule of law in a key sector for the national economy (IMCO, 2021: 1). It should be stressed that the reform proposes the elimination of the Energy Regulatory Commission (CRE) and the National Hydrocarbons Commission(CNH), so that their powers are transferred to the Ministry of Energy. The IMCO mentions that with this reform the CFE is strengthened, as it is granted 54% of the market share of electricity generation. "Strengthening the CFE involves recognizing that the company does not have the resources to be the only player in all links of the electricity value chain (generation, transmission, distribution and marketing" (IMCO, 2021).

This initiative takes up elements of the reform of the Electricity Industry Law of March 2021, currently suspended due to litigation before the judiciary. Another of the implications that this reform has generated the most criticism is the elimination of the Clean Energy Certificates (CEL), without which the fulfilment of the commitments that Mexico has established in terms of energy transition within the framework of the Paris Agreement becomes unfeasible (IMCO, 2021).

This initiative has generated uncertainties among investors in the electricity sector. As a result, they are moving their projects to Central and South America, according to the International Chamber of Commerce Mexico (Usla, 2021). On the other hand, the EU ambassador to Mexico, Gautier Mignot, has assured that companies in the sector live days of uncertainty, since private investment has been paralyzed (Santos-Cid, 2021).

The reform initiative in the electricity industry transcends the international level. In this field, it is necessary to consider who are the largest investors in the sector in Mexico and who could be listed as competitors. In the interior of the country, the role of government institutions is to defend their reform proposal, where the State would take the reins of the electricity sector. The aim is to provide a better service to citizens, as the reforms of past governments have not generated great changes that benefit the population. The plan is to strengthen the CFE so that it becomes the central institution of this sector; that is the approach.

In this way, it is possible to propose two scenarios that have a direct impact on the international sphere, in the context of the US-China trade war. In the first scenario, if the reform of the electricity sector proposed by the Mexican government is approved, the role of the State in this sector will be strengthened, which will obtain 54% of the market share; the remaining 46% would remain in domestic and foreign investment.

It must be clear that the US is Mexico's main trading partner and that this reform represents a bifurcation between its economic interests and its geopolitical power. On the one hand, as a result of the possible approval of the reform proposal, there has been a climate among US investors that has led to capital flight and uncertainty regarding the investments that are maintained in Mexico. On the geopolitical side, the approval of the reform will represent, in some way, a barrier to the entry of international investment, but not only from investors in the US, but also from China, which is increasingly expanding, despite the fact that the modernized treaty between Mexico, the United States and Canada (T-MEC) has a specific clause that limits investments from countries that do not have an open market (art. 32 T-MEC). In other words, the Mexican electricity reform could, in this sense, suit the geopolitical interests of the United States, since it would diminish China's presence in Mexico, which is its immediate partner. Moreover, the approval of such a reform could trigger a huge wave of similar reforms in other current Latin American governments, which have turned left.

In the second scenario (in which the reform would not be approved in the terms proposed by the executive) the proposal of the previous six-year period, in which this sector was opened to foreign investment, would remain in force. On the investment side, investors' levels of certainty would grow under the rules they already know. But, in the context of the trade war between the US and China, the latter would consolidate its presence in this sector in Mexico and, consequently, in Latin America.

In either scenario, the EU (in line with the strengthening of its strategic autonomy) would have to ratify the agreement with Mexico so as not to remain an irrelevant player among the powers that play global power, the US and China.

4. Partnership agreements and new models for post-pandemic development

The COVID-19 crisis has had economic, social, political and geopolitical repercussions that have affected key aspects of the EU's foreign policy. This has caused the Union to have to redesign its trade policy in support of its geopolitical interests in order to deal with the US and China. Brussels has set out to be more "assertive", taking new measures to respond with reprisals to "coercive actions". Thus: "Trade policy must play its part in recovering from the COVID-19 pandemic and in the ecological and digital transformation of the economy, as well as in building a more resilient Europe in the world" (European Commission, 2021).

The EU's external trade policy must take into account global challenges and trends in order to show the political ambition of "a stronger Europe in the world". These challenges are due to the fourth industrial revolution, climate change and its social effects. In order to make the EU stronger and more resilient, it is necessary to "combine internal and external action in multiple areas of action, harmonising and using all trade instruments in support of the interests and objectives of the Union, taking advantage of its strengths and its relations with its partners" (European Commission, 2021: 5). To do this, it must work on its strategic autonomy.

Trade policy therefore focuses on three key objectives: (a) supporting the recovery and radical transformation of the EU economy in line with its objectives; (b) shaping global standards for more sustainable and fair globalisation; and (c) increasing the EU's capacity to defend its interests and enforce its rights, including autonomously where necessary (European Commission, 2021: 10-11).

The European Commission will thus strive to reap the benefits of the Union's network of bilateral trade agreements, which "facilitates trade in green technologies, goods, services and investments, together with the firm fulfilment of its commitments on market access and sustainable development". The new strategy seeks to appease the moods of a number of EU partners, including growing misgivings about trade agreements. These reservations no longer come only from France or Belgium, but also from Austria or the Netherlands, the natural successor of the United Kingdom in carrying the flag of free trade.

A first step towards optimising the EU's strategic autonomy is, in any case, to make the most of its trade policy and the trade, partnership and cooperation agreements it maintains in the world, which it is currently modernising or signing for the first time. This is based on the premise that the EU can lead a commercial transformation and a regulatory order based on democratic values, the defence of human rights, the care of the environment, the commitment to the 2030 Agenda, and the construction and maintenance of a functional multilateralism.

The EU has extensive experience in generating processes geared towards the creation of a regulatory and institutional order. The Union itself is the product of a system in which law has been the de facto instrument of its construction: "No one imposes itself, much dialogue is required, continuous transaction, taking into account others, many States, many institutions" (Mangas-Martín, 2018).

In this sense, the EU's latest trade agreements are created under the following premises: export a regulatory model that incorporates the basic principles of free trade; boost the digital transition (in order to eliminate technological gaps) and include social and environmental standards that the parties must comply with to maintain these agreements. The aim is to ensure that the benefits are mutual and that, in addition, the agreements contribute to the implementation of international agendas aimed at sustainable development. As reference examples, the European Green Deal and the European Digital Strategy present new, more sustainable models of growth. It should not be forgotten that the Green Pact is a roadmap in line with the SDGs of the UN 2030 Agenda.

The EU's trade agreements represent a mechanism for enhanced cooperation to achieve its geopolitical ambitions. In addition to strengthening its relations with other countries, these agreements create alliances that lay a firm foundation for building a trade and rule-based order. To this end, the European Commission has set out to focus on six areas:

"1) WTO reform; 2) support for the ecological transition and promotion of responsible and sustainable value chains; 3) support for the digital transition and trade in services; 4) strengthening the regulatory impact of the EU; 5) strengthening EU partnerships with neighbouring, candidate and African countries; and 6) strengthening the EU's focus on the implementation and enforcement of trade agreements, and ensuring a level playing field" (European Commission, 2021: 12).

Moreover, this EU strategy is in line with the measures currently known and aimed at strengthening the implementation and enforcement of trade agreements. It stresses the importance of existing mechanisms, such as the appointment of a trade compliance director, the establishment of a "one-stop-shop" tool and the use of the Aid for Trade Plan to support best practices and the proper implementation of agreements in developing economies. At worst, the introduction of sustainability commitments without effective mechanisms or processes to hold business partners accountable only overloads agreements with inapplicable content (Blot and Kettunen, 2021).

Undoubtedly, the timely involvement of stakeholders (when they provide up-to-date knowledge of their critical environmental problems) reinforces the environmental, technological and sustainability dimensions of trade agreements. Analytical rigour and improved data quality make it possible to better understand the impact of agreements in the areas identified, with ex-post evaluations that help stakeholders monitor their effects and hold their government accountable.

In addition, the new EU Multiannual Financial Framework (MFF) 2021-2027 should be taken into account, in which, following its review, the European Commission has simplified the instruments dedicated to external action. Thus, the new Neighbourhood, Development and Cooperation Instrument (IVDCI-Global Europe) merges most of the geographical and thematic instruments of the previous MFF. Global Europe has an innovative and simplified financial structure for investment outside the EU. It is based on the European Fund for Sustainable Development Plus (EFSD+), and supported by the new External Action Guarantee (EAG), which has the potential to mobilise technical and financial resources amounting to €68 billion. In this new programming, it should be noted that the principle of policy first is an "emerging concept in EU external action, which currently only has practical experiences of the EU's regional technical cooperation programmes with Latin America and the Caribbean" (Jung Altrogge, 2021: 8). Undoubtedly, this concept and its practice will be of vital importance for cooperation between the two regions, in the face of a new MFF in which the Latin American region is not presented as a priority.

Despite this, the Commission's regional Multiannual Indicative Programme (MIP) for Latin America and the Caribbean (2021-2027) states that the implementation of the EU's trade and association agreements with the region should be promoted as a mutually beneficial instrument for economic recovery. The modernised GA between the EU and Mexico is thus a relevant tool for deepening relations between the two sides and will provide strategically priority cooperation opportunities for the EU, including: (a) promoting an ecological recovery, (b) social cohesion and combating inequalities, and (c) democratic governance, including human rights, security, justice and migration (MIP, 2021-2027: 44-45). These are the areas with added value, as they can become a driver of significant change for the achievement of the SDGs, while promoting the EU's global principles. All this with the participation of actors such as civil society, academia, experts, the private sector and relevant regional bodies (IPM, 2021-2027: 44).

In the case of the modernization of the AG, key points are incorporated that can contribute to the strategic autonomy of both parties, in particular, institutionalized participation, organized civil society (with a binding legal basis) and the Joint Parliamentary Committee of the Senate of the Republic. These two parties have played a central role in the Mexico-EU dialogue. The incorporation of players into the modernized GA provides a platform for action that opens a window of opportunity for the enforceability of the social clauses of the agreement, and for its permanent review and evaluation.

Through the Regional PIP for Latin America and the Caribbean, the EU will support a range of continental/multi-country Team Europe (TEI) initiatives. The TEIs address priority and strategic issues on which the EU could have a transformative impact, becoming the reference partner, together with the Member States of the Union, the European Investment Bank (EIB) and the European financial institutions. The initial proposal for the region is as follows: the Green Pact with an ecological transition TEI and a TEI for the Amazon basin, a TEI for an EU-Latin America and Caribbean Digital Alliance, a TEI for Justice and Security, and a TEI for inclusive and egalitarian societies (NDICI-Global Europe Programming, 2021: 9).

However, trade and new policies that have to do with the European Green Deal and sustainability will not be without problems between the dominant industry and the change they represent (Benjamin, 2021). The "greening of trade" must open the door to new and strong laws, and institutions that support this change, in line with international agreements, such as the Paris Agreement and free trade agreements, all in an environment of transparency and equity (Deere Birkbeck, 2021).

The EU is committed to working with like-minded partners to promote investments in connectivity and sustainability, mobilising €300 billion ($340 billion) in public and private infrastructure investment (planned for 2021-2027). Global Gateway projects will be developed and delivered through TEIs. The EU institutions and Member States, together with their financial and development institutions, including the EIB and the European Bank for Reconstruction and Development (EBRD), will work with European companies, as well as with governments, civil society and the private sector in partner countries (European Commission, 2021). In addition, the ERDF+ (2021-2027) will make 135 billion euros available for guaranteed investments in infrastructure projects and 18 billion euros in grants. Funding from the European budget and financial and development institutions amounts to 145 billion euros (European Commission, 2021).

In Mexico, the EU (together with its Member States and the EIB) will contribute with more than €20 million to the Global Gateway initiative for the green transition in four areas:

the circular economy (waste management, agriculture, water management); the energy transition (energy efficiency and renewable energies); sustainable mobility and, finally, ecosystem-based solutions (conservation of oceans, biodiversity and forests) (EU Delegation in Mexico, 2021). These are examples of what is called Team Europe initiatives, where we work with partner countries to support a green and digital transition.

Since the beginning of Von der Leyen's mandate, parallel transitions (climatic and digital) have been present in his Geopolitical Commission. With the new Global Gateway strategy, the EU promotes these transitions on a global scale. Global Gateway is presented as an alternative to the enormous potential of the Chinese Belt and Road program. The Global Gateway programme can also be seen as a response to the challenges presented in the context of the geopolitical conflict between the US and China.

The EU is defining strategic, flexible and variable partnership and alliance agreements with various countries in order to maintain the influence of its regulatory power and not to be left out of the current geopolitical dispute. Along these lines, their work of cooperation with Latin America through large regional programmes is relevant, not only because they have an impact on a single country, but also because they are initiatives that have been approved en bloc, at the level of CELAC and the EU. From the bi-regional negotiation between these organisations it is possible to glimpse part of the response that the EU projects towards the world.

On the other hand, in the framework of its cooperation with the region, the EU has opened the projection of its green agenda and its blue agenda, in which it has introduced its new programming for the next decade, promoting sustainable development, innovation, digital transformation, the development of technologies, the green and circular economy, together with green jobs. In this way, although the EU may not reverse China's investment balance in the region, the presence and monitoring of its green and blue agendas in Latin America will have a qualitative weight.

The Digital Partnership between the EU and Latin America and the Caribbean is one of the most relevant points on the Blue Agenda, and is specifically reflected in the deployment of the transatlantic fibre optic cable (EllaLink) between the two regions. This cable will soon be extended to several Latin American countries, through the BELLA program, and is expected to boost digitization processes, business, trade, education, and data-driven scientific research between the two regions. This project is a good example of how the EU can use its budget to support bi-regional public-private cooperation in this key area.

In turn, international digital partnerships will provide the opportunity to articulate research actions with the private sector, and can get the EU to lead 6G projects, using digital technology to address climate change and environmental challenges. In Europe, the Centre for Digitisation for Development(CentroD4D) will promote people-centred international digital partnerships, building on the Team Europe initiatives to achieve coordinated impact (European Commission, 2021: 12).

It should be noted that, for its part, Mexico participated in an initiative for adaptation and resilience to climate change in the Caribbean (Mexico-Caribbean Community-FAO), in addition to an initiative to strengthen food security (Mesoamérica Sin Hambre), and in the implementation of a platform to strengthen the tourism sector, through virtual training with the countries of the Pacific Alliance. On the other hand, through the EUROsociAL+ cooperation program, employment has been promoted in vulnerable populations and policies aimed at protecting migrant children and adolescents have been supported within the framework of the Binational Border Strategy Guatemala-Mexico, which aims to territorially plan the actions of both countries to promote their lagging development (EU Delegation in Mexico, 2021: 2).

4.1. Strategic autonomy through trade

The pandemic can represent a key moment in the reconfiguration of the world order. The health crisis, and the subsequent economic and social crisis, have led to questions about the role of central governments and international, regional and interregional organizations in addressing problems effectively. Alongside this,we must bear in mind that today's world is too complex to think that there is a single hegemonic order.

This being the case, it is particularly important to note the role that China can play on the international scene. This country has gone from having a moderate and discreet strategic diplomacy to a more proactive and assertive one, which involves the construction of authoritarian narratives to reorganize the global order, as an alternative to the liberal vision (Chang, 2021: 27-28). Faced with the emergence of new threats and challenges, which make it necessary to intensify and boost international cooperation, the EU is willing to "repair the economic and social damage caused by the pandemic and prepare the future for the next generation" (European Commission, 2020). In this way, it has proposed the development of its strategic autonomy inside and out, as part of an "interdependent management framework, of shared responsibility and with an associative spirit" (Molina-García and Benedicto-Solsona, 2020: 69).

This strategic autonomy implies acting and cooperating with international and regional partners, as well as an autonomous capacity for action in any of its competencies (Molina-García and Benedicto-Solsona, 2020). "For the EU, this requires more coherent action, combining objectives and means in different areas of action, assuming that issues of trade, environment and sustainable development are also foreign policy issues, in a more repoliticised and integrated logic" (Sanahuja, 2021).

Following the multilateral crisis and the protectionist measures maintained by the previous US government, the EU has faced the challenge of leading a new rule-based order, based on trade. This is important because, ultimately, a global trading system with competing blocs leaves the WTO weakened and prone to conflict; this could amplify the growing protectionist sentiments and zero-sum visions of trade relations rooted in the logic of relative gains. Given the leadership vacuum in the field of world trade, the EU must intensify its regulatory approach and build alliances with other like-minded actors (especially with middle powers), if it is to maintain a rule-based liberal order, on which its power and prosperity depend (Postnikov, 2020).

In this sense, the European Commission headed by Ursula von der Leyen has taken on a geopolitical and geostrategic character. The EU remains active in its extensive global convening capacity, being at the heart of a global network of alliances and being one of the pillars of the multilateral system. Thus, the Commission advocates a profound reform in the WTO, involving a dispute settlement system, while continuing to strengthen its trade agreements in order to defend its interests, in strict adherence to international law (European Commission, 2020: 8-9).

The coherence of a trade policy that emphasises its multilateralist vision, the provision of global public goods and sustainable development will be a challenge that the EU will have to face if it is to become a regulatory power. According to Mangas-Martín, "the EU is 'the' export power of regulations in this global era. It is a normative power, or global regulator, whose rules, with undoubted extraterritorial effects, contribute to the governance of global society" (Mangas-Martín, 2018: 86).

The normative dimension focuses its attention on foreign policy, since, through it, the EU exports to the world the values that gave rise to it: democracy, human rights, peace and multilateralism. It does so, in particular, through its international trade agreements. Through its trade policy, the EU has become an "ambitious exporter of rules that it promotes, precisely through its free trade agreements and/or within international organisations", mainly in multilateral fora. "Such promotion is a reflection of its unique nature and identity, since they are the same rules that regulate the endogenous dimension of the European project" (art. 2 and art. 3.1 to 3.4 TEU). These norms, in turn, "define and articulate their exogenous dimension" (art. 3.5 and art. 21 TEU; Rodríguez-Prieto, 2019: 78). This singular and normative nature is precisely what makes the EU a true "changer of norms"; this is its differential feature compared to other actors on the international scene.

The EU's regulatory export capacity is based on universal principles, insofar as they are reflected in international institutions and are recognised within the framework of the United Nations. These fundamental principles transcend their purely European nature, being cosmopolitan, which in turn reinforces their export possibilities. The regulatory impulse is what, in short, can change the status quo of the international scene (typical of the traditional Westphalian system), moving towards a scenario different from that of globalization, which is based on a neoliberal ideology that impacts on increasing inequalities (Rodríguez-Prieto, 2019: 78). In this sense, the EU has been characterised by promoting, through its external instruments and policies, regulations that are framed in a "logic of the appropriate", bringing the principles of democracy, human rights and protection/promotion/generation of global public goods to the whole world.

Strategic autonomy is based on the EU's transformative power on the international stage, and is characterised by the export of standards, which take hold in the very process of integrating the European project. If we stick to the classic definition of the ability of a political unit to protect its interests, have its own vision of the international context and influence other entities to solve problems and situations that interest it, the EU is a power. In fact, it represents a way of contributing to the governance of globalization. With its strengths and weaknesses, the EU has already assumed its own original role in international society: a stabilising function and a model of peace and well-being, guiding numerous peoples and states (Mangas-Martín, 2018: 86).

The EU can lead a new system that wields rules-based trade as a banner. Accordingly, it can refine free trade agreements with special chapters on sustainable development, with social and labour clauses, and with all kinds of mechanisms aimed at improving economic asymmetries. But, however well these inclusions are received in the agreements, if the parties do not implement and enforce them effectively, they will be in vain. "Unfortunately, this is the area where the EU trade policy regime has failed the most" (Blot and Kettunen, 2021).

However, the "Brussels effect" is latent and undeniable and, as indicated, the EU's global regulatory influence is sustained through different channels: trade agreements, central participation in international institutions, transnational networks and, of course, adoption of EU regulations, by countries and organisations, under other modalities: either by participating in legislative loans, replicating EU institutions, citing legal concepts and principles developed by European courts or participating in "imitative" litigation in cases in which the EU has acted first (Bradford, 2020: 67).

In this respect, can the association agreements contribute to the strategic autonomy of both regions and to the strengthening of multilateralism? The EU, as stated above, is a true "rules-exporting" entity which, through its external action, has projected its values to the world. Then, in combination with the strategic autonomy approach, it will be able to strengthen its structures both outwardly and inwardly, using trade as a key pillar.

For its part, Mexico shares these values and, after the 20 years of political dialogue established by the AG, maintains common positions with the EU. With regard to calls for attention to its specific cases of human rights violations, the country has responded to and undertaken cooperative initiatives to improve its rule of law. On the trade side, and after the tough negotiations, Mexico faces its commercial diversification before the European market, after the update of its free trade agreement with the United States and Canada (NAFTA, now T-MEC), its main markets and commercial partners.

5. Conclusions

In order to strengthen its geopolitical role and reaffirm its international power to achieve "more responsible and fairer globalisation", as well as to contribute to the global green, technological and sustainable development transition, the EU is pushing for a new rules-based trading system. It is also working on greater cooperation with its trading partners, through its extensive network of association and free trade agreements, a key point for advancing its strategic autonomy.

In its relationship with Mexico, the modernization of the GA was based on three pillars (trade, cooperation and political agreement) which have been strengthened over 20 years. In relation to political dialogue, although both civil society and the Joint Parliamentary Committee of the Senate of the Republic of Mexico did not have a binding legal framework, they have been two of the actors that have provided the most activity to the dialogue. These actors have created and institutionalized participation mechanisms, which have been provided with binding clauses in the modernized AG.

For their part, the EU institutions participating in the dialogue have taken a firm stand against human rights violations committed both in Mexico and abroad. Given this, Mexico has taken up the recommendations to work on issues of internal institutional strengthening, security, justice, human rights or gender-based violence, among others. In this way, the cooperation pillar has also been oriented to address crucial issues discussed in the political dialogues, hence some of the programs in implementation are related to these issues.

Commercially, the new agreement between the EU and Mexico comes in a different context from 20 years ago, due to the financial crisis, China's power in the trade field, doubts about US leadership and technological revolution. For this reason, the agreement states that "it will strengthen the leadership of the EU in shaping globalisation by establishing trade rules that are in line with the fundamental values of the EU and protect the interests and sensitivities of the EU". As mentioned above, the EU wants trade agreements to reinforce the regulatory dimension in the field of international trade.

Moreover, the intensification of economic and investment relations has been a constant between Mexico and the EU. Its trade has grown four times since the start of the GA and Mexico is currently the EU's second largest trading partner in Latin America and the Caribbean, behind Brazil. For Mexico, the EU represents a commercial actor with which it can diversify its economy, and not focus only on its main market. Finally, the modernization of the GA represents a basis for advancing the strategic autonomy of both regions, strengthening multilateralism and articulating an international regulatory structure that has trade as its main element.

The modernised GA belongs to a range of state-of-the-art EU agreements incorporating specific social clauses (on human rights, labour rights and the environment. In order to ratify the modernised AG, the agendas of both sides must coincide on crucial points (such as the ecological transition that the EU advocates with the Green Deal) and incorporate regulations into their economic partnership agreements. In this sense, it is important to highlight the political will of the governments in office in countries that, like Mexico, have negotiated the updating of their agreements with the EU by undertaking a redefinition of agencies and structures aimed at achieving common positions on crucial issues in the multilateral arena. The key will lie in the scope of trade openness to ensure this sustained growth.

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7. NEW CHALLENGES FOR THE EUROPEAN UNION'S MULTIPARTY TRADE AGREEMENT WITH PERU, COLOMBIA AND ECUADOR

Alan Fairlie Reinoso

1. Introduction

The current crisis has impacted Latin American economies on five fronts: fall in commodity prices, outflow of investments, paralysis of tourism, interruption of value chains and reduction of demand from the main trading partners (Bárcena, 2020).

In terms of integration agreements, the Andean Community of Nations (CAN) has been one of the most affected. With the pandemic, intraregional trade has contracted by -24%, and the intraregional trade coefficient has also been reduced, although in the pre-pandemic scenario it was already below the Latin American average (ECLAC, 2021). Foreign direct investment (FDI) has fallen significantly in countries such as Peru, Colombia and Ecuador, which tend to concentrate FDI and its export basket in extractive sectors (UNCTAD, 2020a).

In this situation, regional integration and trade are indispensable tools for promoting the recovery of economies. These instruments should facilitate the transition to a new, more inclusive and sustainable development model. Therefore, it is considered strategic to strengthen ties with partners such as the European Union (EU). Within the framework of the agreements signed, issues of deep integration in force have been included in the sustainable development agenda, which are key to accelerating the reactivation and resuming the path of inclusive growth for the benefit of the population.

Trade relations between the EU and the Andean countries were subject to the Generalised System of Preferences (GSP), an autonomous and temporary tariff scheme implemented by the EU. This system granted trade preferences to all developing countries, providing total or partial exemption to imports from developing countries and territories, subject to compliance with requirements in the field of labour and the environment.

Subsequently, the Multi-Party Trade Agreement (MTA) between the EU and Colombia, Peru and Ecuador was promoted within the framework of the Economic Partnership Agreement (EPA) between the CAN and the EU. With this agreement, the CAN was placed in a broader and more comprehensive negotiation scenario, since it included in a constitutive way dimensions related to the strengthening of democracy, the State and its institutions, or the formulation of cooperation and technical assistance agreements between the associated countries, among others. Both blocs established guidelines for conducting the regional negotiation.

On the side of the CAN, Decision 667 was enacted, establishing the legal framework for the negotiation of this agreement that formally began in 2007. However, it was not achieved because of the fragmentation of the CAN (due to the departure of Venezuela, as well as the contrary position of Bolivia and Ecuador). This led the EU to negotiate bilaterally with Colombia and Peru and, subsequently, with Ecuador.

In this way, the MTA has had an impact on Member States' trade flows, but also on sustainable development, since the MTA not only incorporates trade issues, but also promotes the balance between economic development and respect for labour and environmental rights, as well as fostering an open dialogue with civil society, in order to receive input on its implementation.

2. Impact of the agreement on economic relations

2.1. Impact at the economic-commercial level

The EU is the second largest trading partner of the Andean community, while for the European bloc the CAN as a market accounts for less than 1%; its importance is therefore relative. Andean exports to the EU show a relative concentration (SGCAN, 2020); however, this basket of exports is more diversified, compared to other partners such as China.

In the case of Peru, the EU is the third largest trading partner; the country concentrates 72% of trade in Spain, Germany, Italy and the Netherlands. The main Peruvian products exported are agricultural, mineral and fishery goods, while the EU exports mainly pharmaceutical products, steel and vehicles.

In the eight years of the EU-Peru Trade Agreement, exports have decreased by an annual average of -5.4%, given that shipments of traditional products fell at a rate of -11.6%, but non-traditional products grew by 5%. Likewise, 43.5% of the total exported corresponded to non-traditional shipments. In this period, the items with the highest growth were agriculture and fishing. On the other hand, in the field of traditional exports, the mining sector has a share of more than 40%.

Additionally, improvements have been evidenced around the diversification of the export basket, given that 1,065 new exported products have been generated (97.8% of items were concentrated in the non-traditional sector), and 4,135 new exporting companies have been created, mostly micro and small businesses (88.7%). Likewise, commercial opportunities have been identified for Peru in the European market, through the following products: roasted coffee, almond, orange juice, kiwi, raspberry and blackberry (MINCETUR, 2021b).

For Colombia, the EU is the second largest trading partner, after the United States, with a share of 11.2%. Within the framework of the evaluation promoted by the EU, it is highlighted that there is a positive, but small, impact of the Colombia-EU Agreement on trade of goods. It should be noted that, since this agreement, there have been few changes in the composition of Colombia's exports, mainly at the level of extractive products, and that the benefits have accumulated mainly in those sectors that have an existing comparative advantage.

Since the entry into force of the agreement, the trade balance has been in deficit for Colombia. The reduction in total EU imports from Colombia since 2013 has led to a continuing trade deficit which, while it has stabilised, still remains high.

In terms of diversification of non-mining-energy exports, the concentration index shows that it has moved to a lower market concentration in 2020. Likewise, in the basic industry and light industry sectors, Colombia has a greater number of products in which it has revealed comparative advantages, in relation to the EU market. In addition, the analysis of intra-industrial trade – by sector and productive chain – shows that agribusiness, first and foremost, followed by light industry, account for the majority of this type of trade.

Colombia's exports to the EU have performed better since the agreement entered into force (European Union, 2021). The positive impacts are concentrated in a few sectors: vegetables, fruits and nuts, and crops. However, it also points to a potential negative impact on small producers in the dairy sector, which compete with EU imports.

Regarding Ecuador, the EU is the main destination for its non-oil exports (22% in 2020). These have added an average value equivalent to 486 million dollars in the period 2011-2021. The non-oil trade balance has been positive historically and has deepened after the agreement. The main products exported between 2018 and February 2021 have been: bananas, shrimp, canned fish, natural flowers and cocoa (Ministry of Production, Foreign Trade, Investments and Fisheries of Ecuador, 2021).

The free trade agreement (FTA) between Ecuador and the EU has made it possible to shorten the tariff difference by 20% with respect to its competitors in the entry of bananas on the European market; it has also incorporated 190 new export products and has implied the emergence of 450 new export companies (Ministry of Production, Foreign Trade, Investment and Fisheries of Ecuador, 2021). While there is a positive impact on trade in goods, there has been little change in the composition of Ecuador'sexports to the EU, and the benefits have accrued mainly in those sectors that have an existing comparative advantage and in services.

In the case of the EU, the European Parliament (2019) points out that —like the Andean countries— the bloc has benefited from the agreement, in terms of improving market access, in exports from industrial sectors such as machinery and vehicles, as well as in those of the pharmaceutical sector.

Regarding EU services exports to the Andean countries, they are more diversified, although the transport and travel sectors predominate in all cases. For Colombia these are travel, air passenger transport and information technologies. In the case of Peru and Ecuador, it is noteworthy that the bloc maintains a positive balance (European Union, 2021).

In that regard, the agreement has had a positive impact on the exports of all Parties; but it is small because, previously, through the GSP, a large part of the products had been liberalised.

The analysis of the diversification and technological content of the exports of the Andean countries shows a reproduction of the primary export pattern, despite the increase in the number of subheadings exported. In 2019, 61 products accounted for 90% of the value of total CAN exports; a situation that does not vary significantly compared to the year 2010 (51 products) (SGCAN, 2020).

While the importance of products exported by the EU varies between partners, EU exports tend to be more diversified than Andean exports to the Union. This shows that trade with third countries is inter-industrial. These asymmetries show the usual pattern of North-South trade; therefore, there is limited diversification. Thus, the European Parliament (2018) points out that it can be inferred that the FTA with the Andean countries works as a stabilising mechanism for the exchange of goods between the partners.

Although the trade of these countries with the EU still has an asymmetric balance – and with North-South patterns, concentrated in raw materials and natural resources – the EU can influence the creation and strengthening of regional value chains and regional integration by having a dynamic role of non-traditional exports in the Andean region. Likewise, enhancing these trade flows with these new markets for value-added manufacturing and services can favour the development of industry and other non-extractive productive sectors.

On the other hand, the EU is one of the largest sources of FDI in the Andean countries (Spain stands out as one of the main ones), although there is a high volatility of bilateral flows between the EU, and Colombia and Peru, due to various factors that are not necessarily attributable to the application ofthe FTA (European Parliament, 2019). However, partner countries' investment in the EU individually represents less than 0.1% of the total FDI it receives (Colombia is the largest investor of the three).

2.2. Impact of the agreement on sustainable development

The agreement between Peru, Colombia, Ecuador and the EU stipulates the need to promote trade under a comprehensive approach, in order to contribute to the achievement of the Sustainable Development Goals (SDGs). Title IX establishes considerations aimed at ensuring compliance with labour rights established by the International Labour Organisation (ILO), and international agreements on environmental matters. In addition, it indicates that meetings will be held with civilsociety, interested in the application of this chapter, according to procedures regulated by each State. The axes prioritised in the meetings of the Subcommittee on Trade and Sustainable Development (2020) are: labour inspection, freedom of association, child labour, social dialogue, labour informality and application of environmental protection legislation, as well as consultation with civil society.

2.2.1. In the workplace

In the case of Peru, the expansion of the rights of agricultural workers, the coverage of life insurance from the beginning of the employment relationship and the Domestic Workers Law are highlighted. Also noteworthy are the improvements in working conditions in the agricultural sector introduced through Emergency Ordinance no. 043-2019, which modified Law no. 27360 and the extension of the obligation to provide life insurance to the worker from the beginning of the work activity (European Commission, 2020a).

Likewise, there are advances for the strengthening of the system of inspections at the national level through the combination and implementation of the regional intendencies of the National Superintendence of Labour Inspection (Sunafil) during 2020, as well as the increase in resources, both in the number of inspectors and in budgetary terms. However, the number of labour inspectors is still insufficient: there are only 822 to cover 100% of the national territory.

Civil society has urged the Peruvian government to strengthen the administration of justice and increase labour inspections, in line with the recommendations made by the EU, as well as the U.S. Department of Labour (USDOL). In 2017, Peruvian civil society filed a complaint regarding the breach of Title IX, especially in the field of labour and environmental provisions. This led commissioner Malmström to send a communication to the Peruvian Minister of Foreign Trade and Tourism in 2018. In it, he conveyed the concerns and recommendations that existed on the implementation of the title with regard to ILO Conventions 87 and 98, on freedom of association, and protection of the rights to organise and bargain collectively[1]. These are aspects on which the Peruvian government has been working.

On the other hand, the Peruvian government is making progress in the implementation of the strategy against labour informality and the prevention of child labour. In terms of forced labour, this convention was ratified, and Peru became the first CAN country to ratify the protocol.

In Colombia, the official side highlights the progress made in terms of freedom of association, as well as the reduction of informality through the Employment Mission programme. This aims to outline feasible strategies and policy instruments to improve labour market performance, which will be implemented in the short, medium and long term (MinTra-

1 See: http://www.redge.org.pe/sites/default/files/20180808%20CECILIA%20MALMSTIR0M-espanhol.pdf.

bajo, 2020). In addition, the establishment of labour formalisation agreements through the Labour Formalisation Network is being promoted.

With regard to the protection and defence of Colombian trade union leaders, the Attorney-General's Office and the National Protection Unit have handed down 966 convictions for crimes committed against trade unionists, marking a historic milestone for Colombia in this area. Along these lines, under the UNP Protection Programme, 301 trade union leaders or activists have been protected (the EU has expressed its concern about the proliferation of cases of violence against trade unionists and social leaders). On the other hand, they are working on the fulfilment of the commitments presented at the IV Global Conference on Child Labour, through the national strategy to prevent and eliminate the worst forms of child labour.

In Ecuador, progress is being made in strengthening labour inspections: there is a cooperation project implemented with the ILO and EU support that seeks to ensure compliance with labour standards. The Together for Work Initiative is also being implemented, which has a long-term strategy to generate employment and promote the formalisation of work and the fight against child labour, within the framework of the Child Labour Eradication Programme (PETI).

However, there are aspects that need to be reviewed to ensure the effective implementation of this agreement. This is reflected in the complaints presented by workers in the banana sector about compliance with this chapter (CEDETRABAJO, 2020), as well as in the criticisms about the right to exercise freedom of association and collective bargaining of public sector workers (Iturralde and Suárez, 2020). The EU has raised its concern about this at the VII meeting of the Subcommittee on Trade and Development that took place from 9 to 12 November 2020[2].

2.2.2. Environment

In Peru, strategies such as Perú Limpio [Clean Peru] and Perú Natural [Natural Peru] have been implemented, as well as actions in favour of the fight against climate change, biological diversity, natural infrastructure and sustainable businesses, through the promotion of eco-businesses. Work is also being done to promote the circular economy, within the framework of national competitiveness and productivity plans. However, these do not mention the environmental impact that the reduction of standards set by the government to promote private investment has had. Nor are sanctions applied for environmental damages generated by companies, but only preventive criteria.

On the other hand, it is worth mentioning the implementation of the Framework Law on Climate Change and its regulations, the creation and installation of the High-Level Commission on Climate Change, the process of updating and implementing its Nationally

2 See: https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc_159256.pdf

Determined Contributions (NDC) to 2030, the elaboration of the National Strategy for Climate Change by 2050 and the sustainable management of forests.

Colombia has made progress in the fight against deforestation with the action of the National Council for the Fight Against Deforestation, and under Operation Artemisa, allowing the release of 7,626 hectares. The National Circular Economy Pact has been signed, which has 50 strategic actors, both public and private, who have expressed their commitment to the transition to a circular economy model. In the case of the application of environmental legislation in extractive industries, there are advances in the pillars for mining training in the country and articulated work. Likewise, progress is made in terms of defending biodiversity, combating illegal trade and wildlife trafficking, as well as mitigating climate change.

For its part, Ecuador has launched the National Bioeconomy Pact, post-COVID-19 Green Recovery For Food Security, in addition to the Technical Advice for Green Economic Recovery. In that sense, it is making efforts to implement the environmental organic code and its regulations, to strengthen a new organic structure that responds to regulatory needs for the conservation and sustainable use of biodiversity, and to achieve the fair and equitable distribution of its benefits.

In relation to the activities it carries out to mitigate the effects of climate change, the following stand out: the Implementation Plan of the National Determined Contribution, the development of the Climate Finance Strategy, the development of the National Mitigation Plan and the development of the National Adaptation Plan. An aspect subject to criticism is that of the relaxation of environmental regulations, especially in sectors that have been boosted by the trade agreement with the EU, such as shrimp, which would be benefiting from an exemption in the secondary regulation regarding the prohibition of the expansion of productive activities in mangrove areas (Iturralde and Suárez, 2020).

In this regard, in 2019 the EU notified Ecuador of the need to strengthen control of the expansion of activities such as illegal fishing[3]. In response, the Yellow Card Crisis Committee was set up to improve the control and surveillance of export products, and the Integrated Fisheries System was launched to carry out automated traceability control. In addition, the new Fisheries Law was approved, which imposes sanctions with deterrent effect for illegal fishing activities[4] (National Assembly of the Republic of Ecuador, 2020). Likewise, the Technical Unit for Aquaculture and Fisheries Regulation and Control, which controls activities related to and linked to fisheries, and a National Aquaculture and Fisheries Research Fund were created. An Action Plan was also drawn up to address the warnings, and working groups were organised between public and private sector institutions.

3 European Commission (2019): "The Commission notifies the Republic of Ecuador of the need to intensify action to combat illegal fishing" (npress box, October 30).

4 Ministry of Production, Foreign Trade, Investment and Fisheries of Ecuador (2020): "Ministry of Production modernises fisheries and aquaculture control monitoring" (npress box).

As described, there is progress in the areas established for the implementation of Title IX of the Agreement, and there is a heterogeneity on the degree of progress in each of the countries. In labour matters, there are some aspects surrounding the exercise of the fundamental rights established by the ILO —such as freedom of association and collective bargaining— that must be addressed by the member States, even more so in the current context. In the environmental field, although there is progress in terms of the promotion towards a circular economy and the promotion of the bioeconomy, it is essential that these advances are not slowed down or limited by the flexibility in regulations or in the weakening of environmental management and protection. It is essential to ensure compliance with international environmental standards and the proper management of natural resources. On this last point, civil society has called for the ratification of the Escazú Agreement, by the governments of Colombia and Peru, considering that this instrument is key to guaranteeing environmental human rights and access to information, participation and justice in environmental matters.

However, despite the limitations identified in the effective fulfilment of this chapter, it constitutes an instrument to advance in the post-pandemic towards greener, sustainable and inclusive economies, as well as an opportunity for cooperation between countries. Colombia has expressed its interest in exploring the possibility of working with the EU on a cooperation project on fair trade, a topic of interest for the European Green Deal. The Ecuadorian government has proposed the adaptation of the Andean countries as trading partners of the EU to the standards of the Green Deal, and the establishment of instruments and cooperation programmes to strengthen capacities in this area, in addition to exploring new alternatives for the best use of the Trade Agreement. This perception is shared by the advisory groups, who in the declaration issued on 13 November 2020 have pointed out the need to jointly identify areas of technical assistance and capacity-building projects in the region that help meet the environmental, labour and social obligations of the chapter (CEDETRABAJO, 2020).

2.3. Technical difficulties for the implementation of the agreement and the roleof the monitoring bodies

Within the framework of the Subcommittee on Trade and Sustainable Development (CSD), cases or measures that could affect trade between the Parties are notified. In this way, the subcommittee manages and discusses sanitary and phytosanitary measures, as well as technical barriers to trade. And while not all subcommittees have made clear progress, they have made clear progress on sanitary and phytosanitary (SPS) measures and geographical indications (GIs)[5]. Among the concerns of the Andean countries, there is the case of cadmium in cocoa, which still persists, or the regulation for novel foods, still under discussion.

5 Conclusion based on the average annual growth rate before and after the agreement.

In the case of cadmium, the EU established by Regulation (EC) No. 333/2007 (European Commission, 2007) the sampling and analysis methods for the official control of mineral levels in foods, since the maximum limits that such goods could contain had already been established (Regulation (EC) No. 1881/2006). Subsequently, in 2009, the scientific opinion of the Panel on Contaminants in the Food Chain on cadmium in food requested by the European Commission (EFSA, 2009) was presented. It noted that the population of European countries had an average dietary exposure to cadmium close to or slightly higher than the tolerable weekly intake according to body weight; therefore, the levels of exposure to that metal should be reduced. It was also found that, among the products with the highest concentration of cadmium, are chocolate and cocoa, which are found in food products that increase the exposure of infants and young children. For these reasons, in 2014 Regulation (EU) No. 488/2014 was approved, which established new maximum levels of cadmium in cocoa and chocolate products circulating on the European market, which were not contemplated in the previous regulation (European Commission, 2014).

This caused the concern of the Andean cocoa-producing countries, whose main destination is the EU. Then, they initiated a series of measures to adapt to those of the EU. In the case of Ecuador, the National Cadmium Mitigation Agenda was promoted, which includes mitigation and prevention actions in the cocoa chain, executed by the National Programme for the Reactivation of Coffee and Cocoa, in addition to publishing a guide on cadmium in cocoa (López-Ulloa, Jaimez and Orozco, 2021). In Colombia, the National Strategy for the mitigation of cadmium in the cocoa sector and its derivatives in Colombia has been promoted[6]. Likewise, there are private initiatives and from the academy that seek to provide solutions and improve the traceability of the presence of cadmium in products such as cocoa.

Regulation (EU) No. 488/2014 entered into force on 1 January 2019, at the end of the five-year moratorium established by the EU since its adoption. At the VII meeting of the Subcommittee on Sanitary and Phytosanitary Measures of the agreement, this was an item on the agenda. The Andean countries insisted on the revision of the regulation based on the scientific opinion of the Joint FAO/WHO Expert Committee on Food Additives (JECFA) and Codex of 2019, in addition to pointing out inadequate implementation by European importers. The EU has responded by indicating that the necessary efforts have been made to facilitate its implementation, generating a transition period for its entry into force, and articulating a technical assistance project, and information and dissemination activities. Likewise, the EU did not accept the indictment of European operators but called on the Andean countries to take measures within their territories to avoid possible abuses[7].

For its part, the MINCETUR of Peru has made an interpretation of Regulation (EU) No. 488/2014, which modifies Regulation (EC) No. 1881/2006 regarding the maximum levels of cadmium in chocolate and cocoa derivatives. It points out that the categories considered in the regulation do not refer to cocoa beans, exempting it from complying with maximum

6 Available at: https://www.colombiamascompetitiva.com/wp-content/uploads/2020/10/CMC_FS_C3_Cadmio.pdf.

7 Minutes VII Subcommittee on Sanitary and Phytosanitary Measures (2020).

cadmium limits. It also indicates that the maximum levels imposed on cocoa powder and lean cocoa powder only apply when it is sold to the final consumer, used in the processing of chocolate powder sold to the final consumer and for the processing of sugary cocoa powder. In this way, the other types of processing in which they are employed are excluded (MINCETUR, 2020).

Regarding sanitary and phytosanitary measures, at the aforementioned meeting of the subcommittee, general criteria and procedures were on the agenda, such as: the application of prelisting, import requirements, compliance with sanitary and phytosanitary requirements by Andean exports, and regulations on EU maximum limits, among others.

According to the minutes of the VII meeting of the Subcommittee on Technical Barriers to Trade, that took place on 5 November 2020, the EU has expressed its concern about the requirements of Peruvian legislation to include advertising warnings on food labelling, extending the deadline for the use of adhesive labels until the end of June 2021[8]. The EU has also requested that it be permanent. However,Peru has indicated that it is part of Law No. 30021 on the Promotion of Healthy Eating for Childrenand Adolescents, but that mechanisms will be analysed so that the purpose of the instrument is fulfilled and does not become a technical barrier to trade[9].

For their part, Ecuador and Colombia have requested the revision of the Delegated Act of the Renewable Energy Directive, which maintains that palm oil biodiesel is unsustainable and generates deforestation. Both countries call for this to include a country-by-country approach, so that palm oil can be part of the EU's renewable energy targets. However, as the EU has pointed out, it is a point that cannot be discussed within the framework of the subcommittee, since there is a dispute in the World Trade Organisation (WTO) about it, imposed by Indonesia[10].

Likewise, other concerns for Andean countries are the "farm to fork" strategies (European Commission, 2019c) and biodiversity by 2030[11] of the EU, which aim to promote "the global transition towards sustainable agrifood systems through their trade policies and international cooperation instruments" (European Commission, 2020b). It is about promoting fundamental changes in EU food and agricultural policies, where reductions in the use of fertilisers (by 20%), land use (by 10%), pesticides (by 50%) and antimicrobials (by 50%) are proposed. Also, in addition to achieving safer, higher quality and nutritious food, it is intended to minimise the impact on nature. Therefore, it has been established that, with the related budgets, it contributes to climate action and climate objectives: combating climate change, conserving and protecting the environment and biodiversity, and increas-

8 See: https://www.tlc.gov.co/getattachment/acuerdos/vigente/union-europea/4-desarrollo-del-acuerdo/subcomites-institucionales/acta-vii-del-subcomite-de-obstaculos-tecnicos-al-c/acta-vii-subcomite-de-obstaculos-tecnicos-al-comercio-5-11-2020.pdf.aspx. (Editor's note: updated link: https://trade.ec.europa.eu/doclib/docs/2021/january/tradoc_159251.pdf)

9 Ibid.

10 Dispute DS593, available at: https://www.wto.org/spanish/tratop_s/dispu_s/cases_s/ds593_s.htm.

11 The strategy seeks to recover degraded ecosystems in addition to promoting the expansion of the network of protected areas on land and at sea.

ing organic farming. It is estimated that these strategies will impact EU food, industry and agriculture, as well as contribute to a circular economy and ensure that the transition is fair and just.

According to a study carried out by the United States Department of Agriculture (2020), based on policy simulations that consider three scenarios in the adoption of the initiative and proposed objectives, it would not only harm EU farmers – as it would reduce their production and competitiveness in both domestic and export markets rather, it would extend beyond the Union as food prices rose. This would affect global well-being due to its effects on food insecure people, mainly in a scenario where this policy is adopted globally. In the case of the EU, the impact could be less, given the incentives included in its strategies for the adoption of technologies and innovations. However, the study does not provide the potential costs and benefits of strategies for human health and the environment.

In this line, these measures could have implications for the entry of products from the region due to the tightening of the EU food supply. Therefore, it is necessary to know which pesticides will be banned, and which products will be included and affected, as well as to continue conducting research that analyses the effects and proposes alternatives to promote greater sustainability.

3. Political dialogue, cooperation and the convergence agenda in the framework of the association agreements

3.1. Political dialogue and cooperation under association agreements

The CAN and the EU have promoted in recent decades (mainly in the period 1990-2010) the strengthening of bi-regional links in different areas, such as politics and cooperation. Along these lines, a "third generation" Cooperation Agreement was signed in 1992, implemented in 1998, the Specialised Dialogue on Drugs was established in 1995, the Joint Declaration on Political Dialogue was issued in 1996, and the Political Dialogue and Cooperation Agreement between the CAN and the European Union was signed in 2003 with its subsequent adoption by Decision 595. Also, as mentioned, since 2006 the negotiation of an agreement covering the political, commercial and cooperation fields has been promoted. Cooperation between the two blocs has had several stages, and the last of them consecrated the signing of the Cooperation Agreement, whose objectives included the consolidation of the Andean integration process.

Within the framework of the political dialogue between the EU and the CAN, a number of meetings have been held (in particular the ministerial, institutionalised meetings of the EU and the Rio Group). Issues of joint interest include climate change and the environment, the fight against drugs, migration, the international financial crisis and cooperation. Cooperation initiatives from the EU have also focused on these issues.

In recent years there has been a relative silence regarding the bi-regional agenda between the EU and Latin America, which has led to the non-holding of summits between the two regions. However, the EU-LAC ministerial summit, organised on 14-15 December 2020, marked a milestone for its relaunch; in addition, it could lead to a new dynamic of high-level commitment and resume the pending agenda (Borrell, 2020).

The EU continues to play a very important role in Latin America, being the main source of development cooperation and FDI. Trade agreements have positioned the Union as an investor and as one of the region's main trading partners. In this way, Peru, Ecuador and Colombia have maintained a permanent dialogue, both multilaterally —through the Framework Cooperation Agreement between the European Union and the Andean Community— and at the bilateral level. The political dialogue between the EU and these countries is also based on the Rome Declaration of 1996 and the 2009 Memorandum of Understanding, as well as the Political Dialogue and Cooperation Agreement between the EU and the CAN.

3.1.1. Political dialogue and cooperation between the EU and Peru, Colombia and Ecuador

The EU has been the largest source of development cooperation for Latin America and the Caribbean;the 2030 Agenda for Sustainable Development and the Paris Agreement have been the frameworks that have guided its cooperation actions (European Commission, 2019a).

The EU seeks to strengthen its political partnership with Latin America and the Caribbean on the basis of four priorities —prosperity, democracy, resilience and effective global governance— in order to promote a common future. The EU aims to strengthen and modernise the partnership between the two regions on the basis of trade, investment and sectoral cooperation, in order to provide joint efforts to address the common challenges and opportunities posed by the new global context. In this line, the pillars indicated have several objectives: i) to support sustainable growth and decent employment, which allows reducing socioeconomic inequalities, causing the transition to a digital, green and circular economy, while strengthening trade and investment relations; (ii) strengthening the international human rights regime; (iii) optimising resilience to climate change, caring for the environment and biodiversity, and (iv) improving fair taxation and social protection as a tool to reduce inequality, as well as supporting the strengthening of multilateralism in relation to issues such as climate and the environment, and cooperation for security and peace; aligned with the objectives and commitments assumed in the 2030 Agenda (European Commission, 2019a).

Among the instances of political dialogue, the Andean countries hold meetings —bilaterally with the EU— in the Bilateral Consultation Mechanism. In this space, topics of mutual interest within the sectoral dialogues are addressed: defence of human rights, fight against drugs, regional policy and border integration, environment and climate change, innovation and SMEs. In addition, since 2019 cooperation on multilateral affairs has been added as an axis (Ministry of Foreign Affairs of Peru, 2019).

As a result of these meetings, a series of joint initiatives were agreed on strategic issues, such as the fight against drugs, which is why the Financing Agreement support for the Fight against Illicit Drug Trafficking and Organised Crime was signed in 2018, in addition to the strengthening of alternative development programmes, public governance, social inclusion, institutional strengthening, student mobility, innovation and climate change, among others. The EU has also encouraged and supported the process of linking up the Organisation for Economic Co-operation and Development (OECD), as well as the reforms, including electoral reforms, that they must implement.

The dialogue established between the two sides has made it possible to advance cooperation programmes at both the level of trade and sustainable development. For example, Ecuador's elimination of additional duties (tax stamps) on imported alcoholic beverages in 2019 has led to competition on equal opportunities. On the other hand, the EU has recognised the good cooperation and dialogue on labour issues within the framework of the implementation of the title on trade and sustainable development of the Trade Agreement, and also the commitment of Colombia, Ecuador and Peru to advance important issues in the labour field (European Commission, 2020a). In the particular case of Peru, the European Commission strengthened bilateral relations at a technical and political level in 2019 on the application of labour and environmental commitments, in the face of complaints presented by the Advisory Groups. In this sense, the government of Peru established measures to address the underlying problems that concerned the EU (European Commission, 2019c), underlined the importance of the dialogues held with Peru on environmental issues since 2018, and the importance of continuing to strengthen the National System for Environmental Impact Assessment, and the Environmental Assessment and Control Agency (OEFA).

Regarding the political dialogue between Colombia and the EU, political relations are complemented by a bilateral dialogue on human rights that began in 2009 as established in the Treaty of Lisbon, and was strengthened by the Trade Agreement, which entered into force in 2013. The bilateral agenda with Colombia includes issues such as energy, climate change or biodiversity, as well as competitiveness, investment, trade, science and technology, education, mining, innovation and infrastructure. Likewise, the EU has also participated in and supported projects to strengthen Colombia's justice sector, in particular to strengthen the rule of law and the fight against impunity (European Commission, 2016).

As with Colombia and Peru, the dialogue between Ecuador and the EU is part of bilateral relations and regional coordination. As part of this linkage, new areas of interest are included, such as regional integration, the fight against illicit drugs and the promotion of sustainable development[12]. The bilateral agenda addresses issues such as development cooperation, migration, human rights, governance, climate change and environment, refu-

12 CELAC. Available in: https://celacinternational.org.

gees and governance. To discuss these issues, the High-Level Political Dialogue is held once a year, with the aim of developing a political agenda, and strengthening cooperation and bilateral relations[13].

Another aspect to highlight in the implementation of the ACM is that, through its Article 280, it establishes the creation of the Subcommittee on Trade and Sustainable Development, which is composed of high-level representatives of both parties in charge of labour, environmental and trade issues. This subcommittee also has the mission of holding sessions with civil society organisations and the general public —as stipulated in Article 282 of the agreement— to maintain a space for dialogue on issues related to the implementation of the Trade and Sustainable Development Title.

For this dialogue to take place, the parties constituted the Domestic Advisory Group (DAG), where representatives of civil society have had the opportunity to participate in the agreed annual meetings. Although this is a novel mechanism in the trade agreements signed, there are still many aspects to be resolved in terms of labour and environmental issues (the same ones that were indicated in Chapter II). But, despite its limitations, the constitution of this subcommittee makes the dialogue between the two regions more democratic, equitable and participatory.

On the other hand, regarding cooperation on environmental issues, the EU and Peru are working on various projects, largely through the EUROCLIMA+ programme, which aims to reduce the impact of the effects of climate change in Latin America by promoting mitigation, adaptation and resilience initiatives. The EU collaborates with the Ministry of the Environment of Peru (MINAM) to strengthen climate governance, supporting activities for the updating and implementation of NDCs and the strengthening of the National Commission on Climate Change (CNCC), in addition to advising on green recovery and the establishment of a framework to promote sustainable investments. Other projects also address issues such as water, forest and biodiversity management, risk management, food resilience and urban mobility (EEAS, 2021a).

In the field of human rights, the following projects are being promoted: Defending human rights, Concerted local protection environments against violence and trafficking in children, adolescents and women, and Empowering Indigenous Peoples of the Peruvian Amazon (EEAS, 2021b).

In relation to cooperation in the field of social inclusion, the EU supports programmes that aim to improve the social protection system and the quality of social services, and to manage the vulnerabilities faced by the population, including programmes aimed at reducing poverty. In this sense, it supports the National Policy for Development and Social Inclusion (PNDIS) —focused on the population in situations of poverty and extreme poverty— which seeks to sustainably reduce poverty, while promoting inclusive social and economic development with a territorial approach (EEAS, 2021c).

13 Delegation of the EU in Ecuador. Available in: https://eeas.europa.eu/delegations/ecuador_es.

In the case of Colombia, the European Peace Fund was created, whose objective is to promote economic and social development and consolidate peace in the territories most affected by the armed conflict. The initiatives focus on strengthening the reincorporation process, the Development Programmes with a Territorial Focus and the formalisation of land for the peasantry[14].

The EU supports projects to combat climate change related to mitigation, adaptation and vulnerability reduction; in addition, it finances projects that seek to build models of sustainable development, as well as promote peace building initiatives.

On the issues of justice and human rights, the EU has carried out several projects to strengthen the rule of law and democracy.

Cooperation, both bilateral and regional, is complemented by the support of civil society and regional cooperation with Latin America. On migration issues, the EU promotes various humanitarian aid and integration support initiatives, through the UN system and NGOs. It highlights the multi-country programme Inclusive Cities and Solidarity Communities, promoted by UNHABITAT, the International Organisation for Migration (IOM) and the United Nations High Commissioner for Refugees (UNHCR), which aims to promote the socioeconomic inclusion of migrants, and is located in countries such as Peru, Colombia and Ecuador. The EUROSociAL programme also reaches the countries analysed, supporting public policy reforms in favour of social cohesion and labour formalisation, among others(EEAS, 2021c).

On the other hand, the EU is a partner and financier of multiple international initiatives, such as the PAGE-Alliance for Action towards a Green Economy initiative, which aims to ensure that economic policies and practices have sustainability as a principle, as well as designing public policy proposals that promote the sustainable use of resources, environmental sustainability and the generation of green employment (EEAS, 2021a).

In addition, the Horizon 2020 programme —which promotes science, research and innovation activities in the EU— allows the participation of non-European countries, thus promoting the generation of knowledge from actions such as basic research, social innovation, technology development or technology transfer.

In relation to capacity building, from the Erasmus+ programme, the EU also promotes partnerships between higher education institutions in different countries, including the Andean countries. Likewise, other areas that are promoted from cooperation are: human rights, governance, gender equality, promotion of equity, and promotion of equal opportunities for men and women (EEAS, 2021b).

14 See: www.fondoeuropeoparalapaz.eu.

3.2. Strategic role of the EU's relations with Peru, Ecuador and Colombia

Before the pandemic, the international system was facing a crisis of globalisation in multiple dimensions — social, productive and political— that simultaneously highlighted the unsustainability of the productive and consumption system, given its environmental impact (Sanahuja, 2017). Given this, a new production model has been promoted based on the pillars of decarbonisation and digital transformation (Sanahuja and Rodríguez, 2021).

The conjuncture of the COVID-19 crisis has generated changes in the way in which the EU is organised to face this type of situation. The Initiative of the European Green Deal, which aims to respond to a potential climate crisis —as well as establish an autonomy strategy to implement a new economic model by the bloc— has determined important steps within its organisation.

In turn, the EU has committed itself to the 2030 Agenda, forming part of its actions and strategy both within the bloc and abroad, by supporting various initiatives, especially in developing countries, from cooperation (ECLAC *et al*., 2016).

While the EU's first sustainable development strategy dates back to 2001, the reviews made in 2006and 2009 included other policies such as climate change, as well as emphasising the international dimension. In 2010, the new development agenda —called the Europe 2020 strategy— was defined, whose priorities established the development of an environmentally sustainable and competitive knowledge-based economy and innovation, as well as generating a high level of employment and promoting social cohesion. Therefore, the progress made by the EU gives it leadership in the fight against climate change, in the promotion of a low carbon economy and in the development of environmentally friendly technologies (ECLAC, 2018).

It is also essential to consider the role of cooperation and dialogue between Latin America and the Caribbean and the EU, in COVID-19 mitigation actions and the equitable and universal distribution of vaccines, as well as in the refinancing of external debt in this context. And even more so in the case of the Andean countries, which have been among the most affected worldwide.

On the other hand, the collaborative role in the EU's foreign policy to achieve the objectives of decarbonisation and climate neutrality should include support for the productive and energy diversification of the partners that require it, as well as combining openness with the adoption of stricter environmental standards in trade and investment. In this sense, Latin America must be prepared, not only to adopt these requirements, but also to promote and develop a constructive sustainable agenda (Sanahuja, 2021b). The Andeans are megadiverse countries and have great potential in renewable energy, and the partnership agreement promotes international environmental and labour standards (under the chapter on sustainable development).

However, there are limitations that have caused this situation not to be actively promoted in the Andean and Latin American region. Novak and Namihas (2017) highlight that these limitations in the bi-regional relationship have been given, in the first place, by the economic and political crisis situation itself, which has affected Europe since 2008, by the refugee crisis of 2015 and by Brexit in 2016, phenomena that had a negative impact on the EU's external relations (Ayuso, 2019). On the other hand,Brexit led to the EU having a more introspective look (Bouzas, 2019). This caused, among other consequences, the decrease in cooperation funds to Latin America, a greater interest in issues of the nearby regional environment, and the lack of new joint projects with Latin America, so that Europe has been focused on resolving its internal agenda in recent years.

However, the Bi-regional Strategic Partnership is still in place, and some cooperation projects are still underway. This partnership has been shaped through the political dialogue that takes place through the system of Bi-regional Summits, meetings between foreign ministers and senior officials, as well as specialised dialogues, strengthening cooperation.

In this line, since 2016, Latin America has been part of the Global Strategy for the EU's Foreign and Security Policy, which seeks to expand cooperation and establish more intense partnerships between both regions based on common interests and values. Based on political dialogue and cooperation, progress has been made and issues related to climate change, security, energy, migration, the fight against drugs and terrorism, among others, have been addressed (Yépez Lasso, 2015: 2).

Since the FTA with the EU is a deep integration agreement, by addressing non-trade issues (matters related to fisheries, environment and climate change, or labour matters and related to corporate responsibility), trade policy becomes an instrument of foreign policy (Serrano, 2019). In this sense, the EU has promoted the inclusion of issues sensitive to its interests, in addition to consolidating an area of influence that allows the European project to be given credibility (García, 2016). For its part, for the Andean countries, the promotion of the signing of FTA responds to a commercial policy that seeks to diversify its exportable offer and its destinations; for Colombia and Ecuador, it also means increasing the share of non-traditional products in non-oil exports (Serrano, 2019).

In a context in which the trade war between the United States and China is reorienting alliances and geopolitical reconfiguration on a global scale, Rosales (2020) highlights that the relationship between the EU and Latin America is strategic. In this sense, it is important that the region maintains an active role in defending multilateralism and fighting protectionism.

Likewise, Rosales (2020) indicates that supporting the convergence between the Pacific Alliance and Mercosur would improve the economic scenario in the region and could limit the exacerbated ideology that has taken over South America. To this end, the EU could play an important role, and the CAN should be an active element in that convergence, to the extent that Colombia and Peru are members of the Pacific Alliance, and Ecuador is close to full membership.

Dialogue with the EU, in turn, could allow cumulation of origin between all countries that maintain such agreements with the EU[15]. This would be an effective stimulus, not only for the gestation of regional value chains, but also for the construction of Euro-Latin supply chains. Finally, Latin America should seek a closer rapprochement with the EU on the reform and modernisation of the WTO (as mentioned above), and also on the constitution of an International Investment Court, to preserve multilateralism, adjusting it to new conditions on technological change, climate change and new relative weights of the main global actors.

The EU-Latin America relationship is strategic, and the EU is strengthening its political partnership with Latin America, focusing on four priorities: prosperity, democracy, resilience and effective global governance for the common future (López, 2021). The values shared by the EU and Latin American countries —identified within the framework of the agreement and on the basis of the 2030 Agenda and the SDGs— would facilitate the overcoming of the barriers that exist in the region. Knowledge of the limits of the current development model, recovery planning, the implementation of social policies with a universalist vision, the signing of multilateral commitments (including the Paris Agreement and the 2030 Agenda for Sustainable Development), the signing of voluntary national commitments such as the NDCs, and the promotion of regional integration initiatives, are reactions to the dominant model (ECLAC *et al*., 2016).

Like the EU, the Andean countries have been promoting the SDGs within the framework of their national development plans. In this way, national development strategies are based on the 2030 Agenda, and are part of national strategic planning processes at all levels of government.

Currently, the EU has adopted the vision of "strategic autonomy", while moving towards a new economic model based on the European Green Deal and the European Next Generation EU Recovery Programme, which are part of the sustainable development plans towards the post-pandemic period (Sanahuja, 2021b).

The European Green Deal is a policy framework from which core environmental issues such as the biodiversity strategy, the fight against climate change and measures to promote the circular economy are promoted (European Commission, 2019d). As Sanahuja (2021a) points out, this pact is not limited to a sectoral policy of mitigation and adaptation to climate change or care for biodiversity. It goes further because, through this policy, what is proposed is a comprehensive strategy that allows "transforming the EU into an equitable and prosperous society, with a modern economy, efficient in the use of resources and competitive" with a human dimension in a "fair and inclusive" way (European Commission, 2019d; cited in Sanahuja, 2021a). This policy includes both coordination between governments, the private sector and dominant political forces, as well as internal and external

15 If the EU-Mercosur agreement is ratified, Mexico, the five Central American countries, Panama, the Dominican Republic, Colombia, Ecuador, Chile, Peru, Argentina, Brazil, Uruguay and Paraguay would have agreements with the EU. To this is added the association agreement between the EU and the Caribbean (13 countries), which would add up to 29 countries. It's too relevant an area to ignore.

management of strategies. Likewise, the Green Deal is not only redefining the EU's environmental policy, but, by projecting itself as its development strategy, it is established as the basis of its industrial policy, as a new social contract and as a foreign policy on which the future of international cooperation will be designed (Sanahuja and Rodríguez, 2021).

In that sense, this pact includes an external dimension that aims to promote the ecological transition and the Paris Agreement. This highlights the Union's leading role in the current climate emergency. It is necessary for Latin America and the Caribbean to align itself with these objectives as part of an"environmental diplomacy" that founds a green alliance that incites greater ambition in the objectives of decarbonization and climate neutrality. Additionally, the EU could also contemplate an external tariff to tax carbon-intensive imports, as well as promote higher environmental standards in global value chains (Sanahuja, 2021a).

By conditioning and defining trade, foreign, security and development cooperation policies, the external dimension plays a key role in achieving the objectives set, strengthening the EU's leadership. Through the Green Deal, the EU commits to "lead by example", which must involve greater coherence between internal and external policies (European Commission, 2019d: 23).

Policies related to the new EU strategies are already being adopted and demand an increase in labour and environmental standards in the face of any trade opening and access to the European market (Fahimi, 2021). These demands, by becoming requirements for maintaining relations with the EU, may show the power of this bloc to set new global trade standards (also in the field of the digital economy).

Moreover, in any trade agreement, the democratic clause could be added, as an environmental clause, the commitment to ratify and implement the Paris Agreement, in coherence with the Green Deal, sustainable development and the 2030 Agenda (Sanahuja, 2020; Giles, 2021). For this reason, the EU must establish a collaborative foreign policy to support developing countries, "given the initial asymmetries that exist in terms of greater European responsibility for Greenhouse Gas emissions, and also their greater resources and capacities", so that finally these measures can be adopted, as well as establishing "green alliances" to strengthen these commitments (Sanahuja, 2021b: 19).

Regarding the Next Generation EU Programme, it aims to take advantage of the context to promote the transformation of economies, in line with the EU's strategy and vision of becoming a "greener, more digital and more resilient Europe". The central tool is the Recovery and Resilience mechanism, which aims to mitigate the impact of the socio-economic crisis due to COVID-19. Along these lines, recovery funds have been granted to strengthen the scope of programmes promoting the single market; innovation and the digital economy; cohesion, resilience and values; and natural resources and the environment (European Commission, 2020d).

As has been seen, there are several points of convergence in the axes included in the agreement, which are part of the policy that the EU is promoting, and in which the Andean countries have presented some progress, but still pose great challenges. The ACM can be considered a tool to face these challenges, promoting cooperation among its members and contributing to overcoming the limitations presented by the economies of the Latin American region (in particular, those analysed in this document), in order to move towards a model of sustainable and inclusive development. It is necessary to advance in fundamental lines for the proposed transition: environmental, productive, digital and social (Sanahuja and Rodríguez, 2021).

4. Partnership agreements and new post-pandemic development models

The Andean countries are in what the OECD, CAF Development Bank of Latin America, ECLAC and the EU (2019) call the "development traps". One of them is the productivity trap, since there is a high concentration of exports in primary and extractive sectors, in addition to a low adoption of new technologies or development of productive capacity.

Therefore, it is necessary to boost the growth of these economies once the pandemic is overcome: productive diversification, technological intensity and the digitalisation of production processes are indispensable factors to achieve higher levels of productivity, and inclusive and sustainable development.

On the other hand, more and more trade agreements have been contemplating in their negotiations aspects that go beyond the commercial field, incorporating chapters or titles on technology transfers, investments, and aspects of sustainable development such as those related to labour, human and environmental rights (Baumann, 2016). In the case of the CMA, Title IX focuses on commitments and agreements on sustainable development.

Regional trade agreements play a key role in the diffusion of technology and in the exchange of technological knowledge flow (Maskus, 2016). Empirical evidence has shown that those free trade agreements that incorporate clauses to encourage technology transfer and innovation (TTI) have a positive impact on their level of exports of technology-intensive goods (Chelala and Martínez-Zarzoso, 2017).

In this sense, the association agreements constitute an opportunity, not only to strengthen political and economic relations, but also to promote post-pandemic productive restructuring. There are opportunities for bi-regional collaboration in areas such as digitalisation, the green economy and sustainability, which has been highlighted in various forums (ECLAC, 2020a), where both regions have identified as common axes the productive digitalisation, the simplification of logistics processes, the integration infrastructure and the promotion of green businesses.

From the perspective of ECLAC (2020a; 2020b), the countries of the region must establish strategies for economic recovery and reactivation based on digital transformation and the use of ICTs. These must promote inclusive innovation, and promote changes in management, production and business models, thus militating for productive capacity to promote more knowledge-intensive sectors, as well as technological development (especially digital). In addition, it is about building new engines of the economy through, among other factors, the promotion of the energy transition towards renewable sources, the bioeconomy, the care economy, the circular economy and sustainable tourism.

This perspective was also shared at the XXVII Ibero-American Summit, where member countries highlighted the need to articulate actions that allow us to move towards a more sustainable model —in which science and technology, as well as the generation of new knowledge and innovations, are one of the main axes of growth— and to promote sustainable growth strategies that put the conservation of biodiversity and the energy transition at the centre.

Within the framework of "summit diplomacy", and taking into account that Latin America and the EU have been holding a regular political dialogue for 20 years, this bi-regional space contributes to the strengthening of the strategic partnership and the links established, since it usually promotes progress in agreements and projects that have allowed the creation of a series of cooperation programmes in areas such as poverty and inequality reduction, climate change mitigation, SMEs and the fight against drug trafficking, among others.

Taking into account that these elements are also present in the economic reactivation plans of the integration blocs of which Peru, Colombia and Ecuador are part —such as the Andean Community and the Pacific Alliance— the possibilities of convergence towards a common agenda with the EU tend to be greater.

In the case of the CAN, the Andean Digital Agenda is being implemented, aimed at promoting digital transformation, connectivity, innovation, and information and communication technologies for the benefit of the population (CAN, 2019). These are factors that have gained great relevance, since they promote the harmonisation of regulations for the development of infrastructures for innovation and promote the construction of an integrated digital market that, in turn, promotes productive diversification, the reactivation of tourism, technology transfer and access to digital solutions for all actors (CAN, 2020a).

One of the priorities of the digital agenda is electronic commerce, "which will be convergent with the advances that individual countries incorporated into FTAs and preferential agreements with third countries, being able to deepen in the Andean framework, taking into account the supra-nationality that the organisation has" (CAN, 2020b).

Along the same lines, and in order to establish common actions with a more sustainable, resilient and inclusive approach, the Andean Environmental Charter was adopted. It seeks to accelerate the implementation of the SDGs, as well as intensify the exchange of experiences in sustainable development; strengthening the sustainable management of plastics, water resources, and disaster prevention and response; and accelerating the green recovery (CAN, 2020c).

The Pacific Alliance has a work plan against COVID-19 that promotes trade facilitation and productive chains; in addition, it supports and strengthens SMEs in the development of skills and e-commerce.A reactivation plan for the tourism sector is also being developed with the support of the IDB and the EU (AP, 2020).

Likewise, the EU —through Next Generation (European Commission, 2020d)— has proposed actions for the long term, allocating more than 50% of its budget to invest in research and innovation; just climate and digital transitions; preparedness, recovery and resilience; modernisation of traditional policies (such as cohesion and the common agricultural policy); fight against climate change and protection of biodiversity and gender equality. Thus, both regions have agendas that can be addressed jointly, and in that sense, it is necessary to establish support or collaboration mechanisms.

López (2021) highlights that it is necessary to develop a comprehensive strategic plan between the EU and Latin America that proposes concrete and effective solutions with the aim of overcoming the consequences of the pandemic, through joint and coordinated action. Regarding these actions, the guarantee of access and free access to vaccines at the international level should be highlighted, as well as an equal and equitable global distribution and application, under the auspices and leadership of the relevant multilateral organisations, such as the WHO. Work must also be done to reduce inequalities and strengthen public health systems. Additionally, it is important to promote health and economic efficiency for Latin America.

4.1. Partnership agreements and the post-pandemic recovery strategy

The Andean countries, like the EU, are promoting digital transformation and the transition to a greener economy, as fundamental axes of their economic recovery strategies. Likewise, from the official side of the EU (Mateus, 2021), the need to take into account the scope and competence of association agreements has been highlighted. In fact, in order to boost trade, these agreements must be articulated with other policies, such as those related to investment in infrastructure, sustainable development and economic diversification. The partnership agreement, on its own, cannot address all the challenges of the post-pandemic, so it will have to be integrated with the public policies of each subscriber country.

In this regard, the EU-LAC Bi-Regional Strategic Partnership – where the association agreement signed by the Andean countries and the EU is an essential instrument for socio-economic recovery – must be revived and a comprehensive strategic plan must be in place to face post-pandemic challenges. Cooperation policies with the EU will be fundamental, not only to overcome the aftermath of the pandemic, but also to address the new challenges of the international environment, such as digital transformation, green growth, climate change and inequality, the defence of multilateralism and against protectionism, and the defence of democracy and human rights. These are central issues, where the EU and Latin America share values, and which can be developed through initiatives defined or already under implementation.

Below are some possible axes within the framework of these agreements, aimed at boosting the economy and cooperation between both regions.

4.1.1. Investments

One of the key aspects is to accelerate the accumulation of capital, since it can modify the productive structure, as well as expand technological capabilities and redefine the development model. To thisend, it is necessary to implement industrial policies that stimulate the development of dynamic low-carbon sectors, which have a knock-on effect on the economy.

According to ECLAC (2018), European companies are key players in moving towards the digital economy and towards a sustainable energy matrix, given that they have led investments in renewable energy projects – with Spain, France, Germany and Italy as the main investors; in addition, they participate in other sectors such as the automotive industry and metal mining.

However, the region has not been characterised by attracting investment in research and development. However, European companies have been relevant players in R&D investments made in the Americas. Productivity is still a weak point of Latin American economies, since, despite the period of growth that the region experienced, this did not translate into higher productivity, which is crucial to advance in the achievement of the SDGs. Likewise, this backwardness is highly linked to technological complexity and, in this case, the lack of industrial and technological policies has hindered progress (ECLAC). *et al*., 2016).

4.1.2. Digital transformation

The agreement represents an opportunity to exchange experiences with the EU, particularly in digital transformation programmes, as well as in areas of digital value chains and modernisation of digital services that allow for the further growth of digital companies and their insertion into trade. In addition, cybersecurity mechanisms can also be established and the adoption of enabling technologies that promote the development of digital resilience in the Andean countries can also be promoted, given that the EU addresses these axes within the framework of its digital strategy (European Commission, 2021a).

This strategy aims to ensure that transformation has people as a priority, while generating new opportunities for companies; in addition, it seeks to promote a dynamic and sustainable economy, which contributes to the fight against climate change and originates the long-awaited green transition. Therefore, it is essential to integrate digitalisation into cooperation, and support policies that encourage the use of digital applications. This opens up the possibility of promoting telemedicine, distance learning, financial inclusion, e-government, industry 4.0 and artificial intelligence, among others (European Commission, 2021b).

For its part, the Digital Agenda for Latin America and the Caribbean (eLAC, 2022) includes a group of actions with a regional focus, where relevant factors are prioritised to promote digital development. This agenda defines the following areas of action: digital infrastructure; digital transformation and digital economy; regional digital market; digital government; trust and digital security; inclusion, digital competencies and skills; digital regional cooperation; emerging technologies for sustainable development; and confront the pandemic and facilitate economic recovery and reactivation.

In order to establish strategies for cooperation and mutual support, it is necessary to identify those sectors that have the greatest potential for digitalisation for the Andean countries and that are of interest to the EU. The objective is to strengthen the digital transformation of value chains and access to information and communication technologies in these countries. The development of the digital ecosystem is fundamental to promote the recovery of the economy (Fairlie, 2021a). It is necessary to have programmes and support mechanisms that generate the necessary capacities in terms of digitalisation, improve the factors associated with the digital environment and overcome the barriers that limit the adoption of digital solutions. Partnership agreements can be key, since they promote the exchange of experiences, and establish new sustainable investment opportunities to address different deficits —in telecommunications and digital infrastructure— that the Andean countries still have (ECLAC, 2020c).

In this line, digital alliances must be built, taking into account European knowledge on governance and standards, that promote and enhance digital infrastructures in the face of the post-pandemic economic recovery, because access to digital technology is crucial to address productive gaps. The combination of investment, innovation and productivity is one of the most appropriate ways for the sustainable development of our economies (CAF, 2020). This perspective is also shared by Nieto and Salinas (2020), who argue that technical cooperation acquires a pivotal function within the modalities of international cooperation for development.

On the other hand, e-commerce must be considered as a strategic area for the post-pandemic, so it is necessary to face the existing barriers and guarantee an environment conducive to its development. In this regard, the WTO argues "that electronic commerce could benefit from greater international cooperation to facilitate the cross-border movement of goods and services, reduce the digital divide and establish a level playing field for micro, small and medium-sized enterprises (MSMEs)" (WTO, 2020: 2).

Trade agreements can therefore contribute —through programmes and technical assistance— to boosting the development of skills in e-commerce. Bi-regional cooperation strategies should also be promoted to support MSMEs and increase their competitiveness. Cooperative work can strengthen MSMEs, in addition to strengthening collaborative ties that strengthen research projects and the exchange of experiences at this level (ECLAC, 2020a).

At the same time —and bearing in mind that the CMA provides for clauses that promote cooperation and technical assistance to strengthen trade capacities (Title XIII) and the protection of intellectual property (Title VII)—it is necessary to intensify relations on technology transfer and innovation promotion, as these are not addressed in the necessary depth (they are present only in Article 324 of the CMA).

Given the importance that the adoption and generation of new technologies has gained in the process of digital transformation for the post-pandemic economic recovery, it is key to establish clauses to accelerate the transfer of technology and the use of new technologies, since they lower production costs, increase the size of the market and eliminate commercial obstacles to generate economies of scale. For Chelala and Martínez-Zarzoso (2017), if trade agreements incorporate technological exchange measures, there is a direct effect on trade; this therefore varies according to the clauses established for the promotion of technology transfer and innovation.

In this way, common digital agendas can be established to set up triangular cooperation mechanisms to address regional priorities effectively. In this regard, López (2021) argues that the common agenda for recovery must bet on coordinated measures and actions in the multilateral framework, in addition to promoting structural reforms aimed at improving the levels of competitiveness, resilience,sustainability and social justice in Latin American countries.

4.1.3. Green growth

The great diversity and abundance of natural resources that exists in Peru, Colombia and Ecuador, and the need to promote cleaner and more resilient models of economic growth, can make partnership agreements a tool for promoting increasingly green recovery strategies, as it is a point of common interest on both sides. The EU has proposed the European Green Deal, which proposes actions to promote the efficient use of resources —through the transition to a clean and circular economy— restore biodiversity and reduce pollution. The Circular Economy Action Plan is also being implemented.

Regarding the points included in the green agendas, the Andean countries have shown interest in continuing to make efforts, in accordance with the commitments assumed in the framework of the NDCs and the SDGs. Issues such as the circular economy and the protection of biodiversity are central to the policies of these countries. In addition, the fight against climate change and the promotion of bio-businesses, as an instrument to take advantage of new markets (from the EU, for example), can open up new business opportunities while ensuring the conservation of biodiversity.

The environmental crisis, like the COVID-19 pandemic, is an opportunity to formulate industrial and technological policies that create capacities, institutions and policies that generate great environmental momentum. In the post-pandemic context, bi-regional strategies can be articulated that promote green economic growth in both regions, and sustainable projects can be implemented that bet on a recovery without costs for the environment (EU-LAC Foundation, 2021).

The signing of the Paris Agreement is a fundamental step for a sustainable future. Along these lines, the region is making progress in the design and implementation of policies and instruments aimed at mitigating and adapting to climate change. The sectors that are usually contemplated in adaptation strategies are the following: water, infrastructure, human settlements, agriculture, biodiversity, health and energy (ECLAC *et al*., 2016). Meanwhile, for mitigation, the energy, transport, agricultural, forestry and waste sectors are prioritised.

The region has also made progress in signing up to policy strategies on climate change, which are complemented by the development of actions and instruments to reduce their effects. In the case of Colombia, there is the National Plan for Adaptation to Climate Change (2012); in Peru, the National Strategy against Climate Change, and, in Ecuador, the National Climate Change Strategy of Ecuador 2012-2025.

The non-sustainability of the current patterns of the production and consumption model on which the growth of our countries is based makes it urgent to move towards strategies that allow "dematerialising" economies, reducing pressures on the environment and the effects on climate change. At this point, innovation in clean technologies is fundamental in decoupling. It is about generating and disseminating green technologies and more sustainable production models that originate processes of technological change and new innovation cycles, where human capital and scientific and technological development are key factors (ECLAC, 2018; 2020b).

This shows that there are important areas for cooperation between the EU and the countries of the region in the areas of climate change mitigation, technological innovation and the exchange of good environmental practices. In this regard, the EU's contribution to international cooperation and its experience in these matters should be taken into account (ECLAC, 2018).

On the other hand, investment in research and development aimed at the creation of environmental technologies is a source of job creation, in addition to implying higher returns in the short term and, in the long term, greater cost savings compared to traditional fiscal stimulus packages (IDB, 2020a).

Along the same lines, it is recommended that, in order to achieve economic and climate milestones, post-COVID-19 recovery programmes should:

> Promote investment in clean physical infrastructure, modernisations of building efficiency, investment in education and training to address immediate unemployment due to Covid-19 and structural unemployment due to decarbonisation, investment in natural capital for the recovery and resilience of ecosystems, and clean investment in R&D. […], finding that the long-term multipliers of positive climate policies were high, reflecting a strong return on investment for public spending (Hepburn *et al*., 2020: 16).

In the case of Latin America, ECLAC has analysed the complementarity of electricity systems and the use of renewable energies in the region. Thus, it has observed that a scenario with high penetration of renewable energies and high level of interconnection —which allows a greater penetration of renewable sources (39.5%), with an investment of 1% of the region's GDP between 2019 and 2032—would imply the creation of approximately seven million new jobs (ECLAC, 2020b). Therefore, investment in renewable technologies represents an opportunity to achieve a post-pandemic economic recovery in a rapid, inclusive and sustainable manner. It is therefore essential to promote strategies that seek synergies between economic growth and climate change, as they have a greater potential to increase national wealth and improve productivity.

In that sense, association agreements can promote sustainable investment that strengthens EU investments in Andean countries, in areas such as the renewable energy sector and biotrade. Consider that the ACM contemplates, in its Title IX Trade and Sustainable Development, guidelines aimed at promoting sustainable development (Article 271), which seek to facilitate and promote trade and foreign direct investment in environmental goods and services.

It also recognises the importance of the conservation and sustained use of biological diversity and encourages the development of practices and programmes aimed at promoting appropriate economic returns for the conservation and sustainable use of biological diversity (Article 272). It also emphasises the need to support efforts for climate change adaptation and mitigation, through a rapid transition to low-carbon economies, the sustainable use of natural resources, and improvements in technologie for the production and use of clean energy (Article 275). In this way, greater economic dynamism would be generated for both regions.

It is also an opportunity to promote research and innovations aimed at clean and digital technology sectors, the development of joint patents and businesses with good environmental practices by companies, and the strengthening of infrastructures in areas of sustainability (ECLAC, 2020a).

Considering that the EU's Green Deal envisages the use of "diplomatic and financial instruments to ensure that green alliances are part of its relations with other partner countries and regions, especially in Latin America" (European Commission, 2019c), association agreements constitute a relevant factor in promoting a long-term recovery strategy, based on the energy transition towards cleaner sources and green jobs. Through investment in renewable energies —and given the potential that exists in Peru and Ecuador in solar and wind energy16[16]— it is about obtaining a greater use of renewable energies. Another aspect to strengthen is energy efficiency and the promotion of digitalisation and distributed generation, as well as the promotion of electromobility (IDB, 2021).

On the other hand, the Andean countries have a great biodiversity, which can be exploited under a bioeconomy or biotrade approach. In this way, in turn, the productive structure would be diversified, in addition to increasing the generation of value, the promotion of value chains and diversified systems of native crops, as well as the strengthening of rural and agricultural development. This requires strengthening biodiversity management, the use of new technologies and traditional knowledge, and promoting their development and access to markets (ECLAC, 2020b); that is where association agreements play a key role. The circular economy should also be promoted, due to the potential it has for the contribution to GDP and for the generation of sources of employment. Thus, according to ECLAC estimates, GDP in Latin America could increase by 0.35 per cent, and around 450,000 stable jobs could be created.

Consequently, bi-regional integration can be a space to generate strategies that promote green trade between regions and the implementation of sustainable projects. From the perspective of the EU-LAC Foundation (2020: 38), the channels of cooperation can be given as follows: “Europe can contribute to LAC its green technologies and its high-level training programmes and social model, thus contributing to diversify its economy. For its part, LAC, taking into account the abundance of its natural resources and the dynamism of its markets, can favour a recovery in European growth”.

In addition, strengthening mechanisms can be established for environmental protection, accompanied by an approach to sustainable development, promotion of transparency and access to environmental information, including documentation on the environmental problems arising from extractive activity. In addition, the potential benefits of signing the Escazú Agreement on environmental strengthening mechanisms should be analysed. All these aspects have been requested by the advisory groups of the EU, Colombia, Peru and Ecuador that are members of this treaty. At the same time, the agreement is required to involve all sectors that have environmental competences, in addition to implementing the actions recommended by the analyses on the impact and quality of the use of water resources.

4.1.4. Employment

Compared to previous industrial revolutions, digitalisation is changing economic, political, institutional and social structures at a faster rate. This, in the medium and long term,

16 Sie LAC-OLADE (2021): Renewable energy potential. Available at: http://sielac.olade.org/WebForms/Reportes/ReporteDato3.aspx?oc=61&or=690&ss=2&v=1.

has implications for employment, since it transforms production and consumption models (ECLAC, 2018).

As has been argued, to advance the 2030 Agenda it is necessary to boost employment, promote inclusive industrialisation and encourage innovation considering its environmental effects. ECLAC has highlighted the urgency of moving towards a new development model that will lead to progressive structural change —with an emphasis on equality and environmental sustainability— fostering social coalitions and pacts for governance at the global, regional and national levels. In this line, it is essential to have a long-term vision.

To achieve the viability of this new development model, governance mechanisms underpinned by political coalitions must be promoted through international coordination, the international financial architecture and trade governance. The sustained expansion of investment in low-carbon and energy efficient projects should also be supported; regulate the effects of capital flows; promote multilaterally based trade and technology governance —enabling access to technology and financing to decouple growth and environmental impact— and global governance of the fundamental elements of the digital economy (ECLAC *et al*., 2016).

Regarding labour issues, the EU has implemented a series of initiatives that seek to address the crisis in employment caused by the pandemic. Likewise, the initiatives it is promoting in 2021 are:

> The new action plan for the European Pillar of Social Rights, the European Child Guarantee, the EU strategy on the rights of persons with disabilities, the new EU strategic framework on health and safety at work, the action plan for the Social Economy and the improvement of working conditions for people providing services through platforms (European Commission, 2020c: 2).

The EU is also promoting decent work, and all the above elements are equally under debate and discussion in the Andean countries.

4.1.5. Human rights

The EU seeks to sustain leadership in the defence of human rights and democracy, putting them at the centre of its foreign policy. Among the measures to be highlighted that it has taken in 2020, are the establishment of a global regime of sanctions in the field of human rights, and the Action Plan for Human Rights and Democracy (2020-2024), which sets the ambitions and priorities of the bloc, establishing a roadmap to face the challenges related to the promotion and protection of human rights and democracy[17].

17 European Union (21 June 2021). Adopted: EU Annual Report 2020 on human rights and democracy in the world

Advancing in the fulfilment of the 2030 Agenda and the SDGs also raises the need to address other challenges, linked to the institutions necessary to respond to the new demands of citizens. To this end, it is crucial to strengthen the space of national public policies, regional integration, and the role of international cooperation and multilateralism. Thus, cooperation spaces are key to promoting social development, so that they support social innovations through adequate institutionality (ECLAC, 2018).

Finally, social cohesion and the rule of law are central elements of both the external dimension of the European social model and the shared values in the Euro-Latin American area. Therefore, it is necessary to generate new social pacts that are at the centre of sustainable development policies (Jung, 2021).

4.2. Other axes of economic recovery that can be addressed by the association agreements

While digital transformation and the transition to green economies —as mechanisms for achieving sustainable growth— have seen greater momentum because of the pandemic, there are other areas of cooperation that can be explored through partnership agreements. Note that the EU has expressed theneed for more effective regional and bilateral cooperation with Latin America to join forces for a common future, highlighting the importance of intensifying its commitment to growth, diversification, sustainability, resilience and inclusiveness (European Commission, 2019c). These sectors include:

a) Trade facilitation, through enhanced cooperation and the full implementation of the EU's trade partnership and economic cooperation agreements with Latin American countries, including Peru, Colombia and Ecuador. It is about improving the business environment and investment in the region by ensuring that trade agreements, as well as partnership agreements, promote sustainable development, human rights and good governance. To this end, both regions must collaborate to strengthen the application of social labour and environmental provisions, aspects in which, in the case of the Andean countries, there have been some complaints of non-compliance.

In this sense, the recommendations promoted by the EU must be applied, such as those pointed out by Commissioner Malmström for the Peruvian case, and those that have been demanded by the unions and civil society of Ecuador and Colombia (CEDETRABAJO, 2020). The latter refer to the need to strengthen labour inspection and promote fixed-term contracts —to avoid the perpetuation of temporary work— and for workers to be able to carry out and fully exercise their rights to freedom of association and collective bargaining. The scope of partnership agreements should also be assessed in the face of the impact of the pandemic on economic and social rights. In particular, the responses that governments have implemented in labour matters (reform of labour standards), which have sometimes implied the precariousness of work and constitute a limitation to achieving the ILO's decent work objectives, should be assessed.

b) The promotion of the blue economy, which promotes closer collaboration around the sustainable use of maritime resources, and the preservation and conservation of the coastal maritime ecosystem. In addition, it is about contributing to adaptation and mitigation in the face of climate change. According to the IDB (2020b), promoting the blue economy is a way to manage high levels of unemployment, as well as to address the vulnerabilities generated by climate change. The purpose is for economies to expand into new fields such as marine biotechnology, marine renewable energy, sustainable tourism, fisheries or aquaculture. Partnership agreements are a vehicle for exploring these fields, especially given that Article 274 of the CMA establishes guidelines to promote trade in fishery products in a sustainable manner. It also highlights the need to establish strategies to address climate change (Article 275).

c) Human capital, through the strengthening of opportunities for student and research mobility, through cooperation programmes and exchange of experiences in higher education, such as the Erasmus+ programme. Taking into account that the free trade agreements of the Andean countries with the EU contemplate both the commercial and the social dimension, they have the necessary elements to facilitate the construction of the bi-regional space in higher education. In addition, strategic alliances can be promoted in the Euro-Latin American space, between European and Andean universities, by virtue of academic cooperation in specific areas that can deepen at different levels (Fairlie, 2021b). In this way, the diversification and competitiveness of strategic economic sectors would be promoted, by generating highly trained human capital.

d) The cultural and creative industries. It is about promoting cooperation to promote cultural diversity and the protection of cultural heritage, making culture an engine of social and economic development. This sector has not been explored within the partnership agreements despite the great potential that exists. Colombia is one of the main drivers of cultural industries or the orange economy in the Andean region. The country has enacted Law 1834: Orange Law, which aims to "develop, encourage, support and protect the creative industries". In the cases of Ecuador and Peru, these have the Organic Law of Culture, and the Annual Plan of Economic Stimuli for the Cultural Industries and Arts for the year 2018, respectively.

In short, it is necessary to analyse new economic recovery strategies such as those mentioned and explore the potential of association agreements to be able to carry them out.

Strategic bi-regional cooperation in trade and investment has allowed trade agreements to continuously expand their scope to environmental, labour and human rights issues, among others. This opens up a range of areas in which the EU and Latin America and the Caribbean can continue to cooperate around a common agenda, delimited by the SDGs, and encompassing: the defence of the multilateral trading system, the search for synergies between trade policies and the reform of the international governance of foreign direct investment. Likewise, the existence of a common base of similar agreements could facilitate convergence between the different economic integration mechanisms of the region itself, boost investment between both regions and thus strengthen a strategic alliance that favours the fulfilment of the SDGs (ECLAC, 2018).

The EU aims to have a greater global geopolitical impact; this implies the need to share values, which, in facing common challenges, make it possible to strengthen the alliance between the two regions. The EU's strategy of promoting multilateralism needs to strengthen cooperation with allies that uphold the same universal principles and standards (European Commission, 2021a).

As indicated, the commitment to the 2030 Agenda constitutes a common roadmap. Thus, SDG 17 has become one of the axes of the EU's external action, as it promotes strong global partnerships and energises international cooperation as an essential element to achieve the SDGs (Jung, 2021). In this sense, spaces of convergence can be established between both regions where these issues are addressed, in order to build an alternative growth agenda that allows fully exploiting the benefits of the agreement.

From the Andean countries, through the Andean Parliament, some initiatives[18] have been promoted that are in tune with this approach, such as the Regulatory Framework to Promote Comprehensive Trade Facilitation Policies in the Andean Region; the Regulatory Framework for the Promotion of Public Policies on Science, Technology and Innovation; the Regulatory Framework to Promote the Digital Economy in the Andean Region, or the Regulatory Framework to Promote Biotrade as a Development Opportunity in the Andean Countries. The guidelines of these policy proposals are aligned with the strategies being promoted by EU Member States to promote digital transformation and the green economy.

There are also normative instruments aimed at promoting new engines of economies, such as the Regulatory Framework to Increase Productivity and Achieve Sustainable Development, the Normative Framework of Sustainable Blue Economy, the Normative Framework of Orange Economy, the Draft Regulatory Framework to Promote and Strengthen the Peasant Economy and Family Farming in the Andean Region, and the Regulatory Framework on Social Security in the Andean Countries. Its guidelines and recommendations seek to achieve sustainable and inclusive economic growth and are aligned with the achievement of the SDGs. Consequently, one space in which these proposals could be strengthened and promoted is the Euro-Latin American Parliamentary Assembly (EuroLat).

Moreover, the asymmetries of power and wealth that exist between the two regions must be taken into account. In this sense, it is recommended that cooperation agreements implement the most innovative alternatives, in line with the 2017 European Development Consensus, and the types of relationship to be established with each partner. To reactivate political dialogue and cooperation, relations of "variable geometry" must be considered, which contemplate more flexible and open ways of collaboration, recognising the diver-

18 See: https://biblioteca-parlamentoandino.janium.net/janium-bin/referencista.pl?Id=20210513220810.

sity of the development agendas of each country, and with an orientation towards the 2030 Agenda (Sanahuja, 2020).

This aspect is key in development cooperation. Note that the current criterion of per capita income does not adequately reflect the vulnerabilities of societies (which are multidimensional), the financing needs or structural limitations of countries, and less in a context such as the current one. Recovery from the COVID-19 crisis is a global challenge that requires a joint response, so strengthening the partnership between the EU and Latin America is key to moving towards a new, more egalitarian, inclusive and sustainable development paradigm.

Dealing with the COVID-19 pandemic makes it necessary, finally, to make great fiscal efforts. The European Commission has promoted a global recovery initiative linking debt relief to investment in the SDGs. However, middle-income Latin American countries are not eligible for this programme. For this reason, ECLAC has requested to re-evaluate these classifications so that these countries can access development cooperation instruments and actions. In fact, ECLAC and the European Commission are committed to promoting the renewal of political dialogue, with the aim of moving towards models of sustainable and egalitarian development, strengthening the multilateral system and making it more inclusive. This system should incorporate mechanisms to facilitate access to financing for sustainable investments, access to and development of digital and green technologies, and promote a rules-based trade order and a renewed commitment to climate action (Bárcena and Urpilainen, 2021).

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8. ANALYSIS AND FORESIGHT OF THE EUROPEAN UNION-MERCOSUR ASSOCIATION AGREEMENT

Gerardo Caetano

1. Introduction[1]

The possibilities of an Association Agreement between the European Union and Mercosur are at a decisive moment. After a negotiation that has been going on for more than 20 years, in June 2019 an "agreement in principle" referring to the commercial pillar was announced. To this was added the negotiation regarding the political and cooperation aspects, agreed a little more than a year later, in July 2020, whose contents are not yet public knowledge. At the present time, as will be seen in detail in the text, the closure and ratification of the June 2019 agreement are in a situation of stagnation.

To this situation, at the last moment and with unforeseen virulence as well as unforeseeable consequences, the Russian invasion of Ukraine, which began on 24th February 2022, has been added as a contextual factor[2]. It is not possible to include in this document specific and consistent considerations regarding the impact of this ongoing process on the negotiation of the European Union-Mercosur Association Agreement. We will only record the event, which highlights, among other things, the relevance of the presence of Russia and other extra-zone powers (particularly China) in Latin America, with its multiple consequences in a wide range of fields. Similarly, the concluding section will briefly outline some of the information and speculation that has emerged at the international level, which tends to develop perspectives of analysis (not always coinciding) in relation to the more or less direct impacts that can be foreseen between the two processes.

In this context, and from this last point of view, the following text analyses the following points: i) in the absence of a specific agreement in the process of being implemented, it reports on the negotiations of the trade pillar, its current status, the contents of the principle of agreement signed in 2019, the possibilities of closure and ratification by the two parties and the main effects expected; ii) the potential implications of this agreement for both the European Union and Mercosur, especially with regard to its foreseeable consequences on the strategic autonomy of both regions and the strengthening of multilateralism in the current context, and iii) the expected impacts of the COVID-19 pandemic and the possible contribution of this Association Agreement in the new scenarios.

1 The author is especially grateful for the collaboration for the elaboration of this text to the doctoral student Nicolás Pose.

2 In contexts that combine a multiplicity of analyses with an essayistic or journalistic profile, the Working Paper by Sanahuja, Stefanoni and Francisco Verdes-Montenegro (2022) is particularly recommendable.

2. Evolution of the negotiations, their prospects and expected effects of an agreement

2.1. A long and complex negotiation (with an open end)

Negotiations for the establishment of an association agreement between the European Union and Mercosur have been going on for more than twenty years. This shows both the interest of both blocs to reach an agreement that governs their economic, commercial and political exchanges, as well as the great obstacles that exist to reach it. The first records of the negotiations date back to 1995, when both blocs agreed to conclude an Interregional Framework Agreement for Cooperation, in what wasthe first decision of Mercosur as a subject of International Law. The fact that Mercosur's privileged partner for its first agreement of this nature was the European Union was not accidental, but the consequence of the fact that Mercosur's very conception was inspired by the European integration model (Bizzozero, 2008).

The establishment of *interregional* relations —based on a logic of coalition relationship, as foreseen in the 1995 Framework Agreement— contributed to the promotion of the European Union's integration model, thus enhancing its legitimacy and projection as an international actor (Sanahuja, 2007). For all this, in terms of identity, it can be said that the European Union and Mercosur share defining features. This is also not surprising, if one takes into account the historical influence of Western European powers in the Southern Cone of Latin America.

The elements outlined would point to expecting a facilitation of political dialogue and cooperation, as well as the establishment of strong trade and investment links, which in fact exist between the two blocs. However, despite all these positive conditions, the launch of negotiations for the formation of an interregional association agreement, which took place in 1999 under the provisions of the 1995 Framework Agreement, was not a proactive initiative. On the contrary, with the perspective of time, this launch should be understood as a reaction to the hemispheric relations between the United States and Latin American countries. In the mid-1990s, the United States was making progress in the region with its proposed Free Trade Area of the Americas (FTAA), which sought to form a preferential area of hemispheric trade inspired by the NAFTA model. These advances generated a reactive response in the European Union, concerned about the potential loss of both economic space and political relations in Latin America. In this way, the European bloc sought to launch trade negotiations within the framework of a complex triangular logic in the Atlantic, which in turn interacted with multilateral trade negotiations, generating an intricate geopolitical and geoeconomic panorama (Bouzas, 1996; Grandi, 2000).

Since the launch of the negotiations, according to Sanahuja and Rodríguez (2019), four phases can be identified, which allow the organisation of short-term developments. That said, as Rozemberg (2019) points out, the essence of the agreement, with its pros and cons, has been the same in the long negotiation. The first phase, which took place between 2000 and 2004, was based on three principles, agreed in April 2000: comprehensive negotiations and balanced results; non-exclusion of any sector, with consideration of sensitivities in products and services in accordance with the rules of the World Trade Organization (WTO), and the principle of the single commitment, under the same logic that was applied in the Uruguay Round of the GATT (Makuc, Rozemberg and Duhalde, 2015). On this basis, three working groups were established: one devoted to trade in goods, a second to trade in services, and a third to the issue of government procurement, competition policies and dispute settlement.

Sanahuja and Rodríguez (2019) highlight that, on the one hand, the European proposal to negotiate some of the so-called "Singapore issues" —such as government purchases and competition policies— was a first turning point in the negotiations, given the reluctance of the Mercosur countries to assume greater commitments than those adopted after the formation of the WTO. On the other hand, however, they emphasize that the main difficulties in reaching agreements were registered in the traditional issues of trade, that is, in the offers in the field of goods. The literature agrees that these difficulties derived from the nature of trade between the two blocs, characterised by the prevalence of inter-industrial trade, based on the different endowment of productive factors, whose liberalisation entailed great distributive implications (Rogowski, 1989; Milner and Judkins, 2004; Hiscox, 2014). In this way, the European bloc was sensitive from the beginning to an ambitious opening of its market for the import of primary products and manufactures of agricultural origin, areas in which the static comparative advantages of the Mercosur bloc lay. At the same time, the Mercosur countries, mainly Brazil and Argentina, expressed their resistance to a rapid opening of their markets for manufactures of industrial origin, where European production is more competitive.

For European agricultural producers, the threat posed by the opening negotiated with Mercosur has been based on the risk of being displaced by the competitive agriculture of South Americans, so that the countries in which their organisations have greater weight have historically been reluctant to this agreement. On the other hand, for Mercosur entrepreneurs and industrial workers, facing greater competition from European firms, with greater relative capital and technology, also generated the risk of market displacement. In turn, the strong presence of firms of European origin in Mercosur —which entered the markets of Argentina and, above all, Brazil, with a horizontal logic, of jumping tariff barriers and production for the destination market— generated the additional concern of the relocation of these firms, especially if the tariff protection structure was dismantled (Oliveira, 2014; Pose and Bizzozero, 2019; Álvarez and Zelicovich, 2020; Caetano and Pose, 2020).

To these structural elements of political economy were added other conjunctural ones. Among them, the following should be recorded: the concern of South American governments about the reduction of space for the implementation of development policies, as well as their search for an agreement that effectively recognised the different stages of development of the partners; the difficulty of Mercosur to complete the formation of its customs union, making the normative idea of a bi-regional agreement less attractive; the failure of the WTO's Cancún Ministerial Summit, at which the countries of the South expected greater discipline of the agricultural subsidies of the countries of the North; related to this, the paralysis of the FTAA initiative, which took pressure off the European Union regarding the need to move forward with Mercosur so as not to be at a competitive disadvantage with respect to the United States. Combined, these elements led to a prolonged paralysis of negotiations between the European Union and Mercosur by 2004 (Makuc *et al*., 2015; Caetano and Pose, 2020; Sanahuja and Rodríguez, 2019).

Between 2004 and 2010, Sanahuja and Rodríguez (2019) identify a second stage that they call "mutual disinterest". During this period, the European Union prioritised the formation of agreements with the Latin American countries of the "Pacific axis", with a more liberal and open orientation (Briceño-Ruiz, 2013). The time of progressive governments in the Mercosur countries brought with it a regionalist orientation that has been called by some authors as "post-liberal" (Sanahuja, 2009) or "post-hegemonic" (Riggirozzi and Tussie, 2012), in which the trade integration agenda gave way to a greater focus on the political and social issues of regionalism[3].

Negotiations resumed in 2010, inaugurating a third stage. However, this occurred in a different international political and economic context. Firstly, as early as 2008, with the failure of the last negotiating package attempted in Geneva, the impasse in multilateral negotiations in the WTO became clear. On the one hand, this meant that the European Union resumed the agenda of seeking preferential trade agreements, encouraging the relaunch of negotiations with Mercosur. On the other hand, the blockade of the multilateral route meant the postponement of one of the main requests of the Mercosur partners: the reduction of European subsidies to the agricultural sector (Makuc *et al*., 2015). Secondly, it highlighted the impact of the 2008 global financial crisis, which continued to hit the developed economies of the West very hard. Meanwhile, the so-called emerging powers, particularly China, continued to expand their share of GDP, foreign direct investment and trade globally, with Mercosur as an important part of this global phenomenon. In just one decade, China's share of Mercosur exports had tripled, from less than 3% in 2000 to almost 10% in 2009. This deepened the primary export profile of the countries of the bloc, as Mercosur exports to China were already concentrated in a few commodities, such as iron ore, beef, soybeans and wood, which experienced since 2000 a sharp increase, both in their demand and in their prices.

In turn, during the years of paralysis of the negotiations, the European Union underwent a process of expansion of its membership to the East, which meant in the first place greater sensitivities for the industrial producers of Mercosur, both for the lower labour costs in the new members, and for the incorporation of new agricultural sensitivities in the European bloc. On the other hand, Brazil and the European Union established in 2007 a strategic partnership agreement, which involved incorporating a difference at the diplomatic level between the largest member of Mercosur and the rest of its partners. All these elements converged in a greater complexity of the negotiations.

3 This characterisation has been the subject of controversy in more recent times. For a current synthesis of the debate, see issue 257 of the journal Nueva Sociedad.

However, the shift in Brazil's position since 2013 changed the status quo. The Brazilian political and business elites concluded that in the new scenario Brazil was being isolated from the main negotiations and international trade flows (Thorstensen and Ferraz, 2014), so they started, with the support of Paraguay and Uruguay, to press for an agreement with the European Union. In turn, the European announcement of the end of the granting of the Generalised System of Preferences (GSP) to Mercosur countries in 2014, although it did not structurally change the incentives for the low volume of trade covered by it, did add an additional element in this line. Such a position clashed with the Argentine position, which maintained the belief that the terms proposed in the negotiation increased the asymmetries between the two blocs. However, despite these differences, Mercosur managed to put together an offer to exchange with the Europeans in 2014. At this point, it was the European Union that was reluctant to exchange. The controversies generated by the suspension of Paraguay and the entry of Venezuela acted, so the renewed agricultural sensitivities —to the rhythm of the electoral calendars of the main members of the Union— delayed the manifestation of the intention of the European Commission to advance in the negotiations.

The political changes in Argentina (2015) and Brazil (2016) meant the arrival of more liberal governments in trade matters, which implied the beginning of the last and fourth phase of the negotiation (Sanahuja and Rodríguez, 2019; Zelicovich, 2018). This culminated in the signing of the agreement in principle on 28 June 2019. According to Álvarez and Zelicovich (2020), two major variables explain the closure of negotiations in this fourth phase: a geopolitical and an economic one. To this they add a third factor, the identity, which allowed to sustain the negotiations for so many years despite the difficulties to agree.

Regarding the geopolitical variable, they highlighted the changes that the so-called globalisation crisis entailed (Sanahuja, 2019) and, relatedly, the erosion of multilateral trade institutions. These phenomena, with diverse origins, which were related to the global crisis of 2008 and the growing rejection of the impact of commercial globalisation on north-western societies, accelerated with the victory of Donald Trump in the United States in 2016. The Trump administration adopted a unilateralist orientation in the international sphere, as well as a challenge to the institutions that made up the so-called liberal international order. In this context, the European Union sought to position itself as a bastion of defence of this rules-based order, for which an agreement with Mercosur represented a strategic move.

The combination of all these factors made possible some changes in the material variable: it promoted the renunciation of both parties, although not necessarily in similar portions, to their demands for maximum, with a view to reaching a point of agreement. Thus, on the side of the European Union, although there was a continuity in the hard core of its offer, it is possible to note some modifications in other areas. For example, in defensive matters, the bloc accepted that Mercosur maintain the validity of its drawback mechanisms and special economic areas (Zelicovich, 2019), key to ensuring a minimum competitiveness of its industrial exports. On the other hand, on the offensive level, the withdrawal of some unacceptable demands for Mercosur was highlighted, such as the extension of the terms of patent protection and the protection of test data.

On the Mercosur side, even more modifications were observed, more adopted as a necessary signal of openness to the world than based on the market access gains that the agreement could bring. In this context, Mercosur accepted agricultural and agroindustrial quotas that it had historically rejected, while at the defensive level it agreed to greater coverage for its supply of goods, more flexible rules of origin in different sectors, temporary quotas during the tax relief in key sectors such as the automotive sector, as well as a greater opening of its closed government procurement systems. Combined, all these elements facilitated the conclusion of the agreement in principle. However, as will be analysed later, this did not ensure the concreteness and ratification of what was agreed.

2.2. Characteristics of the agreement in principle[4]

The agreement in principle announced in June 2019 refers to the commercial pillar. To this is added the negotiation regarding the political and cooperation pillars, agreed in July 2020, whose contents are not yet public knowledge. What follows is a brief analysis of the contents of the agreement in its commercial pillar, based on the information disseminated and the analyses carried out by specialists in this regard.

The first thing to note is that the agreement is structured in twenty chapters, which, as can be seen in Table1, cover not only trade in goods but a wide range of disciplines, tariff and non-tariff, as well as strictly commercial aspects and others related less directly to the subject. In terms of goods, Mercosur —which has an average tariff close to 12%, double that of the European Union (LSE, 2019)— is committed to fully liberalising 91% of its tariff lines within 15 years. Following Azevedo, De Angelis, Michalczewsky and Toscani(2019), 6% would be liberalised immediately upon the entry into force of the agreement, 25% within a period of 4 to 8 years and the remaining 60% on the end of the tariff reduction schedule, with the most sensitive products located at the end of the planned term. In turn, Mercosur would apply a partial liberalisation of0.1% of trade, through the implementation of quotas for some dairy products.

For its part, the European Union is committed to a total liberalisation of 92% of its tariffs, with the bulk of the implementation of around 85% that would enter into force from the beginning, and the rest within a maximum period of ten years. However, an additional 7% —referring to products of agricultural origin, in which are concentrated both the highest tariff peaks in the EU and a good part of Mercosur's export to this bloc— would be liberalised only partially, through the implementation of preferential quotas without tariffs or with reduced tariffs. Among the products included in this category are meats, sugar, ethanol, rice, honey,sweet corn and various dairy products (Azevedo *et al.*, 2019; Ghiotto and Echaide, 2019; LSE, 2019).

The agreed rules of origin present a wide diversity, depending on the sector being considered. Beyond this variation, it is possible to highlight some elements, such as that several

4 This sub-section is based on Pose and Wilchisnki (2021).

of the measures adopted coincide with the European model of rules, which forces a modernisation of Mercosur regulations (Maduro, Veiga and Ríos, 2020). This refers both to the calculation mechanisms and to the issue of certification, in which the self-certification model is adopted, considered as a practice made towards trade facilitation. On the other hand, in terms of the percentages of regional content required, with respect to some sensitive sectors of Mercosur, it was possible to establish intermediate levels of demand, while others, such as machinery and auto parts, were closer to the European position in the sense of requiring less accumulation. In return, Mercosur managed to sustain, as already mentioned, the maintenance of the drawback, a regime of widespread use in the bloc for the import of productive inputs.

TABLE 1. Contents of the trade agreement in principle between the EU and Mercosur

Number*	Texts of the agreement
01	Trade in goods
02	Rules of origin
03	Trade defence
04	Sanitary and phytosanitary measures
05	Technical barriers to trade
06	Trade facilitation
07	Services and establishment
08	Government procurement
09	Intellectual property
10	Competence
11	Subsidies
12	State-owned companies
13	Trade and sustainable development
14	Small and medium-sized enterprises
15	Transparency
16	Regional integration clause
17	Dispute settlement
18	Wine Annex
19	Anti-fraud clause
20	Balance of payments and capital movements

*Source: Uruguay (2019). * Uruguay clarifies that "the final order of the chapters and texts may be altered as a result of the legal and institutional revision of the agreement"*

The agreement also establishes provisions and areas for cooperation on technical barriers to trade, and sanitary and phytosanitary measures, in order to avoid the lifting of unnecessary barriers to trade (Azevedo *et al*.,2019). That said, the acceptance of the precautionary principle —which allows the parties to impose barriers against the unproven suspicion of damage generated by some product or process—threatens to limit market access gains, mainly for Mercosur partners, specialised in production of agricultural origin (Caetano and Pose, 2020).

On the other hand, the agreement includes a chapter on intellectual property, but unlike other North-South ACP, promoted by both the United States and the European Union (Shadlen, 2008; Gallagher, 2008; Horn, Mavroidis and Sapir, 2010), does not establish WTO-plus obligations in terms of patent extension and protection of test data (Azevedo *et al*., 2019). And although it urges the parties to adhere to the Patent Cooperation Treaty, of which Argentina, Paraguay and Uruguay are not members, it does so under the best endeavour format, which does not generate obligations for the parties. The bulk of the action in the field of intellectual property involves the recognition of geographical denominations, an aspect forcefully negotiated by the parties and not yet closed, since, due to the strong European immigration in the Southern Cone of Latin America, different varieties identified with regions of the Viejo Continent are produced from decades in Mercosur[5].

Continuing with the related disciplines, the agreement includes WTO-plus provisions on services, which grant national treatment to the counter party's suppliers and allow greater market access in the sectors explicitly included by the partners, since they were negotiated through positive lists. In turn, it introduces specific rules for specific sectors, such as postal, courier, telecommunications and financial services, as well as general provisions in electronic commerce. On the contrary, the parties did not negotiate a chapter on investments, which are covered only as regards the provision of services through the establishment of the supplier in the destination economy (Bas, 2019; Azevedo *et al*., 2019; Ghiotto and Echaide, 2019).

Another chapter of interest, both because it innovates and because of the hard negotiation it entailed, is that of government purchases. In this sense, both blocs agreed to guarantee access to their public procurement on a reciprocal basis, which is particularly significant for Mercosur, insofar as it is the first agreement to open up to a supplier of magnitude. The agreement partially excludes subnational entities, establishes a grace period for Mercosur of 15 years and sets a minimum floor for the inclusion in the protocol of 130,000 special drawing rights (SDRs) for purchases of goods and services, and SDR 5.5 million for public works (Azevedo *et al*., 2019; Álvarez and Zelicovich, 2020; Maduro *et al*., 2020).

Finally, the agreement includes other chapters that, unlike those described, do not refer to the dispute settlement mechanism. Among them is that of sustainable development, whose special sensitivity derives from the environmental objections that the settlement in Europe has deserved. Pose and Wilchinski compare the environmental provisions included in this agreement in comparison with other preferential arrangements of global reference, such as the CP-TPP, CETA and USMCA. Such a comparison is relevant, given that some European leaders have presented this arrangement as an example of environmental sustainability of trade, contrasting it with the Mercosur-European Union agreement.

As can be seen in Table 2, of the 24 dimensions selected for comparison, the EU-Mercosur agreement complies with 11, compared to 10 for CETA and the USMCA, and is surpassed only by the CP-TPP, with 15. In addition, in qualitative terms, it stands out for the link it

5 To address this situation, the agreement introduces the so-called "grandfather clause", which allows the already existing marketing of products with protected names to continue.

makes with the fulfilment of the commitments assumed by each party to the Paris Agreement, which is an innovation with respect to the main preferential trade agreements of the last decade. Therefore, despite not having a binding mechanism at the level of dispute settlement, the agreement in principle between the European Union and Mercosur exceeds the level of environmental protection provided for in other agreements such as CETA, while in qualitative terms it represents a leap from its preceding ones, by explicitly linking the Paris Agreement with preferential trade between the two blocs.

In this regard, the question arises: to what extent can these provisions, as described, alter the behaviour of States in environmental matters? For sceptics, particularly around Brazil, the response has been negative. In particular, as noted, the absence of binding environmental provisions is highlighted. Beyond this aspect, two factors can be pointed out to consider. The first of these is the moderate impact of the agreement in commercial terms, particularly with regard to Mercosur's offensive interests in agricultural and agro-industrial goods. This point is relevant to the extent that a strong dependence on a market generates incentives for compliance with the hard or soft rules expected by that destination, due to the cost of potential exclusion. However, in this case, surely such incentives are not powerful enough. That said, it is also possible to imagine a second factor, acting in the opposite direction. To do this, it is necessary to incorporate that, for a good part of Mercosur agricultural and agro-industrial producers, the benefits of an agreement with the European Union do not derive mainly from greater access to markets, but from the seal of quality that supposes having the approval of one of the most demanding importers in terms of standards. Thus, even if the volumes exported are not on a par with those destined for Asia or other regions, producers will surely have incentives to pressure their governments for high compliance with the requirements set out in the agreement. Therefore, from this logic, the agreement could modify Brazilian behaviour towards a greater concern for the environmental dimension, unlike what is maintained by sceptics in Europe.

Finally, given the description of the structure of the agreement, it is worth asking whether we are facing a traditional preferential trade agreement format —in the logic of the FTAs that proliferated between the 1990s and the early 2000s in the world— or a new format of agreement. In this sense, it is difficult to find unequivocal answers. On the one hand, the planned tariff reduction, beyond the differential deadlines in favour of Mercosur, presents a traditional logic, since it covers a percentage greater than 90% of the tariff universe. The agreement includes a safeguards regime, which although not specifically industrial, where Mercosur's greatest sensitivity resides, can be used by this sector. While on the discipline side, although WTO-plus chapters are included, there is no marked deepening of commitments in the so-called Singapore issues, since the agreement does not include an investment chapter (except in services), which avoids discussion on controversial investor-State dispute settlement systems[6], nor does it introduce additional requirements in key aspects of intellectual property rights, such as patents and test data. Moreover, the preservation of certain regimes for Mercosur, such as drawback, testifies to a sign of

6 This does not eliminate the potential use of this scheme based on the multiple bilateral investment treaties that link Argentina, Paraguay and Uruguay with different member countries of the European Union.

TABLE 2. Environmental issues in four preferential agreements of global reference
Environmental clauses or issues dealt with in trade agreements

Environmental clauses or issues dealt with in trade agreements		EU-Mercosur	CETA	CP-TPP	USMCA*
Principles	Principle of common but differentiated responsibilities	✗	✗	✗	✗
	Precautionary principle	✓	✓	✗	✗
	Sovereignty in determining its own environmental policies according to the priorities of the State	✓	✓	✓	✓
	Sovereignty in the execution of environmental measures	✗	✗	✓	✓
	Environmental protection as a precondition for trade or development	✗	✗	✗	✗
	Reference to mutual support between environment and trade or development	✓	✓	✓	✓
Level of environmental protection	It is inappropriate to encourage trade or investment by relaxing environmental measures	✓	✓	✓	✓
	States must improve and strengthen levels of environmental protection	✗	✓	✓	✓
	Prohibition of discriminatory or unnecessary environmental measures	✓	✗	✓	✗
Interaction of the environment with non-environmental issues	With trade or investment policies	✓	✓	✓	✓
	With energy policies	✗	✓	✓	✗
	With tourism	✗	✗	✗	✗
	With gender policies	✗	✗	✗	✗
	With social issues	✓	✓	✓	✓
	With rural development	✗	✗	✗	✗
	With urban development	✗	✗	✓	✗
	With construction activities	✗	✗	✗	✗
	With agriculture	✗	✗	✗	✗
	With indigenous communities or traditional knowledge	✓	✗	✓	✓
	With human health	✗	✗	✓	✓
Other forms of cooperation in environmental matters	Encourage the production of environmental goods and services	✗	✗	✓	✗
	Encourage trade and investment in environmental goods and services	✓	✓	✓	✓
	Commitment to cooperation in the context of bilateral, regional or multilateral environmental negotiation	✓	✓	✓	✗
Commitment to the effective implementation of the Paris Agreement		✓	✗	✗	✗

** The parallel environmental agreement that the same countries signed in 2018 is not included in the analysis.*
Source: Pose and Wilchinski (2021), based on text of environmental chapters of the available agreements.

flexibility from the European Union, at least compared to its record of agreements with the developing world.

In any case, these deviations from the classic TLC model, although they moderate some of its most controversial aspects, do not imply the presence of a new or overcoming logic. In this sense, the cooperation chapter constitutes an opportunity for the construction of a true association agreement, as promoted by Mercosur in the first negotiating stage (2000-2004). However, we still do not know the contents of such an agreement, although the public statements of the negotiators do not augur the presence of paradigmatic changes. Given the geopolitical importance of the agreement for both regions, it is pertinent to raise the possibility of innovating in this area. In Caetano and Pose (2020b), we advance five lines that can contribute in this regard: 1) greater transparency in the public circulation of information; 2) the introduction of labour and environmental clauses from a promotion perspective (with a focus on training and technology transfer); 3) the replacement of bilateral investment treaties by an interregional investment dispute settlement arrangement, providing only for access to the system for State actors; 4) additional measures for greater preservation of the space for the implementation of late development policies (such as the discussed nascent industries clause or the possibility of subsidising certain activities that promote technological catch-up in the countries of the South), and 5) the introduction of explicit mechanisms that promote technology transfers and interregional linkages with the participation of SMEs. The incorporation of these elements, plus the innovations and deviations from the classic patterns of the North-South FTAs already mentioned, would contribute in a more decisive way to sustainable development in both regions, as well as to the consolidation of a geopolitical alliance that allows bothregions to navigate with better tools and capabilities the crisis of globalisation and the impact of exacerbated competition between the United States and China.

2.3. Prospects for closure and ratification in Mercosur

The agreement came at a time of deepening the weaknesses of Latin American regionalism, of which Mercosur was no exception (Caetano and Pose, 2020). Therefore, regardless of the economic aspects,its signing was a point of convergence between the countries of the bloc. The deepening of the Brazilian government's search for trade openness after the victory of Jair Bolsonaro —combined with the liberal turn that the government of Mauricio Macri represented in Argentina and added to the historic support of Paraguay and Uruguay for these negotiations— ended up generating the necessary consensus, Mercosur's decision-making mechanism par excellence, to propose an offer difficult to reject by the European counterpart.

The signing of the agreement also eased the tension facing Mercosur's external agenda. It should be noted that, despite the active search for trade agreements carried out since 2016, the bloc faced a world less prone to these arrangements than in the past (Zelicovich, 2018). Likewise, the conclusion of the negotiations acted as a balm towards the interior of the bloc, which faced an accumulation of multiple criticisms and questions. It is that despite the declarations and intentions of successive governments, Mercosur has suffered multiple problems of internal functioning. These problems have led to the frequent questioning of the bloc by governments and other actors, as well as the formulation of proposals for flexibility regarding relations with third parties. The conclusion of the agreement in principle with the European Union, in this context, was evidence in favour of the support of Mercosur and its joint action in external matters.

The first questions at the political level to the agreement arose from Argentina, within the framework of the 2019 electoral campaign, in which Mauricio Macri sought re-election. In front of the announcement of the firm, the main opposition candidate and today president, Alberto Fernández, said that this fact gave no reason to celebrate, because while the profits were not clear, the damages it would cause to industry and national labour were obvious. This positioning, added to the various clashes between the new Argentine administration and the Bolsonaro government in Brazil, ended up putting a new question mark on the future of Mercosur.

However, despite Argentina's reservations about what was signed, the truth is that, once in power, the new Argentine government chaired by Alberto Fernández has committed to continue with the legal review of what was agreed, close the political and cooperation agreement (as it happened in July 2020)and send the agreement to Parliament for consideration. Part of the explanation for this position lies in the possibility of a bilateral entry into force of the trade pillar between the European Union and each of the Mercosur partners that ratify the agreement. Following Gruber (2001), this option removed the status quo in the negotiation with the European Union. In the new situation, Argentina faces the need to ratify an agreement that was not among the preferences of the new government, or the more expensive alternative of not ratifying it and facing more disadvantageous competition from Europe in the Brazilian market. Also in the latter case, it would assume the challenge of uneven competition with Brazilian exports that coincide with the Argentine export basket to the European Union market. To all this should be added the fragile financial context in which the new Fernández government took office, which has implied the need to obtain support among European governments to reprogramme the external debt payment scheme. All these factors have ended up limiting the space of opposition to the arrangement. In any case, as Merke (2019) explains, this does not imply the existence of a consensus on the matter within the ruling coalition of the Frente de Todos.

Despite the Argentine acceptance, after the initial nuances, the lack of progress in Europe regarding the conclusion of the agreement has limited the unifying impact that it could generate in Mercosur. In this context, the bloc has continued to navigate between the divergences of its partners, aggravated by the COVID-19 pandemic. On the trade front, two proposals have again divided Mercosur. The first of these is to reduce the common external tariff (CET), proposed by Brazil and accompanied in principle by Paraguay and Uruguay, but resisted by Argentina, as well as by a significant portion of the Brazilian business elites themselves. To these differences was added the recent debate originated by the Uruguayan proposal to open negotiations with third parties more flexible, to allow the individual signing of extra-area agreements in case consensus is not obtained in the bloc to move forward together. Such an initiative generates the rejection of both Argentina and Paraguay, which allege their conflict with the provisions of the Treaty of Asunción that gave rise to the bloc. In short, Mercosur is waiting for a concretion and ratification of the association agreement with the European Union in acontext of marked weakness and with the persistence of uncertainties in the political conditions for its ratification.

2.4. Prospects for closure and ratification in the European Union

For the EU, the announcement of the agreement, in principle, also had a symbolic value of relevance, in that it implied reaffirming its commitment to an international order based on the establishment of rules against US unilateralism and geoeconomic war with China. However, as highlighted by Álvarez and Zelicovich (2020), geopolitical reasons might not have the same strength to ensure its completion and ratification. As expected, after the announcement the first expressions of discontent emerged from opposing entities such as COPA-COGECA, the interest group that brings together the agricultural sectors of the European Union. In the same vein, objections arose during the following months, both for the opening of the agricultural market and for environmental reasons, from the governments of countries such as France, Ireland and Poland, where the weight of farmers' organisations is greater.

On the contrary, more surprising and indicative of a qualitative change in Europe were the expressions of the national parliaments of countries such as Austria and the Netherlands. In the first case, a vote in committee in September 2019 rejected the agreement with the support of a broad spectrum of its political system. The main arguments presented by the legislators to substantiate their refusal referred to the policy of deforestation of the Amazon for agricultural production purposes promoted by the Bolsonaro government in Brazil, to which were added concerns about animal health, consumer protection and the viability of European agriculture (BBC, 2019; Oltermann, 2019). In the case of the Netherlands, although it was an opposition initiative that had the support of a minority partner of the government, dissident on this point, the approval of the parliamentary motion against the agreement had a great impact, to the extent that the Netherlands has historically been a bastion of free trade in the European Union. Agricultural demands and environmental concerns were again the main arguments handled by opponents of the agreement (Khan and Brunsden, 2019; Leering, 2020). The environmental concern has taken on such magnitude that even Angela Merkel, Germany's chancellor historically favourable to the agreement, raised her reservations due to the deepening deforestation of the Amazon in Brazil, following a massive climate march that took place in Berlin (DW, 2020).

Beyond these statements, it must be considered that the agreement, in the decision-making system of the European Union, has a mixed character, with matters that have been delegated to the Union and others that remain the competence of the Member States. In this sense, the trade pillar, being a delegated competence, can be applied provisionally with the approval of the European Parliament (EP) and a qualified majority of the Council of the European Union, while the political and cooperation pillars require the ratification of national parliaments and even, in some cases, regional (Merke, 2019). But even restricting the analysis to the trade pillar, it should be noted that in October 2020 the EP expressed, through the approval of a motion, that the agreement could not be ratified "in its current-state" (European Parliament, 2019, par. 36).

This motion was actually an amendment —tabled by a French parliamentarian from the Renew Europegroup— to a report referring to the implementation of the EU's common commercial policy during 2018, which rejects the agreement in its signed format (European Parliament, 2019). It was approved with 345 votes, against 295 oppositions and 24 abstentions. According to Agence Europe (2020), the majority of affirmative votes came from three parliamentary groups —the Social Democrats, the Left and the Greens— joined by some French parliamentarians from two other groups, the Conservative and the Liberal. The turn of social democrats and some conservatives and liberals is significant in relation to old consensuses on European trade policy that have been going on for decades. At the same time, it is symptomatic of the changes in the preferences of European voters regarding the environmental issue, which has forced traditional parties to revaluate their positions (Pose and Wilchinski, 2021).

Faced with this reality, the possibility of strengthening the environmental commitments included in the agreement has been raised. The objective, from the European perspective, aims to have a special impact on Brazil's environmental policy, in particular with regard to deforestation in the Amazon. However, despite the fact that both sides have shown a willingness to negotiate an additional settlement, differences persist over the characteristics it should adopt. The position of the Mercosur countries maintains that, together with the closing of the agreement, an additional declaration could be added that reaffirms the commitments of the sustainable development chapter already agreed, to communicate to European public opinion the relevance that both parties adhere to this matter. However, such an arrangement may not satisfy the most sceptical actors in the field in Europe, who are calling for the renegotiation of the agreement to include an environmental clause that directly links preferential market access to the fulfilment of specific environmental objectives, while enabling the use of the dispute settlement system for the sustainable development chapter, what is not contemplated in the agreed format[7].

The obstacle, in this scenario, is that Mercosur has flatly ruled out a renegotiation or reopening. As the chief negotiator of Brazilian diplomacy pointed out:

> There is no question of renegotiating or reopening the agreement. And the reason is simple: any movement in this direction would dismantle the balance package agreed, not only between blocs, but between countries that make up each bloc. And here is an additional explanation for the unsuspecting: the European Commission negotiated and spoke on behalf of the bloc, but all member countries of the European Union were

7 It has even been suggested that the Framework of the European Green Deal seeks to extend this type of robust environmental protection clauses to all trade agreements that the European Union has with third parties (Giles, 2021).

permanently consulted. None of them can, now, allege that it did not know the agreed terms (Costa and Silva, 2021).

In essence, this position refers to the analysis already carried out regarding the complex balance of political economy that was necessary to reach the agreement in principle. In concrete terms, the introduction of additional environmental barriers, which impact on access to agricultural markets and,in addition, set a precedent in this regard, threatens to collapse the bases of support that the agreement raises in Mercosur. In addition, a renegotiation can open a space for the reintroduction of industrial sensitivities in the South American bloc, further complicating the equation. In this context, the ratification scenario is complex.

2.5. Expected impacts

To the extent that the agreement under analysis has not entered into force, its potential impact on trade and investment flows, as well as on other relevant variables such as output and employment, can only be estimated indirectly through projections. That said, it is necessary to keep in mind that such projections require the adoption of a set of assumptions that often do not capture the changing economic conditions or even the characteristics of what was finally agreed. Likewise, although the most widespread tools for these analyses (computable general equilibrium models) attract some consensus when projecting the effects of tariff modifications, there is similar agreement on their inability to model those of the non-tariff chapters, which are sometimes as or more relevant than the agreed reductions. Similarly, it is recognized that, although on the tariff side models can capture static effects, they have greater difficulties in estimating dynamic effects. With these caveats, below are some of the main projections of recent literature regarding the potential impact of the agreement between Mercosur and the European Union on its trade pillar.

According to Rozemberg (2019: 3), "most of the studies carried out in recent years to evaluate the consequences of the Mercosur-EU partnership, with a variety of assumptions and models, with general or partial equilibrium approximations, show that the agreement alone will not be the cause of major impacts, neither on trade nor on the GDP of the countries". Among the most comprehensive approaches are the two Trade Sustainability Impact Assessments commissioned by the European Commission, whose results were published in 2009 and 2019-2021, respectively.

The first of these, prepared by the University of Manchester (2009), found for the case of the European Union economic welfare gains of the order of 0.1%, induced by the reallocation of resources from agriculture, which would have a negative impact, to the manufacturing and services sectors, with expected gains that in turn would compensate for the losses for the first sector. In turn, it found expected negative impacts on agricultural employment, as well as mixed results in environmental matters, with improvements derived from the import of biofuels and risks associated with the stimulation of deforestation. In the case of Mercosur, the study also found positive and moderate welfare gains for the bloc's countries, as well as a sectoral effect opposite to that expected in Europe: gains for agriculture and food processors, as well as challenges for the manufacturing sector and services. In terms of employment, the challenges in this case were identified in the potential losses in the industrial sector, as well as the growth of work under non-decent standards in the agricultural sector.

The second study, prepared by the London School of Economics (LSE, 2021), yields similar results. As shown in Table 3, based on an estimate of a scenario with a conservative agreement, by 2032 it is expected that the agreement will have contributed to an increase of 0.1% of the GDP of the European Union, as well as increases of between 0.1% and 0.5% for the Mercosur countries. Likewise, the projection expects a greater increase in exports compared to imports for Mercosur countries, unlike what is expected in the case of the European Union. On the other hand, the biggest gains in terms of welfare are projected for the European Union; at this point, for Paraguay no movement is expected, as well as for Uruguay a slight negative variation is expected, of the order of 0.1%. The LSE projections also foresee moderate gains in the real wage of workers, both among the skilled and the unskilled ones, with variations of between 0.2% and 0.4%, depending on the country and category. Finally, the table reflects a slight contribution towards the increase in inflation in the European Union, as well as a fall in consumer prices in all Mercosur countries.

TABLE 3. Expected macroeconomic results of the agreement in a conservative scenario

Region	GDP %	Investments %	Imp. %	Exp. %	Wellness %	Real wage (skilled) %	Real wage (unskilled) %	Consumer prices %
EU 28	0,1	0,4	0,9	0,4	6,3	0,2	0,2	0,2
Brazil	0,2	0,7	1,3	4,5	1,4	0,0	0,0	-1,5
Argentina	0,5	1,4	1,2	1,9	1,5	0,2	0,3	-1,0
Uruguay	0,2	0,8	0,4	0,8	-0,1	0,2	0,4	-0,6
Paraguay	0,1	0,3	0,1	0,5	0,0	0,2	0,3	-0,3

Source: LSE (2021: 29).

A sectoral analysis of the expected bilateral effects on trade reveals a continuation with the assessment made in 2009. In specific terms, while the sectors of the European Union that expand their exports to Mercosur to a greater extent are those of industrial products and dairy products, the greatest expansion of Mercosur sales to the European market are expected in agri-food products. In aggregate, the conservative scenario of LSE (2021) expects a 52% increase in exports from the European Union to Mercosur, as well as an 11% increase in European imports from the South American bloc. This is related to the expected impacts on employment, which for Mercosur point to a fall in jobs in some manufacturing sectors, offset by the increase in jobs in agriculture and food production. In Europe, the study concludes that the sectoral impact on employment patterns would be much less significant. For its part, in environmental matters, the study does not find significant expected effects in terms of greenhouse gas emissions, while identifying a potential moderate impact on deforestation, particularly in Brazil. That said, it also highlights that percapita emissions in Brazil and Paraguay are lower than those of the European Union, while those of Argentina and Uruguay are at levels similar to those of the European bloc.

To complete the review of the main studies, it remains to incorporate a recent report from the Global Development Policy Centre of Boston University (Capaldo and Omer, 2021). Its value lies in the fact that it questions and departs from the models of general equilibrium that underpin the previous analyses,considering that the assumptions used skew the results in favour of the identification of profits. These include the assumption of full employment, the absence of relative changes in the remuneration obtained by labour and capital, and the non-variation in productivity growth due to wage growth.

On the other hand, the authors work by differentiating the economic sectors into dynamic and stagnant, which allows them to observe that, if the agreement is ratified, it is possible to expect a deepening of the polarisation between both sectors in the main economies of both blocks, as well as an asymmetric impact of the agreement in favour of the stagnant sectors. As a consequence, they point out that the agreement, in the absence of powerful mechanisms to support domestic demand and technology transfer, will negatively impact on increased productivity, employment, industrialization and sustainable development. The study points to the need to mitigate the effects of the trade chapter through robust political partnership and cooperation schemes, which allow balancing economic results in a direction more favourable to the so-called dynamic sectors.

In connection to this, it is worth reflecting on the potential impacts of the agreement on intraregional trade. This is particularly important for the case of Mercosur, which on the one hand has been a privileged platform for the export of manufactures with greater value addition produced by its members, promoting a virtuous sectoral logic, but on the other hand it has long faced a systematic fall in the share of the total export baskets of the party countries. This fall is associated, in part, with the growing penetration of Asian manufactures, predominantly Chinese, which have replaced the exchange of intraregional manufacturing inputs and final goods, as Paikin and Dulcich (2017) observe in the case of trade between Argentina and Brazil. The empirical analysis of these authors highlights, in turn, the exception that constitutes the automotive trade, which under the protection of a strong extra-area protection and intraregional regimes of managed trade, has not been dragged by the trend indicated. This finding crucially informs a sectoral reasoning, in the style of that promoted by Capaldo and Omer (2021), in that the automotive sector of Mercosur is one of the potential sectors harmed by a liberalisation of trade with the European Union. The consideration of this sector, key in terms of participation in intraregional trade in Mercosur manufactures, reinforces the conclusions made by these authors.

In return, it is possible to identify potential trends to the contrary, also derived from the agreement. In particular, a generalised finding is the absence of compliance with the rules of the game in Mercosur,as well as the non-entry into force of various intraregional instruments that could deepen the preferential trade area of this bloc, such as service agreements or government purchases within Mercosur. In this line, the agreement with the European Union can be an external disciplinarian, in the first case, as well as an inducer of ratifications of protocols in the second, which facilitate a better functioning of the intra-Mercosur free trade area. Similarly, the convergence of internal rules with those agreed at interregional level, as in the case of rules of origin (both in terms of required content and self-certification), can also act as a stimulus for greater intraregional trade flows, insofar as they reduce the requirements and costs for intra-zone trade. Naturally, all these potential impacts require robust and effective productive policies that enhance the national productive frameworks and the supply available to be exchanged under the protection of these rules.

In summary, impact studies based on general equilibrium models coincide in pointing out moderate aggregate effects of the agreement, as well as sectoral effects in line with the political economy cleavages identified in section 2.1. While the analyses based on the differentiation of dynamic and static sectors point to expected results even negative, due to the incentives generated by the agreement in favour of the latter. To counter these trends, the importance of productive policies, both national and interregional technological cooperation, is systematically emerging. But in addition to economic effects, the agreement also has the potential to generate political effects. These are addressed in the next section.

3. Potential implications for the external policies of both regions

In a context of globalisation crisis and growing rivalry between the United States and China, it is worth asking about the potential contribution of the association agreement to develop foreign policies with greater margins of autonomy, as well as to diversify alliances that allow tempering the uncertainty generated by the current international system. In an attempt to address this question, this section analyses the potential of the agreement for the diversification of the external relations of the European Union and Mercosur, as well as for the concertation of both blocs and their policies in the multilateral and regional spheres.

3.1. Potential for the European Union

The announcement of the agreement in principle reached with Mercosur, as has been seen, cannot be separated from the geopolitical context in which it took place, to which reference has already been made. In this context, the European Union visualised in the closing of the agreement with Mercosur —as well as in the fulfilment of a parallel one that it had been negotiating with Japan— the entry into force of CETA and the updating of the association agreement with Mexico, a way of claiming an open and rules-based trading system. This international economic strategy must be linked to broader foreign policy transformations, which have been expressed, initially in a somewhat diffuse way, in the concept of strategic *autonomy*, which has been promoted for some time by the Union's institutions.

The marked reorientation of the Trump administration with respect to the US position in international affairs, in particular on its alliances in Europe and Asia, prompted the discussion and promotion of the concept referred to. For example, the various US questions about the North Atlantic Treaty Organisation, its imposition and its threat of imposing new tariff barriers in a multilateral key, as well as the approach to the challenge of China's rise from the logic of *America First*, renewed the debates in Europe on the need for a more assertive and autonomous foreign strategy. The victory of Joe Biden,who has promised a return of the United States to its traditional policy of coalitions, can temper the incentive towards the consolidation of a new European strategy. However, there are good reasons for the European Union to continue to deepen this line, as evidenced by the recent agreement on investments with China, which puts European countries in a competitive situation similar to that reached by the United States in its own bilateral agreements with the Asian giant.

In pursuit of this strategic autonomy, the strengthening of ties with Mercosur countries can play an important role. This is visible if you take the WTO case. Faced with the paralysis of the dispute settlement system, the European Union led efforts since 2018 to avoid this scenario (European Commission, 2018), which led in 2020 to the establishment of a transitional system, called the Multiparty Interim Appeal Arbitration Agreement. The scheme, of a plurilateral nature, operates inpractice in a manner analogous to the previous system, with the exception that it covers only the signatory parties (Morales, 2020). The agreement was attended by Brazil and Uruguay, along with twenty other countries. If we had an association agreement in place —with its monitoring bodies and political dialogue in place—it is not unreasonable to think about the possibility of a bi-regional articulation between the European Union and Mercosur that would generate a joint proposal between the two blocs, which would give even more potential and legitimacy to a plurilateral agreement of this nature.

The potential for cooperation between the two blocs exceeds even these spaces: the European Union and the Mercosur countries have shown the existence of shared values, which are reflected in convergences in their approaches to the protection of personal data, the preference for negotiating trade liberalisation based on positive lists (safeguarding some aspects for state provision), or the greater convergence when negotiating intellectual property issues, in which Mercosur has encountered greater difficulties, for example, when faced with the position held by the United States.

On the other hand, with regard to trade flows, it should be noted that the European Union has shown itself to be a market that continues to absorb a significant portion of the exports of the Mercosur countries, even in the face of the exponential increase that China has registered in this regard. Table 4 shows the share of the main destinations outside the zone of Mercosur exports. It highlights the aforementioned exponential increase in China, which went from representing only 2.8% of Mercosur sales in 2001 to being the main export market in 2019, with a share of 23.7%. In the same period, the European Union's share fell from 19.8% to 14.5%. However, this decrease was much smaller than that experienced by the United States, which went from 27.7% to 11%.

TABLE 4. Weight of selected destinations in exports of Mercosur, in %

Destination	2001	2005	2009	2014	2019
EU	19,8	17,4	16,8	15,4	14,5
USA	27,7	24,2	7,3	16,3	11
China	2,8	4,7	9,2	15	23,7

Source: Caetano and Pose (2020).

These data must be read in the light of the so-called Brussels effect, in order to inform decision-making on the environmental issue. As Bradford (2020) points out, the European Union has an extraordinary capacity to disseminate norms and standards globally, through its market size. Therefore, following López (2021), the decision to finalise the association agreement with Mercosur cannot be considered only from the demand to establish high and dignified environmental and labour standards, but also from the consideration of the possibility that the South American bloc, especially Brazil, ends up making agreements with other partners much less demanding in this regard. In fact, the agreement represents an opportunity to raise environmental standards from a promotion perspective, not based on additional restrictions on market access, but on cooperation and technology transfer, for which the political and cooperation chapters of the agreement may be key (Caetano and Pose, 2020b).

Finally, from the perspective of the European Union, closing the agreement with Mercosur would mean being very close to completing the signing of association agreements with all of Latin America and the Caribbean. Currently, the Union has agreements with Mexico, Panama, the Dominican Republic, Costa Rica, El Salvador, Honduras and Nicaragua, as well as Colombia, Chile, Ecuador and Peru in South America. If we add to this its agreement with the Caribbean, and the political and cooperation agreement with Cuba, it would remain to negotiate only with Bolivia and Venezuela. According to Rosales (2020), this would open the possibility for European authorities to centralise meetings with fewer counterparts (Mercosur, Pacific Alliance, Central America, the Caribbean). This would also help to project new coalitions on the main issues on the global agenda. If the existing Ibero-American ties are added to this, the conclusion is that the agreement of association with Mercosur could contribute to the objective of strategic autonomy in foreign policy pursued by the European Union.

3.2. Potential for Mercosur

Unlike the European Union, perhaps the biggest gain for Mercosur is internal. The closing of an agreement with a bloc of the size that represents the European Union represents a qualitative leap for a weakened Mercosur, with the potential to collaborate in the visualisation of the initiative from more positive perspectives. Related to this, the closing of the agreement could make possible a discipline of the internal agenda, which has been on many occasions marked by the bilateralism of the big ones, Argentina and Brazil, at the expense of the institutionalism and, in particular, of the small partners, Paraguay and Uruguay. Finally, in the line of internal empowerment, the agreement with the European Union can act as an incentive for the ratification of some initiatives, such as the intra-Mercosur government procurement agreement or the integration of automotive trade into the free trade zone, issues that have been repeatedly postponed.

In the case of Mercosur, the agreement can hardly act as a catalyst for the development of a policy of strategic autonomy. The enormous weaknesses of Latin American regionalism, from which Mercosur does not escape (Caetano and Pose, 2020c), take away all feasibility from this scenario. In particular, Brazil's authoritarian and erratic drift under the Bolsonaro government —which externally developed a policy of subordination nationalism with the Trump administration— strongly limits the potential of its intra-bloc leadership, a necessary condition for more vigorous Mercosur action. If Argentina's quasi permanent difficulty in stabilising its macroeconomy is added to this, it is clear that the bloc does not have the minimum basis to claim autonomous-strategic action at the international level. That said, the agreement can be a tool for the search for an active non-alignment policy (Fortín, Heine and Ominami, 2020), necessary for the region in light of the growing international rivalry between the United States and China, as well as the strong ties of dependence that the region maintains with both blocs. The possibility of agreeing with the European Union some positions that avoid costs derived from the need to adhere to the demands of one or another actor in this dispute, for example with regard to the use of 5G technologies, is undoubtedly an aspect to be explored.

An association agreement with the European Union, under certain conditions, can also act as a diversification tool for the trade of the countries of the region which, as observed in the Table 4 data, presents an increasing concentration of shipments to China. That said, a virtuous diversification strategy should not only be based on a logic of countries, but also of products. The bulk of Mercosur countries' exports to China are concentrated in a few commodities. For example, 85% of Uruguay's sales to China are summarised under five subheadings of the Harmonised System, which register fourmajor types of products: beef, soybeans, cellulose pulp and wood (Pose, 2021). If the records of Argentina or Brazil are considered, there is the incorporation of other commodities, such as, for example, iron ore in the Brazilian case. Nevertheless, the structure of trade replicates what was described for Uruguay. However, Mercosur's trade with the European Union, although somewhat more diversified in terms of products, also replicates a commercial logic typical of the North-South flow, as analysed in the first section. Therefore, the potential of the agreement with the European Union at this level is subject to complementary measures that will help change this situation.

In this regard, it is worth mentioning some existing initiatives, which within the framework of an association agreement could be strengthened and expanded. In particular, it highlights the impact that the AL Invest programme has had, which through different tools, and in partnership with the business chambers of the Latin American region, has promoted the productive and export development of micro, small and medium businesses, through financing of innovation, promoting the associativity, technology transfer and support to facilitate access to external markets. In return, it emerges as necessary to avoid the interruption of programmes such as the GSP, as it occurred in 2014, based on arbitrary graduation criteria measured by per capita income, which do not reflect the realities or challenges of the countries of the region on their way to sustainable development.

The historical accumulation and experience of both regions in terms of cooperation suggest that there are grounds for waiting for the implementation of new initiatives that will have a positive impact on the Mercosur countries. In fact, together, European countries and the European Union have historically been the main cooperating partners in the region, although it is also true that in recent years China has gained ground in this area. It should also be noted that very recently, the European Union has been a support in promoting the concept of development in transition, driven by Latin American countries that, after experiencing some years of sustained growth, face a growing exclusion from the main schemes of international development cooperation. Even in qualitative rather than monetary terms, these initiatives are often key to progress towards the achievement of sustainable development objectives[8].

Finally, from the perspective of Mercosur, it is worth highlighting the potential of the agreement for the deepening of Latin American economic integration, a decisive point for any attempt to reindustrialise the region. In the first place, the closure of the association agreement with the European Union would leave the bulk of the region with similar agreements in disciplines with the European bloc, which could act as a reference for the establishment of similar disciplines at the intraregional level, since currently most of the agreements covered by the Latin American Integration Association (LAIA) do not have this depth. Secondly, the agreement would be a starting point to seek an accumulation of origin of all Latin American countries that are preferentially linked to the European Union, in order to promote scales and the formation of regional value chains, which today are impossible due to the multiplicity of schemes of accumulation of origin that do not dialogue with each other (Rosales, 2020).

4. The COVID-19 pandemic: between the impact of shock and accelerating trends

4.1. National impacts and variants

Faced with the emergency of COVID-19 in 2020, the first challenge encountered by Mercosur was the one related to health, expressed dramatically by the need to at least mitigate the loss of life in the face of a virus with high propagation capacity, for which there were no vaccines to prevent its contagion or proven treatments to overcome it. The only

8 For an analysis of the European Union's agenda, see Sanahuja and Ruiz Sandoval, É. (2019)

alternative available to governments was to promote the so-called "social distancing", with a view to avoiding an exponential rate of contagion and with it the collapse of health systems, very precarious in some countries of the bloc. Thus, mobility restriction measures were implemented with varying intensity. However, unlike other regions, its effectiveness in containing the spread was limited, due to structural factors of Latin American economies and societies (OCDE, 2020). Moreover, despite the accumulations in regional health cooperation in recent decades, responses to the pandemic have been eminently national, while a conception of borders and neighbours as threats has prevailed (Frenkel, 2020; Riggirozzi, 2020).

The impact of the pandemic, already since 2020 but in particular in 2021, has had Latin America as the global epicentre of its consequences at all levels. In order to measure what happened in Mercosur, it is essential to locate it in relation to what happened on this level in the continent. Among the structural factors mentioned is the fact that more than half of the jobs in the region are informal, which has become transparent and aggravated by the impact of the pandemic. According to the International Labour Organisation (ILO), just under half of those employed in the region contributed to a pension system (ILO, 2018). In addition, following ECLAC, only eight Latin American and three Caribbean countries have unemployment insurance (ECLAC, 2020c). The absence of social protection mechanisms, in addition to the insufficiency of private savings and the reduction in remittance flows, the latter aspect not so decisive in the Mercosur partners, threaten the possibilities of complying with the confinement measures, to the extent that informal workers do not have an alternative source of income. Thus, despite political and social response efforts, Latin America was declared in May 2020 as the epicentre of the pandemic, with more than 40% of the deaths worldwide associated at that time with COVID-19 having occurred in the region (OCDE, 2020). This situation has only worsened in mid-2021, when comparisons globally have become more adverse, with no "islands" to be saved from the onslaught of the pandemic[9].

That said, it should be noted that as a heterogeneous region, these trends have had moments of transient variability by country. For example, cases such as Uruguay or Costa Rica, with more formalised economies, greater political stability, more powerful health systems and more developed welfare schemes, initially managed to mitigate the effects of the pandemic to a greater extent. On the other hand, in contexts of greater instability and absence of these strengths, situations such as the one experienced in the city of Guayaquil in Ecuador have emerged, or the accusations of corruption in the purchase of ventilators that led to the resignation and subsequent arrest of the Health Minister in Bolivia in 2020. In the largest countries of Latin America, Brazil and Mexico, the passive, if not denialist, attitude of the federal governments was partially alleviated by the actions of the state authorities, which for example in the Brazilian case were key to avoiding an even worse scenario of spread. However, given the inequality of state capacities, such a strategy found its limits, observing for example the dramatic situation of the State of Amazonas caused by the lack of ventilators and other key supplies to treat the disease. On the other

9 Paraguay initially, but especially Uruguay throughout 2020, showed a very moderate impact of the pandemic on its different parameters, which has varied dramatically at least in the first half of 2021.

hand, in the other giant of Mercosur, Argentina, Giraudy *et al*. (2020) have highlighted that in the initial sections, a greater institutionalisation of the links of political representation, together with a greater social safety net and greater attributions of the federal Executive, made it possible to implement one of the strictest quarantines, although with meagre results. This situation has also worsened in the first half of 2021, with the addition of relative failure at least in the first stage of vaccination plans.

In economic terms, it is necessary to consider that the effect of the pandemic is not only transmitted through the channel of the slowdown generated by social distancing measures, but it is also necessary to incorporate the international dimension. As ECLAC points out (2020b), COVID-19 has affected the region's economies through at least five external transmission channels. The first of these lies in the decrease in the economic activity of the main trading partners, since the region depends markedly on its exports, especially extra-area. The second, also of a commercial nature, was the initial fall in the price of primary products, which constitute the bulk of the export baskets of a good part of the Latin American countries. In several of these items (such as soybeans and meat, among others), this situation has been reversed in 2021. In this sense, the ups and downs of the demand for these products from China were in 2020 gravitating factors. In fact, the commodity price index —which shows 40% of the value of all exports in the region— fell between January and June 2020 by almost 20%, a value that doubles for oil and its derivatives (OCDE, 2020). The incipient recovery of prices that began to be observed at the end of 2020 may open a space for flexibility of this external restriction, although without solving the more structural challenge of this type of international insertion and its ups and downs associated with the cycles of prices and demand.

Third, ECLAC has identified the problem of disruption of global supply chains, which particularly affects Latin America's largest economies, such as Brazil, Mexico and even Argentina, which have the most widespread manufacturing complexes. Fourthly, there is the reduction in demand for tourism services, the collapse of which has affected all Mercosur countries, especially in small and medium-sized economies, where the share of this sector in aggregate output is substantial. Finally, the fifth transmission channel is financial in nature and has to do with the worsening of global conditions in this field. A crisis such as COVID-19 has increased uncertainty in international markets and in that situation, investors migrate to assets perceived as safer, which means the massive outflow of capital from Latin American economies. The most recent monetary stimulus in developed economies —which has pushed real interest rates into negative territory— may offer some room from what happened in early 2020. In any case, the higher spreads faced by the countries of the region, as well as the greater volatility of the flows received, add a note of caution and point to the need to ensure stable sources of financing.

All these elements put pressure on the productive rhythm of the economies and threaten to plunge Latin America in general and Mercosur in particular into a deep recession. In fact, in its June 2020 Global Economic Outlook report, the World Bank projected a 4.6% drop for 2020 regional GDP, after which a recovery in 2021 of 2.6% would be observed,

TABLE 5. National projections of real GDP growth in Latin America and the Caribbean, at market prices, in % (projections made in June)

Country			Differences with January 2020 projection				
	2017	2018	2019c	2020p	2021p	2020p	2021p
Argentina	2,7	-2,5	-2,2	-7,3	2,1	-6	0,7
Belize	1,9	2,1	0,3	-13,5	6,7	-15,6	4,9
Bolivia	4,2	4,2	2,7	-5,9	2,2	-8,9	-1
Brazil	1,3	1,3	1,1	-8	2,2	-10	-0,3
Chile	1,2	3,9	1,1	-4,3	3,1	-6,8	0,1
Colombia	1,4	2,5	3,3	-4,9	3,6	-8,5	-0,3
Costa Rica	3	2,7	2,1	-3,3	3	-5,8	0
Dominica	9,5	0,5	9,6	-4	4	-8,9	-0,1
Dominican Republic	4,7	7	5,1	-0,8	2,5	-5,8	-2,5
Ecuador	2,4	1,3	0,1	-7,4	4,1	-7,6	3,3
El Salvador	2,3	2,4	2,4	-5,4	3,8	-7,9	1,3
Grenada	4,4	4,2	3,1	-9,6	6,5	-12,5	3,6
Guatemala	3	3,1	3,6	-3	4,1	-6	0,9
Guyana	2,1	4,1	4,7	51,1	8,1	-35,6	-2,4
Haiti	1,2	1,5	-0,9	-3,5	1	-2,1	1,5
Honduras	4,8	3,7	2,7	-5,8	3,7	-9,3	0,2
Jamaica	1	1,9	0,7	-6,2	2,7	-7,3	1,5
Mexico	2,1	2,2	-0,3	-7,5	3	-8,7	1,2
Nicaragua	4,6	-4	-3,9	-6,3	0,7	-5,8	0,1
Panama	5,6	3,7	3	-2	4,2	-6,2	-0,4
Paraguay	5	3,4	0	-2,8	4,2	-5,9	0,3
Peru	2,5	4	2,2	-12	7	-15,2	3,5
Saint Lucia	2,2	1,4	1,4	-8,8	8,3	-12	5,3
Saint Vicente and the Gren.	1	2	0,4	-5,5	4	-7,8	1,7
Surinam	1,8	2,6	2,3	-5	3	-7,5	0,9
Uruguay	2,6	1,6	0,2	-3,7	4,6	-6,2	1,1

Notes: e = estimated; p = projection. Source: World Bank (2020: 86).

which would not be enough to cover the expectedfall. More recent updates from the IMF (2020) and ECLAC (2020d) estimate the fall of 2020 at even higher values, of 8.1% and 9.1% respectively, which would lead according to ECLAC to a regional GDPper capita similar to that registered for 2010. The World Bank's projections in Table 5 show that thethree main Latin American economies would have large falls in 2020, and that none of them would recover in 2021 what was lost. At the same time, according to these projections, always provisional, in the set of Latin American countries, only a few countries would recover in

2021 what was lost in 2020. In other words, far from the expected "V" shaped recovery, the region's economies could take years to recover the economic losses related to the effects of COVID-19. And if we add to this the meagre economic performance prior to the pandemic, the economic and social outlook, both Latin American and Mercosur, is not at all encouraging.

If we look at the evolution of GDP in the Mercosur countries and project them in their annual variation until 2022, the poor performance predicted for Latin America as a whole is fully confirmed, as can be seen in Table 6. But even more worrying is that within these figures hides a "K" pattern of economic recovery, in which few sectors, usually concentrated, with little impact on employment and "non-dynamic", following the terminology of Capaldo and Omer (2021), lead the growth, under the cover of a new bullish wave of commodity prices. By contrast, large, labour-intensive segments of industry and services continue with negative numbers and no prospect of recovery in the short term. To this are added recurrent historical tensions, such as those evidenced with the case of Argentina, with the declared objective of seeking a fall in prices in the domestic market —beyond its questionable effectiveness—or the endless debates regarding tax reform in Brazil. All this, in addition, informed by the disruptive impact that can generate measures of reallocation of resources in these fragile economic contexts, as evidenced by the popular response generated by the proposal for a tax reform in Colombia. More than an opportunity for a transition to a more sustainable model, in the short term the health urgency of the region is to avoid a rupture that leads to a channelling of social discontent outside democratic institutions, even with the possibility open to the return of authoritarianism, as has been suggested for example in the speeches of high levels of the Brazilian government, especially President Bolsonaro.

TABLE 6. GDP growth (%)

Country	2017	2018	2019	2020	2021p	2022p
Argentina	2,7	-2,5	-2,1	-10	5,8	2,5
Brazil	1,3	1,3	1,4	-4,1	3,7	2,6
Paraguay	5	3,4	0	-0,9	4	4
Uruguay	2,6	1,6	0,3	-5,7	3	3,1

Source: International Monetary Fund (April 2021).

Among the most salient consequences that the pandemic will leave in the region, both in the short, medium and long term, as can be seen in Table 7, in the Mercosur partner countries there are serious deteriorations in employment, with inauspicious recovery projections. During the validity of mobility restriction measures, in the face of the implementation of teleworking, the pandemic has highlighted the great digital gaps present in the region, as well as its impact on the deepening of inequality (ECLAC, 2020e). In turn, the already mentioned prevalence of labour informality has accentuated pre-existing situations of social vulnerability, aggravated by the insufficiency of private protection tools. It is true that in the face of the worsening of these problems, in the short term the governments of the region have responded, with varying intensity, with economic support measures (OCDE, 2020). However, as the experience of Brazil's emergency aid illustrates, these have not generally arisen from a modification of the tax structure with a progressive perspective, nor from the reallocation of expenses, but have been implemented with external financing and with ups and downs, often linked to political swings, so that their necessary sustainability over time appears compromised.

TABLE 7. Unemployment (%)

Country	2020	2021p	2022p
Argentina	11,4	10,6	9,3
Brazil	13,2	14,5	13,2
Paraguay	6,6	6,1	5,9
Uruguay	10,4	10,3	9,1

Source: International Monetary Fund (April 2021).

The projected economic deterioration would be accompanied by an increase in informal work, which in the medium term will put pressure on the financial sustainability of social security systems, already very compromised in several countries (Saldain, 2020), both by the decrease in direct contributions and by the reduction in coverage. ECLAC's projection (2020d) is that in 2020 the Latin American unemployment rate will reach 13.5%, which represents an increase of 5.4% compared to 2019. With the forecasts and projections of economic recovery, the return to pre-crisis occupancy levels is visualised, at best, as distant. These phenomena affect in a particularly pronounced way the most vulnerable groups such as women, youth, Afro-descendants and the rural population, which show higher levels of labour informality and structural unemployment than the average.

Projections of this organisation suggest that the expected economic fall will generate 45 million more poor in the region, thus intensifying the trend already registered in recent years with the global economic slowdown. In total, the region is expected to exceed 230 million people living in poverty, representing 37 per cent of the population. In addition, the pandemic will impact the increase in extreme poverty, adding 28 million Latin Americans to this category. In this way, the region's ability to achieve the Sustainable Development Goals by 2030 in social matters will be extremely compromised. The increase in poverty would affect all Latin American countries, but it would do so most harshly in the three largest economies in the region, two of them in Mercosur, underscoring their vulnerability and expansiveness (ECLAC, 2020c; 2020d).

Along with an increase in poverty, another related expected effect is the increase in already high inequality in the region. In this regard, ECLAC (2020c; 2020d) projects increases in the Gini index of between 1% and 8%, with the worst results expected again for the largest economies (Brazil, Mexico and Argentina). Thus, in the absence of strong compensatory measures, Latin America could lose the progress made in this area in recent decades, in addition to putting greater pressure on the lower-middlestrata regarding their possibility of falling into poverty. Finally, and although more difficult to estimate, it is necessary to incorporate medium and long-term projections regarding the deterioration of regional human development. This is because transitory episodes of poor nutrition or disengagement from the education system can generate more lasting effects, so having reliable information can help visualise that the cost of rigid austerity strategies and not acting with adequate policy responses can be greater than that of resorting to different financing initiatives to implement early and timely intervention measures.

That said, no analysis can ignore that the accumulation of economic and social challenges occurs at a time of marked fiscal constraints in the region, leading one to wonder about the potential political and political economy tensions that may arise. As has been said, most Latin American countries already faced growing discontent among their citizens regarding the functioning of politics at the national level, which made possible, among other things, the arrival of outsiders and messianic leaders to prominent positions of power. From what is being seen, the poor performance of these types of leaders in the management of the pandemic could erode their attractiveness to the electorates, thus accelerating their political decline. In this sense, perhaps the most illustrative case —but not the only one— is again that of Brazil, whose president has had a very poor performance in the face of the challenges of the pandemic, which has led his country to have been —even until mid-2021— the second with the most cases of deaths from COVID-19 on the planet.

The political situation has in fact been subject to the ups and downs of the pandemic in all countries, whether for health, economic or social management. In this framework, the processes of erosion of trust in political institutions deepen or accelerate political changes. Although in Paraguay there was a threat in that sense in the first months of 2021, so far this is not the case of the Mercosur countries, not even in the tragic Brazil of the last biennium.

In any case, once the most critical phase of the pandemic has passed, economic dissatisfaction, which will surely acquire increasing proportions, will test the resilience of the already deteriorated Latin American political systems in general and Mercosur in particular. In particular, in Brazil and Argentina, electoral processes of polarisation and extreme uncertainties are looming. And it is not clear that the decline of personalist leadership is simply correlated with the strengthening of democracies, particularly in a continent where the militarisation of states has increased in most countries. Therefore, government capacities to effectively implement a necessary increase in public investment, as well as to manage distributional tensions in an inclusive manner —particularly if a deepening of inequality is to be avoided in a context of increasing restrictions—will be key to maintaining political dynamics that avoid the deepening of social polarisation and the breakdown of institutionalisation. In this context, some of the Mercosur countries are not disconnected from the possibility that the pandemic will entail the risk of an increase in political instability.

4.2. The absences of regionalism in responses to the pandemic

In the lack of effectiveness in responding to the very strong impact of the pandemic, the extreme weakness of regionalism throughout Latin America, including Mercosur, has played a very special role. From the consideration of the spaces of intergovernmental coordination that Mercosur has, a priori it could be expected that, in the face of a phenomenon of evident international dimensions, countries would resort to them to define strategies for joint action. In this sense, perhaps the most obvious potential dimension of cooperation was precisely the health dimension, both in order to minimise friction at the border and to ensure access to medical supplies and vaccines. Frenkel (2020) and Riggirozzi (2020) show that, on the contrary, the main approach between neighbouring countries in the context of the pandemic has been under the perspective of "threats". The weakening of regional coordination bodies in Mercosur and Latin America has deprived the countries of the region of having a greater response capacity of their States, thus affecting both public health and the economy. Such phenomena are linked to previously reviewed national political trends, as political polarisation and denial of the severity of the pandemic have been at the centre of the domestic political strategies of some governments (Sanahuja, 2020).

The de facto dissolved Union of South American Nations (UNASUR) had a sectoral health council that had made progress in regional cooperation, both in substantive terms and compared to other sectoral councils of the organisation that showed little dynamism. However, its supposed successor PROSUR (Forum for the Progress of South America) has so far had as its only response the holding of sporadic video conferences between the leaders of the region, without any concrete action other than the establishment of a working group at the level of its Treasury ministers. Given these regional shortcomings, coupled with the delays and failures of the WHO Covax mechanism, States have had to negotiate directly with laboratories and producing countries to access vaccines, with generally discrete results, which in general terms has left Mercosur and Latin American countries lagging behind in terms of vaccination compared to other regions.

Somewhat more active has been ECLAC, which, driven by the work of Mexico's pro tempore presidency, has organised meetings with experts and universities to monitor the pandemic. Likewise, this organisation asked ECLAC to design a specific mechanism to face the pandemic, which was reflected in the creation of the Covid-19 Observatory in Latin America and the Caribbean: Economic and Social Impact, which has since generated valuable applied knowledge about the phenomenon (Guadamarra and González, 2020). That said, political disagreements among its members have prevented more decisive action at the international level, for example to avoid the risks of subordination that arise from the establishment of uncoordinated bilateral initiatives on cooperation with China in the fight against the pandemic.

At the subregional level, some variants have been observed. The Global South Observatory of the London School of Economics has highlighted, for example, the initial agility of the response of the Caribbean Community (CARICOM), which held multiple meetings to coordinate a consensual response. However, agreements have been limited, which is reflected in the absence of a common public health protocol or common border policies. But even this limited coordination is striking in the face of the almost non-existent response obtained at the Mercosur level. During the first months of the pandemic, the bloc's actions were limited to holding very few meetings to share information and statistics, enabling the reduction of the common external tariff for the import of goods related to the health emergency and approving a common fund of only ten million dollars for joint actions against the virus. This low commitment in terms of response, despite the combined capacities in economic and scientific terms of the bloc, has led those responsible for the observatory to conclude that all this is expressive of a broader malaise within Mercosur (Alden and Dunst, 2020).

It is also striking that in an observatory like the one mentioned above, there are not even references to other relevant subregional schemes, which denotes the extreme weakness of the continent in terms of integrated response. In fact, even Latin American countries that are linked to the United States through bilateral preferential agreements could find their access to generic versions of a coronavirus vaccine difficult in the future. In this regard, it should be noted that the amendment to the Agreement on Trade-Related Aspects of Intellectual Property Rights of the World Trade Organisation explicitly enables the use of compulsory licenses in exceptional public health situations, although it is known that bilateral agreements with the United States do not necessarily provide for such flexibilities. In any case, the Biden administration has expressed its willingness to open these issues, in a global lawsuit in which Latin America in general and Mercosur in particular do not reach even a capacity of consistent dialogue.

In addition to the possible cooperation at the health level, the commercial and financial spheres appear as other potential dimensions for the articulated action of the countries of the region in the face of the effects of the pandemic. Both ECLAC (2021) and OCDE (2020) itself have stressed that the crisis will deepen the trend towards the regionalisation of supply chains and that, within this framework, regional integration can be key both in terms of inputs and to replace or complement extra-regional consumer markets. However, in the case of Mercosur, the bloc is bogged down in the economic policy divergences preferred by the bloc's largest members, Argentina and Brazil, which have accelerated as a result of the COVID-19 emergency (Bizzozero and Pose, 2020). In concrete terms, at the end of April, Argentina announced that it was withdrawing from the trade negotiations that Mercosur was carrying out with different Asian countries, since it considered that such an opening in the midst of the pandemic eroded its ability to rebuild its committed industrial fabric. This position clashes with Brazil's objective of opening up its economy, either through the formation of preferential agreements with partners of greater relative development, or through the reduction of the common external tariff. In this way, beyond even what happens in the negotiations with the European Union, the bloc is shaping up towards a new scenario of stagnation at a time that requires coordinated responses.

All this happens, moreover, within the framework of the attempt to experiment with a unilateral bet of Brazil —emphatically defended by Bolsonaro, but which finds not so enthusiastic visions in other partners of his government, for example, in the military—

for the unrestricted alignment with the United States, not always reciprocated by the power of the North, as shown by the decision of the Trump's Administration to ban flights from the South American country after the exponential growth of its rate of COVID-19 infections. Biden's victory in the US elections, beyond the implosion of the "dreams" of Bolsonaro's "subordination nationalism", does not seem to be going to substantively modify this situation.

Something similar can be observed at the financial level, where intraregional cooperation could collaborate in the search for stable and predictable external financing, more necessary than ever. However, in the face of events such as the election of the president of the Inter-American Development Bank and the pressure of the Trump Administration to impose a U.S. candidate, the region showed such a level of division that it ensured the election of the first non-Latin American president of the institution since its creation in 1959[10]. In the same vein, progressively, the countries of the region are facing at the financial level the growing competition for influence in the region between the United States and China. The scope of this dispute can be seen in its projection through Ecuador's agreement with the United States (signed by former President Lenin Moreno), which offers preferential financing in exchange for excluding China from the provision of different infrastructure projects.

In short, in a geopolitical context such as the current one, characterised by greater fragmentation and competition between two techno-economic blocs, Mercosur and Latin America seem to require more than ever an intraregional articulation to avoid the worst effects of a "double subordination" that was already visualised before the pandemic (Caetano and Pose, 2020). However, policy decisions at the level of the Mercosur nation states not only prevail but seem to be heading in different directions. The solo exits in order to "sneak among the greats", as Uruguayan President Luis Lacalle Pou has said, as a synthesis of his policy on the issue of obtaining vaccines against COVID-19, do not seem to be outlined in any way as reasonable strategies to face the multiple challenges of the coming time.

As has been seen, the response given to the pandemic by the Mercosur countries, to say the least, is not augural. The almost total absence of basic cooperation between the bloc's partners, as well as the deployment of uncoordinated policies in the face of a challenge of such magnitude, do not outline a good scenario for the potential of the agreements between the European Union and Mercosur to be exploited as suitable instruments for processes as decisive as those of productive transformation, technology transfer and the improvement of competitiveness via digitalisation, among others. The information of recent days confirms the evidence that the countries of South America in general and those of the Mercosur bloc in particular today constitute one of the epicentres with the greatest impactof the pandemic at all levels, both in health, economic and social matters. The most recent OECD and ECLAC reports are very pessimistic about the length of the recovery period to pre-COVID-19 levels. To give a worrying and demonstrative example in this regard, in May, an OECD study reported that it will take Argentina at least until 2026

10 While Argentina eagerly sought at least a postponement of the election, Brazil, Paraguay and Uruguay voted for Trump's candidate, Claver Carone.

to return to the level of per capita income prior to the pandemic (OECD, 2021). The multiple weaknesses of regionalism and integration within Mercosur aggravate the pessimistic prospects in this regard.

5. Colophon

The COVID-19 pandemic and its effects, in more ways than one, can be configured as a whole from the dimensions of a privileged observatory for a "longer" look at the contemporary history of the region, as a demanding interpellation from multiple dimensions for the whole of Latin America and perhaps as an inflection, even if the uncertainties still in progress do not allow us to glimpse with certainty a defined course. In the light of the above study, all the tracks of analysis seem to converge —perhaps from different levels— in a perspective of aggravation of what was already a critical situation in general terms in Latin America and in the countries of the Mercosur bloc. With the focus on the health, economic, social, political and geopolitical effects that the pandemic will leave, an analytical strategy that makes a reasonable balance between the before and after of this historical milestone can only confirm that the weakness of regionalism in Mercosur seems to operate in a negative way for the near future.

In this sense, this situation operates as an obstacle even to the exploitation of favourable opportunities, which is also evident in the willingness and ability to project the potential of the EU-Mercosur agreements for policy dialogue and the favourable convergence of rules on particularly sensitive issues. That same balance that does not really seem to accumulate many reasons for optimism, however, becomes a strategic imperative when proposing the "target scenarios" in the prospective of "futures" for both regions. Without undermining the difficulties and differences that have become apparent again in this last stage of the negotiation, there are also many strategic reasons to emphasise the needfor truly strategic convergence between the EU and Mercosur, perhaps today more than ever.

Brief *Post Scriptum*

As noted in the introduction to this paper, Russia's invasion of Ukraine, confirmed after a long period of tensions on 24 February, is an event that may have a direct impact on the upcoming steps of the EU-Mercosur treaty negotiations. Although it is too early to be able to dispel doubts, different government spokespersons, analysts and media outlets have echoed this issue over the last month. Firstly, the outbreak of the war has left the Mercosur bloc's two large partners, Brazil, and Argentina, in a somewhat awkward situation. Barely a week after Bolsonaro was received by Putin in Moscow and less than three weeks after a similar visit by Alberto Fernández, amid strong pressure, both countries have had to join in condemning the invasion at the United Nations, although they had previously managed to avoid a similar declaration at the Organisation of American States (OAS). In the latter, they were curiously aligned in a minority position within the Inter-American system, along with Bolivia, Nicaragua, and Cuba (Galarraga Gortázar and Rivas Molina, 2022). In any case, despite their respective diplomatic efforts, both governments, despite their manifest differences, were unable to maintain the neutral stance towards which their initial efforts were aimed at.

In the context of a Latin American continent in which the presence of other powers, in addition to the classic American gravitation and the confirmation of the relevance of China and, to a lesser degree, the EU, not only Russia but also Iran, India and Turkey are making their influence felt in various fields. In this context and amidst the growing uncertainties that persist, the signals emerging as to whether or not all this favours the unblocking of the negotiations are contradictory. In this regard, two recent opinions have been manifested by qualified voices that have expressed a completely adverse opinion on the matter.

While the renowned German journalist, Alexander Busch, has expressed the opinion that "Brazil and Argentina are distancing themselves from Europe" and that the latest events further complicate the confirmation of the agreement (Busch, 2022), the Uruguayan expert Martín Dorce has recently expressed his conviction that the unleashed war "rekindles" the possibilities of advancing the Treaty", an opinion that was later explicitly endorsed by the EU ambassador to Uruguay, Paolo Berizzi. The latter has gone so far as to declare publicly: "Having reliable partners that not only buy your products but that (...) respect (...) international law and do not violate borders, this brings back the importance of the reliability of partners both commercially and politically, (which) can help to bring positions closer to finalising this agreement"[11]. In this uncertain framework, any speculation is premature.

11 The expert and the diplomat agree in basing their opinions on the urgent need for the European bloc to diversify, as soon as possible, its suppliers of energy and commodities (Dorce, 2022).

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9. ASSOCIATION AGREEMENTS BETWEEN THE EUROPEAN UNION AND LATIN AMERICA AND THE CARIBBEAN: ASSESSMENT AND OUTLOOK FOR BI-REGIONAL RELATIONS

Adrián Bonilla

José Antonio Sanahuja

1. The relationship between Latin America, the Caribbean, and the European Union in the context of the association agreements

In the last two decades, the relationship between Europe, Latin America and the Caribbean has gone through several moments that illustrate the dynamism of the structure of the international system and its political order. To better understand the contemporary context of bi-regional relations, it is vital to remember that the first decade of the 21st century was marked by a notable expansion of the Latin American and Caribbean economies. This was reflected in the expansion of several social policies in most of their countries, which notably improved the life indicators of the population: reduction of extreme poverty, decrease of hunger, improvement of social mobility, expansion of the middle classes, and progress in the reduction of inequality indices, all of which promised a prosperous future.

In political terms, this economic scenario of growth was the backdrop of the emergence of several regional association initiatives and the construction of various networks between the region's governments. Traditional trade integration mechanisms, founded in the 1960s and 1970s, such as CAN, SICA, CARICOM and even Mercosur, flourished. Subsequently, they were joined by new possibilities for international integration for the countries of the region, because of an intense process of regionalist activism. Diverse instruments emerged throughout the region: UNASUR for political coordination, the Pacific Alliance for economic coordination, ALBA based on ideological affinities, and CELAC for plural associations for political exchange and regional construction (Estay, 2018).

Of all the regional projects generated at the end of the first decade of this century, the creation of the CELAC (*Comunidad de Estados Latinoamericanos y Caribeños*) probably is the most significant one, for at least three main reasons. Firstly, the CELAC builds a governmental framework around a narrative that has been enunciated in the region since the 19th century: that of Latin American and Caribbean unity. Secondly, it is an autonomous process inspired by mutual interests rather than by global projects of extra-regional influence, which were particularly intense during the Cold War. Finally, there is no other instrument of regional dialogue with the same characteristics.

The subregional integration systems that originated in the 1960s and 1970s are not necessarily representative of the countries of Latin America and the Caribbean as a whole, nor do they have as their main objective regional strategic projection. CELAC, on the other hand, does. The CELAC is the natural counterpart of the European Union, which always sought to establish dialogue with regional organisations. The most intense period of relations between Heads of State and high authorities occurred, judging by the number of meetings, in the second half of the first decade of the 21st century.

The relationship between Latin America and the Caribbean and Europe was very intense for structural reasons. On one side, structural reasons that concerned the global political economy and the cycle of growth experienced by Latin America and the Caribbean, and in particular South America. On the other, because of the assumption that Latin American and the Caribbean political regionalism could evolve towards institutionalised forms of coordination, through dynamics eventually similar to those followed by European countries prior to the creation of the European Union.

However, the scenario changed. The crisis of 2008 produced effects in all areas and gave rise to new political cycles and critical situations with respect to social policies. Latin American and the Caribbean regional concerns took on new, more conservative approach in most countries, and these domestic agendas were given priority over integration.

Following the global crisis that began with the bursting of the real-estate bubble in the United States and Europe, the economy slowed down. This slowed the pace of both the activities of the international organisations in Latin America and the Caribbean, and bi-regional activity. The possible limitations of interaction between the European Union and CELAC should also be explained by institutional factors, and not exclusively by the presence or absence of political will between the parties. An important element is for example the different organisational structure of the organisations that represent the two regions. The CELAC defines itself as a mechanism for political dialogue that considers various integration possibilities but does not have the binding character of a supranational legal system. The European Union, on the other hand, is an international organisation that combines intergovernmental and supranational elements and takes decisions that are binding for its member states. It has a complex administrative structure with its own budgets, and specialised foreign policy principles and institutions that act on behalf of its entire membership (Bonilla-Herrera, 2020).

The way in which the decision-making process is organised is different in each of the two entities and the weight that differences and disagreement have in each is not the same. This makes the bi-regional relationship complex, as it must adjust to each distinct situation and moment in which decisions are taken. There is a stable set of common principles and values, but the relationship is very sensitive to changes and to the dynamics of regional and global political scenarios.

Despite the decline of multilateralism, regionalism and inter-regionalism in the Western world, the bi-regional relationship remains of great importance in terms of investment, trade, industry, and academic and cultural exchanges. It is predominantly driven by bilateral logics, but bilateralism does not necessarily reflect the European Union's position, but rather that of its individual countries. Nevertheless, the density of the relationship between the two regions is very intense, especially when we group together the multiple bilateral connections of European countries and if they are compared with those with China and the United States.

Although the association agreements are considered to be strategic instruments that imply a common vision of the relationship between the European Union and its partners, based on similar values and expectations, in practice they have been useful mainly for regulating bi-regional trade, rather than for regulating or compromising political dynamics or the international agenda of the partners.

The countries of the European Union continue to be an important reference for Latin American and Caribbean exports. If their trade were aggregated, the European Union would be the second largest trading partner of the region's most important economies, while taking into account that the first destination in Latin American and Caribbean international trade is the region itself if you consider the total number of products traded. This indicator is probably the most appropriate to measure the impact on diversification and on the dependency on primary commodities. Particularly notable are the cases of Brazil and Mexico. In the former, which has a similar pattern to the rest of Latin American countries, exports of various products to Europe clearly exceed those to the United States and by far those to China. Meanwhile the latter, which has affinities with the Central American and Caribbean cases, Europe as an export destination is inferior to the United States, but far above China.

However, if all primary goods are added and exports are aggregated not by product but by volume of foreign exchange, the structural relationship is more explicit. For Latin American export trade interests, United States remains the main market, followed at a significant distance by China and the European Union, which in turn are very close.

A simplistic analysis of trends in Latin American and Caribbean exports shows that the US market for Latin American and Caribbean products has not decreased in total terms, but rather, on the contrary, has become notably more dynamic over the last thirty years. The presence of China, which is evident in the region, is not as important as that of the US on the demand side and a slow but constant increase, not a reduction, can be observed on European market (Dussel 2015).

In this regard, at least two considerations must be made to assess the weight of Latin America and the Caribbean's trade needs in strategic terms. In the first place, economic

Graph 1. Export LAC to US, Europe and Central Asia, and China

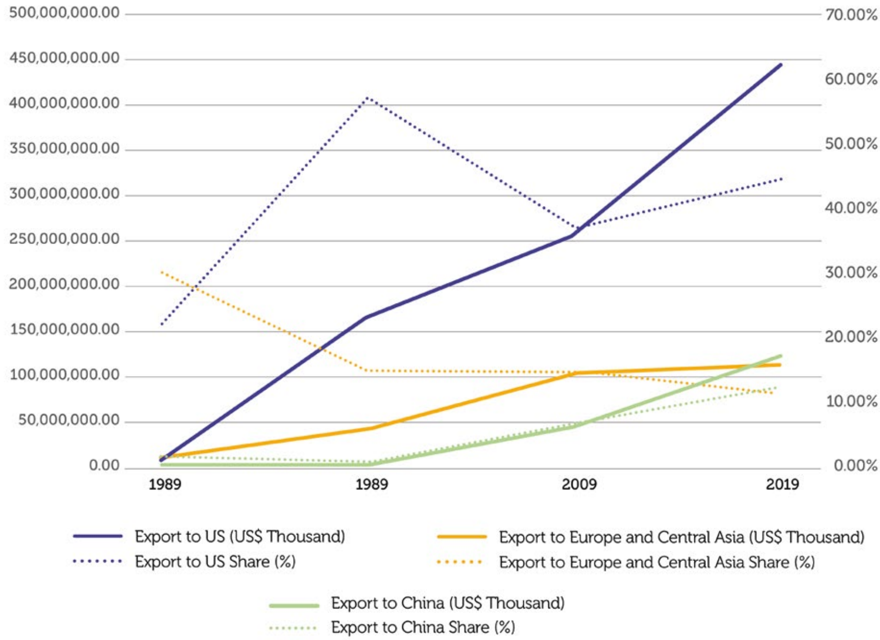

Table 1. Export LAC to US, Europe and Central Asia, and China

	US		Europe and Central Asia		China	
	Export (US$ Thousand)	Export to Share (%)	Export (US$ Thousand)	Export to Share (%)	Export (US$ Thousand)	Export to Share (%)
1989	7.898.537,64	22.22%	10.699.174,5	30,1%	563.354,42	1,59%
1999	165.750.635,3	57.27%	43.157.764,1	14,91%	2.131.454,61	0,74%
2009	256.153.305,6	36.95%	102.752.967	14,82%	46.839.933,79	6,76%
2019	444.446.158	44.53%	115.056.498	11,53%	123.736.728	12.4%

Prepared by Karlijn Loeven. Intern EU-LAC Foundation. Source: WITS World Bank,
https://wits.worldbank.org/CountryProfile/en/Country/LCN/Year/2019/TradeFlow/Export#

and political globalisation have produced a more diverse international environment in terms of the international scenario. Although the Cold War restrictions were lifted because of a different geopolitical scenario, the demand for goods of Latin American and the Caribbean origin is the product of structural transformations in the global political economy where China's emergence as a commercial, industrial, and technological power is the main feature. In this context, the US' economic position in Latin America continues to be crucial, but it is not a market that monopolises demand for the region. The sales capacity of Latin America and the Caribbean to the countries of the European Union is very similar to that of China, although recent trends show the Asian economy to be more dynamic than the European economy.

The change in global dynamics creates new needs for international actors and is likely to have an impact on the behaviour of states. The most important manifestation of these changes is the reprioritisation of the geopolitical agenda and emphasis of international alliances in the wake of Russia's invasion of Ukraine. In this context, the relations of Latin American and Caribbean countries with Europe take on new importance. For the states of the Western hemisphere, such a relationship supports the need to diversify their international partners, as mentioned in all the studies in this book. For the European Union, which envisages a new geopolitical role for itself in the immediate future, the partnership with Latin America and the Caribbean takes on a strategic importance that articulates other political agendas through trade (Fierro, 2022).

2. The status of the agreements

The association agreements between the European Union and the countries of Latin America and the Caribbean do not follow one single pattern. Although the topics, broadly speaking, are similar, their order and prioritisation vary according to the partner with whom they have been negotiated. The diversity of the needs of Latin American economies, the heterogeneity of their development models and, at times, the ideological orientation of their governments when it comes to defining priorities, explain these differences. This is also the case with the institutional moment and status of each of the agreements.

The regulatory expectations of all the agreements regarding the degree of implementation of the decisions are quite diverse. While in all cases the intention of the agreements is to enhance relations with the partners, the fragmentation of the provisions of the treaties allows them to be approached in different ways in the enforcement stage. On the one hand, as a regulatory instrument for trade relations, and on the other hand, as a discursive political device that expresses the like-mindedness between the two regions and allows for the development of dialogue, political cooperation, and collaboration in the implementation of the agendas according to the interests of the parties. This is expressed, for example, in the emphasis on environmental issues or concerns about tariff barriers, which are recurrent and at the same time normal themes in any relationship that alludes to public policies or trade.

Concerning the implementation of the agreements, the outcomes are mixed. The Association Agreement with Central America has the capacity in place since 2013, but the political dialogue and cooperation components have not yet been ratified (Lejtreger, 2022). The implementation in the Caribbean of the CARIFORUM agreement, which has been in force since 2008, except for Guyana, is still pending in the pillars of cooperation and political dialogue.

In the case of South American countries, the validity of the agreements also does not follow identical patterns. The agreement with Chile has been in force since 2013, although the trade pillar had been applied since 2003. Further, it has been under negotiation for several years to bring it up to date to the current state of affairs, which is generating more expectations form the parties involved. The agreements with the Andean countries similarly express these differences in timing and interests. Bolivia does not have an agreement under negotiation and is off the association's radar for the moment. Ecuador (2017) implemented the agreement four years later than Colombia and Peru (2013). The case of this subregion illustrates the weight of ideology in Latin American foreign policy decisions. Precautions and concerns about international trade and the asymmetries that these processes express, delayed the negotiations in the case of Ecuador, or prevented them in Bolivia. Both countries were then governed by authorities identified with the first wave of left-wing Latin American governments. Colombia and Peru, governed then by more liberal political orientations in terms of foreign trade, signed and placed in force the agreement earlier. The political orientation of the governments however did not significantly influence the terms of the signed agreement by the three countries, as the document in all three cases are similar.

As for the EU-Mercosur agreement, its political viability and entry into force will depend on a complex and difficult ratification process. More than in Mercosur, where the treaty does have opponents, difficulties are to be found primarily in the European Union. From the EU´s perspective, this agreement is of a "mixed" nature, as it encompasses both matters that fall within the competence of the European Union and those of its member states. Should ratification be considered, there is surely a risk that it could be stalled in one of the national parliaments of the 27 European Union member states. Additionally, it must be remembered that in the case of Belgium, the process also requires a vote in its the regional parliaments.

To get around these obstacles, the European Commission has proposed splitting the agreement into two parts. The first, refers mainly to the trade pillar, which corresponds to the exclusive competences of the EU where decisions are adopted by a qualified majority in the Council. With the additional ratification by the European Parliament and the four Mercosur members, it could make possible what under EU law is considered the provisional application of the treaty, limited to these topics. This would put on hold the chapters on political dialogue and cooperation, which fall within the competence of the member States, and those trade issues which require the unanimous approval in the Council. Additionally, as discussed below, another possibility would be to strengthen the agreement environmental clause that could be considered an "essential element" which will reinforce its commitments in this area, thereby providing further reassurances to those political actors who have objected to the agreement on these grounds.

3. The pillar of the political dialogue

Political dialogue is the pillar that has generated the most debate in all of the association agreements. At the same time, it has been the element that is most complicated to implement given the possibility of its principles being interpreted differently by different actors in governments and civil society. On occasions, it has also been the least developed, due to the existence of a clear priority in the parties for commercial issues. In building national consensus to address this issue, decision-making processes have been linked in different ways, with parliaments, political control bodies, public opinion, and actors with specific agendas. On issues such as democracy, human rights and environmental management, there has been evidence of a variety of ways of working together. On matters such as democracy, human rights, or environmental management, there has been evidence of different modes of dialogue.

The agreement with the Caribbean countries is based on a series of commitments around the link between trade and environmental protection. The general sense is to boost interregional trade, whilst linking it to social issues concerning social cohesion, poverty reduction and the implementation of environmental standards. Specific issues mentioned in the agreement relate to the circular economy, green growth, transitions to climate change resilience, and the desire to commit to low carbon emissions.

The pillar of political dialogue in the case of the Caribbean, according to the authors of the work included in this volume, has shown some moments of divergence. The Caribbean's interests are focused on its commercial interests, and the perception of conditionalities has made it difficult to implement concrete measures. Disagreements in structural areas highlight the limits of a bi-regional multilateralism common to all areas.

In the Central American case, the agreement emphasises persistent themes in the European-Latin American relationship in that region, which can be traced back to the central role played by several European Union countries in peace negotiations in the last century. In the current Central American context, the agreements insist on issues such as democracy, human rights, peace, rule of law, efficient governance, and sustainable development. The negotiation of the agreements introduced all these issues, and, in intergovernmental rhetoric, they are all part of a shared political project, at least in terms of discourse, between Central American and European societies.

Structural problems of persistent violence, illegal economies and political turbulence make this agenda a necessity for the development of Central American countries. The agreement is indeed a milestone in terms of a better understanding of reality and possible solutions. However, due to historical difficulties, the agreement is still far from being fulfilled by the parties, and the expectations that emerged as a political declaration in the negotiations are still awaiting implementation.

The agreement with Chile shows a growing interest in environmental issues in its political dimension and clearly expresses the interests of the parties: energy sources and access to raw materials in the case of Europe and the need for cooperation policies in conjunction with the European Union and the United Nations for the protection of its coasts and vast maritime extension, as well as the energy transition, in the case of Chile. According to the author, the agreement was conceived in a context of mutual gains. Its modernisation, however, illustrates a more progressive approach of Chilean foreign policy, as well as Santiago's openness to the adoption of eventual regulations on environmental policies where the European Union's regulatory capacity and experience will be important in political terms.

The Cuban case is special because the political axis is in fact the only one on which the parties worked on the Agreement. The themes included dialogues on human rights, sustainable development, the arms trade, and the enforcement of the prohibition of weapons of mass destruction in the Caribbean region and Latin America.

The talks also revolved around the fulfilment of commitments that generated spaces for cooperation for structural transitions on the island. Particularly important in this regard were: technical assistance and advice on the implementation of public policies in macroeconomics, decentralisation, and local development; cooperation to address climate change; foreign direct investment from Europe in key productive areas on the island; and the capacity to help diversify the sources of financing necessary for Cuba, with the participation of the European Investment Bank.

The updating of the agreement with Mexico gives priority to environmental issues, although the parties' priorities are different in the negotiations. While for Mexico it is central to secure its energy sources, particularly those that generate electricity, for the European Union it is indispensable that the idea of sustainable development must be in line with its vision of the requirements generated by climate change. These perceptions expressed themselves in different forms of negotiations. On the institutional side, Mexico has assumed the tasks of strengthening the rule of law and its institutions, particularly in the fields of justice, human rights, and gender violence. The author underlines the potential of the agreement to ensure the strategic autonomy of the two regions and their capacity to promote multilateralism as a shared agenda. The updating of the agreement would express this desire by incorporating specific clauses for the protection of the environment and labour rights, among others.

The three agreements with the Andean countries: Colombia, Ecuador, and Peru, are very similar in the chapter on political dialogue. Concerns revolve around compliance with the international commitments subscribed to by the three states in labour policies, basically freedom of association, prohibition of child labour, informality, and the need for social dialogue. Other issues are those related to sustainable development and environmental protection policies.

According to the author of the study in this book, the challenges facing the Andean countries have to do with what the author calls "the productivity trap" and the stimulus that the agreements generate, in terms of trade, to the production of primary goods and extractive resources. An alternative that could encourage the agreements is a greater emphasis on development and research, exchanges, and cooperation. With a focus on the areas of digitalisation, 'green' growth, modernisation of the global value chains that link these economies and an approach to an agenda of renewable energies, bio-trade, protection of biodiversity, based on new types of trade facilities.

The content of the political dialogue of the Mercosur agreement, currently under negotiation, is not yet published, but environmental issues will likely be a central element (Vazquez, 2022). The author of the analysis in this book identifies, for example, that deforestation in the Amazon rainforest is a key element to be addressed in the talks. At the same time the author regards the EU-Mercosur negotiation as an opportunity for Mercosur countries to raise environmental agendas in their respective societies. He states that while key economic actors would be interested in signing the agreement for commercial reasons, this treaty could be an influence that pushes governments towards commitments to comply with ecological protection standards.

4. Institutional architecture

In general, the agreements with Latin American and Caribbean countries have a similar structure. They are based on two decision-making bodies: joint councils that have a strategic follow-up function and are constituted at the highest level, lower only to that of the heads of State, and technical committees that resolve implementation problems. The architecture of monitoring instruments varies according to the country or region in which a given agreement operates. There are pre-defined bodies with a more rigid approach, more evident in older agreements, or flexible architectures in those negotiated later. Additionally, there are *ad hoc* or specific subcommittees that are different in each case, according to the productive vocations of the individual members.

The monitoring instruments of the agreement with the Caribbean countries comprise a Joint Council, which is responsible for providing strategic and political direction to the implementation of the agreement, as well as managing the agreement's agenda. There is also a Committee on Trade and Sustainable Development (TSD) that monitors implementation, as well as a parliamentary committee with consultative functions for the two mentioned bodies. In addition to this complex institutional set-up, there is a special committee for customs cooperation and trade facilitation, and one dedicated to agricultural issues.

Given that the agreement involves several countries in its management, the institutional framework is quite dense and can therefore express different negotiation scenarios and different instances of resolution. The need has been identified for a more active involvement of the European External Action Service and the CARIFORUM Board, particularly the Finance Ministers, as the agenda requires budgetary support.

In the agreement with Central America, there is likewise an Association Council that oversees compliance with the agreement and a committee that monitors and resolves implementation problems. The institutional framework, according to the corresponding study, has been one of the issues that has hindered ratification, essentially due to the rigidity of its architecture. This shows the need for the construction of more agile mechanisms for dialogue and coordination.

The treaty with Chile covers the two instances of monitoring and advising on implementation as in the previous cases, and adds a coordination meeting, as well as a subcommittee on trade.

The Agreement with Cuba has only two bodies, as it does not include the trade and cooperation pillars: a Joint Council, that monitors the agreement, and a Joint Committee, that deals with implementation difficulties. In the opinion of the author of the case study, they function with some complexity when events arise on the political agenda that generate different visions and positions, as was the case when demonstrations took place on the island in 2021. Despite this, the existence of functioning bodies allows for the flow of relations between the European Union and the Cuban government.

The two entities are repeated in the EU-Mexico agreement: the Joint Council, established at the ministerial level, and the Implementation Committee composed of senior officials. The agreement opens up to the possibility of creating ad hoc committees or bodies to resolve differences, and also establishes a joint parliamentary body, which, according to the text of this dedicated book, has been one of the most consistent mechanisms in the bilateral dialogue.

As in other cases, in Mexico, monitoring mechanisms have generally promoted bilateral dialogue and raised political issues and concerns from the EU. However, there are no spaces for civil society participation in decision-making.

The relationship with the Andean countries is regulated by a joint committee for monitoring compliance and implementation, and technical issues are processed in a series of bodies, subcommittees, which are responsible for specific matters. For example, tariff barriers, agriculture, intellectual property, trade and sustainable development have been stable bodies, to which other subcommittees have been added on issues such as market access, sanitary and phytosanitary measures, rules of origin. The monitoring structure in the case of the Andean countries is more flexible, based on necessities. To understand this, it is crucial to consider the fact that these agreements were the last to be negotiated, and that the process was nourished by the previous institutional experience with the other association instruments.

5. Association agreements and their economic impact: trade and investment

5.1 Trade and association agreements: the evolution of an inter-regionalist strategy

The signing of a new generation of agreements between the European Union and Latin America and the Caribbean, including reciprocal free trade, was first proposed in 1994 at the European Councils in Corfu and Essen in June and December of that year. This was part of the new interregional strategy promoted by the then Vice-President of the European Commission in charge of relations with Latin America, the Spaniard Manuel Marín, and the German Presidency of the Council. This initial proposal was limited to Mexico, Chile and Mercosur. It was based on the agreements reached that year in the framework of the General Agreement on Tariffs and Trade (GATT), which would give rise to the World Trade

Organization (WTO) and set a 'base line' in trade liberalisation and related areas, on which to build towards more in-depth agreements.

But perhaps the main drivers for the signing of trade agreements between the European Union and Latin America came, from the attractiveness of Mercosur, at that time undergoing rapid and promising development, and from the US proposal for the Free Trade Area of the Americas (FTAA). The latter had already taken shape with the North American Free Trade Agreement (NAFTA) between Canada, Mexico, and the United States, which was signed that same year. Both represented a real economic and geopolitical challenge for the European Union. The signing of NAFTA and the possibility of FTAs with the US being extended to other countries in the region through the FTA could generate a significant trade diversion effect and changes in the treatment of investment that would put European companies at a disadvantage. For this reason, the signing of a deal of similar scope in the area of trade and investment treatment with Mexico and others that would also sign an FTA with the US became a priority for the European Union (Freres and Sanahuja, 2006: 90; Sanahuja and Rodríguez, 2019: 7).

The European Union initially ruled out the possibility of signing reciprocal FTAs with the Central American and Andean countries due to their lower economic weight and relative level of development. Both groups enjoyed non-reciprocal regional preferences established in 1991 as a special regime within the Generalised Scheme of Preferences, known as "GSP drugs". However, after the agreements that closed the 'Uruguay Round' of the GATT and gave way to the WTO, these preferences ceased to be compatible with WTO rules, due to their discriminatory nature with respect to other developing countries (Manero, 2005; Domínguez, 2015: 138). The European Union reformed this system by establishing the 'GSP plus', putting an end to this differentiated regime to give it a general character, open to all developing countries, and offered Central American and Andean countries to benefit from this new scheme.

However, the Central American and Andean countries objected to this proposal, arguing that it would lead to a significant erosion of GSP drug preferences. It would affirm a 'two-velocities" relationship between the European Union and Latin America, with the Andean and Central American countries in a more unfavourable position. As an alternative, they called for the signing of FTAs like those proposed with Mexico, Chile or Mercosur. This would allow for the consolidation and expansion of these preferences, although in exchange they would be required to open their markets reciprocally. The European Union finally accepted this option at the 3rd EU-Latin America and the Caribbean Summit held in Guadalajara (Mexico) in 2004. Albeit without a date, and subject to a prior 'joint assessment' of the state of each of these integration processes to ensure the viability of region-to-region agreements. An additional factor was the failure of the WTO 'Doha Round' negotiations, launched in 2001, at the Cancún ministerial conference in 2003: the apparent closure of the multilateral track would encourage inter-regional or bilateral negotiating tracks (Schade, 2022: 46). Another element has been, once again, the negotiation of FTAs with the United States by Central American countries and some CAN members.

Negotiations between the European Union and Central America finally resulted in the signing of a region-to-region association agreement in 2010, although the Central American countries negotiated it individually. This instrument is pending ratification as a whole, but the trade pillar was able to enter into force in 2013 through the mechanism of 'provisional application', which affects the competencies of the European Union and therefore does not require ratification of the member states.

This has not been the case, however, in the CAN, where the bilateral logic has finally prevailed in negotiations over the trade pillar. The political fractures that this region experienced in the mid-2000s and the rejection of FTAs by the 'Bolivarian' governments became evident at the IV EU-Latin America and the Caribbean Summit held in Vienna in 2008. Following a rapid modification of the negotiating mandate by the Commission and the Council, a new 'multiparty agreement' design was adopted. This maintained the regional framework for political dialogue and development cooperation but put the trade pillar up for negotiation with initially Peru and Colombia (2012). In both cases, it was also a powerful incentive for the European Union that these two countries had previously negotiated FTAs with the United States. Ecuador joined at a later stage (2014).

The change in the WTO's multilateral rules also affected Caribbean countries, which enjoyed regional trade preferences under the Lomé Convention. In 2000, the European Union and this group of countries signed the new Cotonou Convention, on a transitory basis, to leave these preferences behind (Manero 2009). To this end, a general regime would be established for the least developed countries, and reciprocal FTAs would be negotiated with specific groups of countries. This is the origin of the Economic Partnership Agreements (EPA), such as the one signed with CARIFORUM (2008), whose trade chapter is equivalent to the association agreements discussed here.

Overall, it is worth noting that in application of this inter-regionalist strategy, a broad network of association agreements has been developed with a trade pillar that, in 2022, includes 31 of the 33 countries that make up the region. Although they differ in terms of content and legal status, there are agreements with Mexico and Chile; with Peru, Colombia and Ecuador, within the 'multiparty agreement' with the CAN; with Central America and Panama; with CARIFORUM; and with Mercosur, pending ratification after twenty years of difficult negotiations. Additionally, there is a political dialogue and cooperation accord with Cuba, which does not include an FTA for obvious reasons related to the incompatibility of its economic system. Only Venezuela and Bolivia - the latter with associated country status in Mercosur - do not have agreements with the European Union (Tvevad, 2020). In addition, the modernisation of the agreement with Chile is being negotiated, and in 2020 the negotiation of the modernisation of the existing agreement with Mexico was completed, pending its ratification and entry into force (Domínguez, 2020).

5.2 Commonalities and differentiating factors

The trade pillar of the association agreements is one of the strongest anchors of the bi-regional relationship in terms of the extent of trade and the framework of legally binding rules on which this relationship is based. Without undermining the significance and political and cooperation potential of the association agreements, their trade pillar is their foundation. The recognition of the importance of this element in bi-regional relations is the natural expression of the trajectories of the respective integration processes in Latin America and the Caribbean and the EU. Both regions consider integration to be a key component of economic and social development strategies, of productive transformation, of the generation of economic interdependence and shared interests. Consequently, integration is a key component of stability, security, and peace, which is the ultimate political objectives of these processes.

The basic components of this trade pillar are very similar. They are economic integration agreements, covering trade in goods and services, the opening of government procurement markets, rules for the protection of intellectual property rights, and mechanisms for dialogue and dispute settlement. A common element is the subjection of the trade chapter to other provisions that affect each agreement. In particular, the democratic clause, which is considered an "essential element" of each treaty, and which, in the event of non-compliance, would ultimately allow the unilateral suspension of the trade provisions of the agreement. For example, with the adoption of trade sanctions, without entailing a violation of these provisions.

From the European Union's point of view, these similarities are not limited to treaties with Latin American and Caribbean countries or regional groups, as the design of the association or economic partnership agreements that the European Union has signed in other regions also have these basic components. They are "WTO-plus" agreements, compatible with multilateral rules in terms of their coverage. Such accords focus on trade and are compatible with the basic principle of non-discrimination and the exceptions to it that allow reciprocal preferential access to countries that choose to go beyond WTO rules through the signing of FTAs.

However, in addition to these basic elements that all the agreements share, there are significant differences that respond to factors such as the background, context, and moment in which the negotiations and signing of the agreements took place; the previous pattern of trade exchanges; the coverage of their provisions; and their bilateral, plurilateral or interregional nature. This suggests that, despite having a very similar basic format, they have been adapted to changing circumstances and to the differentiated dynamics of each case (Grieger, 2019: 44).

Some of these differentiating features respond to the very 'cartography' of the agreements. It shows that the European Union adapted to the sub-regional integration dynamics of Latin American and Caribbean countries in the early 1990s. At a time of redefinition and relaunching of regional integration processes, the European Union sought to expressly support them through the agreements themselves and other development cooperation instruments (Sanahuja, 2013). At this moment of renewal, a concept of "open regionalism" developed concept under the parameters of "new regionalism". A concept that refers to the collective search for better regional governance in both economic and non-economic areas that seeks a competitive insertion into the dynamics of globalisation. This is realised through integration models that make regional preference compatible with greater openness to foreign investment and low levels of trade protection (Sanahuja, 2007).

As a result, the mapping of arrangements included three sub-regional schemes with which the European Union has, at different times, negotiated region-to-region. Firstly, with Mercosur, which appeared as a newly created group (1991). Secondly with the Central American Integration System (SICA), since 1991, which updated and expanded the areas of cooperation and integration of the previous Organisation of Central American States (OCAS) and the Central American Common Market (CACM). Thirdly, with and the Andean Community of Nations (CAN) (1996), based on the previous Andean Pact.

As part of this cartography, Mexico and Chile opted to follow a different path. Mexico focussed on North American integration. Chile, which in the eighties had carried out a process of unilateral liberalisation, took a hub and spoke approach based on the signing of FTAs with different partners, including the United States. For these reasons, in these two cases the European Union opted for separate agreements.

The case of Mexico shows some singularities in terms of the negotiation process and format. This began in 1997 with the signing of an economic association, political coordination, and cooperation agreement, known as the "Global Agreement", and an "interim agreement", which established the mechanisms and format for trade liberalisation. This entered into force in 2000 for trade in goods, and in 2001 for trade in services through the so-called European Union-Mexico Free Trade Agreement (EU-Mexico FTA). In the case of Chile, the association agreement was signed in 2002 and, the provisional application of its trade chapter was activated in 2003, once approved by the Commission, the Council, and the European Parliament. This agreement includes a specific instrument on wine for the protection of the designations of origin of both parties in the wine sector.

Indeed, the interregional route of inter-region accords has only paid off in the case of Central America and CARIFORUM. The latter because it responded to the different logic of the relationship between the European Union and the countries of the Africa-Caribbean-Pacific group. The negotiations with Mercosur, which initially raised great expectations, have dragged on for more than twenty years. The different negotiating cycles resulted in the signing of the "agreement in principle", however, at the time of writing, this is still awaiting ratification. In the case of the CAN, the different factors described in the following section led to the fragmentation of the trade negotiations and to the imposition of the bilateral route with some of its members.

Finally, the moment at which the agreements were signed is also a differentiating element and allows for the identification of at least two generations of agreements. The earliest agreements —with Mexico (2000) and Chile (2002)—, although very broad, have clearly fallen behind those signed in the following decade with Central America and the Andean countries and the "agreement in principle" with Mercosur. This new generation of agreements, in comparison with the two mentioned above, includes more detailed rules on the protection of intellectual property rights and, in particular, geographical indications. In the cases of Chile and Mexico, these were limited to wines and alcoholic beverages, and were subsequently extended to the entire agri-food sector. The later treaties are also more detailed on trade in services and electronic commerce, on the exchange of information on norms and standards, and on the treatment of technical barriers to trade. Furthermore, there is an important chapter on trade and sustainable development (TSD), which is increasingly evolving, with provisions on environmental protection, labour rights and child labour in accordance with existing international treaties, and gender equality. The EU-Mercosur agreement, in particular, includes a very advanced TSD chapter. The modernisation of the agreements with Mexico and Chile —the first, already negotiated and pending ratification: the second, in the final phase of negotiation in September 2022, at the time of writing—covers all these aspects.

5.3. The economic impact of the agreements: a synthesised balance sheet

In its trade chapter, the agreement with Mexico was pioneering and has been in force the longest. It therefore offers a unique long-term perspective compared to other agreements. However, the lessons that can be drawn from this experience are of limited application due to 1) the export structure and profile of European investment in Mexico, 2) the greater weight of the manufacturing sector and exports of industrial goods, and 3) Mexico's particular location in NAFTA and its successor, T-Mec. Although the latter explains a pattern of mutual trade with a greater weight of this type of goods, it also entails a strong pull towards the United States that makes trade with the European Union less attractive.

This agreement was implemented quickly. It is an example of the first generation of association agreements, with broad coverage of trade in goods and services. However, it did not go beyond what was established in the WTO framework on matters such as the protection of intellectual property rights or technical barriers to trade. Since its entry into force, trade in goods has expanded significantly, but this has not prevented Mexico's trade balance with Europe to remain in a deficit. There has also been a slight increase in market shares on both sides and greater diversification on the Mexican side. The visible increase in trade is largely explained by Mexico's starting position, which did not enjoy preferential access to the European Union beyond the GSP, and the greater scope of liberalisation. Mexican exports to the EU, unlike in other association agreements, are dominated by industrial goods and in particular machinery and vehicles. Beverages and spirits also have a significant weight in this export basket. European Union exports to Mexico are dominated by machinery, vehicles, chemicals and other industrial goods. Trade in services, although less dynamic, has also gained weight in mutual exchanges. As the ex-post evaluation of this accord, commissioned by the European Commission and published in 2017, points out, the agreement succeeded in securing the competitive position and respective market shares in a context in which both parties had signed other FTAs with third parties. In terms of economic welfare, it has generated a modest increase in GDP, of 0.34% for Mexico and 0.01% for the European Union— (Ecorys, 2017).

The EU-Chile deal has also seen a rapid increase in trade, both in goods and in services, as it involves a wide-ranging liberalisation process on both sides. On the Chilean side, the greatest dynamism has been observed in exports of fruit, wine, fishery and forestry products, which have seen a notable increase. The agreement has represented a significant improvement in these areas compared to the restrictive conditions of access to the European market. Furthermore, it has contributed to the diversification of exports, some of which have a high added value, and to reducing the weight of primary products such as copper. In the case of the EU, exports increased in the areas in which European exports were already concentrated, such as machinery, chemical products and vehicles, with a strong increase in the last of these. Exports of services also increased, especially from the European Union to Chile, as a result of the agreement's greater ambition with respect to WTO provisions in this area (Itaqa, 2012). Overall, the main result of the agreement for the European Union has been, as in the case of Mexico, to preserve the competitive position and market share of European companies in Chile. The treaty however did not impede China to become Chile's number one trading partner, with the US in second place and the European Union in third.

Within the 'multiparty agreement', the FTAs with Peru and Colombia and the later one with Ecuador show more modest trade results. As the ex-post evaluation commissioned by the European Commission (BKP, 2022b: 1) points out, these agreements have been 'moderately effective'. Trade in goods has increased, albeit to a limited extent, and Andean exports to the European Union have been more dynamic in non-traditional and non-extractive sectors. On the European Union side, exports of machinery, vehicles, chemicals and pharmaceuticals, which were already present before the agreements, have increased. In services and access to public procurement markets, results have also been modest (BKP, 2022b).

Overall, there has been a greater diversification of these exports in the three countries, with less weight of traditional primary products, but to a lesser extent than that encouraged by the GSP drugs and the subsequent GSP plus. Whereas in 2010, 51 products accounted for 90% of exports to the EU, in 2019 this figure had risen to 61 products. In Peru, the participation of small and medium-sized enterprises increased. In Colombia, positive effects have been observed in the agro-industry and light industry, also a significant increase in the number of exporting companies is visible (35% between 2002 and 2018). Nevertheless, in Colombia, as expected, the dairy sector has had to bear higher adjustment costs. In Ecuador, the main aim was to mitigate the trade diversion effects that were damaging sectors such as bananas. Beyond bananas and oil, the agreement led to the emergence of 190 new products and 450 additional companies in Ecuador's exports to the EU.

These more modest effects are due, once again, to the starting point: these agreements have consolidated the already existing trade preferences granted by the GSP plus, and, even though the access to the European market has improved and there has been some diversification, the limitations of the Andean economies' exportable supply make it difficult to take greater advantage of the agreement. The impact on GDP, although positive, is also modest, and has been concentrated in sectors where there were comparative advantages. This performance has barely mitigated the asymmetrical nature of relations between the two parties and the traditional North-South trade pattern.

In the trade pillar of the EU-Central America agreement, the aim was similarly to consolidate GSP plus preferences, to expand access to each other's markets and to protect the EU's market share from the FTA between Central America and the Dominican Republic and the United States (CAFTA-DR), which gradually entered into force between 2006 and 2009. Due to its interregional nature, the agreement is also expected to contribute to deepening the process of regional economic integration and the objective of the customs union. The most recent data are those collected by the ex-post evaluation study of the trade pillar of the agreement, commissioned by the European Commission's Directorate General for Trade (BKP, 2022a). According to this study, in the period 2013-2019, Central American exports of goods (CA-6) to the European Union increased by 31%, and European Union exports to the European Union by 40%, with a slight increase in the respective market shares. The extent to which this can be attributed to the agreement itself is however unclear (Grieger, 2019: 13). This increase has been accompanied by a modest diversification of exports. Exports have remained within the traditional North-South pattern of trade between the two regions. On the Central American side, exports have centred on bananas and other fruits and vegetables, while on the European Union side they have been concentrated on machinery, vehicles and medicines. For this reason, there have been no significant trade diversion effects between the Central American partners, although a slight erosion of regional value chains has been observed in some products. It should be added that there is a greater presence of SMEs in European Union exports, but this is not the case in Central America, where these companies continue to face many constraints in taking advantage of the opportunities offered by the treaty. Finally, in the area of services, the increase in trade has been greater, particularly in services exported from Central America.

The EU-CARIFORUM Economic Partnership Agreement has been plagued by delays in its implementation in terms of tariffs, trade facilitation, or intellectual property rights, and its results have been limited and asymmetric in nature. According to the independent ex-post evaluation commissioned by the European Commission (Ecorys/Appleton Luff, 2021), exports from this group to the European Union have fallen by 2 per cent since 2008, and European Union exports have increased by only 4 per cent, widening the Caribbean countries' trade deficit. In conclusion, after more than a decade of operation, the expected benefits do not appear to have been realised.

There are several reasons for these poor results: firstly, the extensive regime of non-reciprocal trade preferences has been substituted by a reciprocal free trade regime established by the EPA. This transition has led to a rapid erosion of these preferences, even considering the transitional periods that were more favourable to Caribbean countries. Secondly, the lack of diversification of the exportable supply of this group. Thirdly, the tightening of technical and other norms and standards in the EU. Finally, as a singular element, it is worth noting the trend in oil prices in Trinidad and Tobago, which have a major impact on the aggregate figures for this group. Within this overall picture, however, it is worth highlighting the higher growth of exports from the Dominican Republic and the better performance of exports of services from the Caribbean countries.

Finally, in the case of the EU-Mercosur agreement 'in principle' signed in 2019, it is too early to assess the future impact of the accord. It is still pending ratification, either as a whole or as in other cases, only for the parts that fall within the exclusive competence of the EU, which only require approval by the Council and the European Parliament. It is worth noting that the European Union gains important advantages in industrial and services, as well as in some agricultural products -wines and dairy products-, and Mercosur gains, in exchange, improved access to the European market for its agricultural exports. A differentiated tariff reduction schedule has been established in recognition of existing asymmetries for both industrial and agricultural goods. Mercosur will liberalise 91% of imports from the European Union over a period of 10 years and 15 years in more sensitive sectors such as automotive, chemicals and pharmaceuticals. The European Union will liberalise 92% in 10 years and 95% in 15 years. In the industrial sector, Mercosur will liberalise 90% of tariff chapters in 15 years and the European Union 100% in 10 years. The automotive industry will have special treatment. Other relevant concessions are in the agricultural sector, a point of tension that has permeated the entire history of negotiations between the two groups. Mercosur will liberalise 95 per cent of European Union agri-food imports, and the European Union will liberalise 82 per cent. The rest will be subject to partial liberalisation commitments, with tariff quotas for the most sensitive products, and broad recognition and protection of the geographical indications of both parties.

The European Commission presented its Sustainability Impact Assessment (SIA) report, prepared by the London School of Economics in December 2020. Based on a mixed study, the study provides different estimates on the reduction of tariff and non-tariff barriers for both regional groups. Regarding the benefits on GDP, the entry into force of the agreement would expand it by 0.1% in the case of the European Union and by 0.3% annually in Mercosur by 2032, based on a significant increase in trade.

The analyses included in this volume, as well as the evaluations carried out at the behest of the European Commission and other studies, allow for a fairly accurate assessment of the economic effects of the agreements in terms of trade in goods and services. Yet it is more difficult to establish a clear causal relationship for investment flows. The EU, as has been pointed out, is the leading source of foreign direct investment in Latin America, but the investment position of European companies in many cases predates the signing of the agreements. Their presence in the region in sectors such as the automotive, geared towards import substitution and the domestic market, is already half a century old. But it was in the 1990s that a period of strong growth in European foreign direct investment began. This was triggered by the policies of economic liberalisation and privatisation of the 'Washington Consensus', the recovery of growth, and, in cases such as Mexico, the incentive provided by access to the US and European Union markets via FTAs. An important factor is the acceptance of foreign investment protection rules that are more favourable to foreign investment, such as investment promotion and protection agreements (IPPAs). These treaties establish an investor-state dispute settlement regime that defers to international arbitration tribunals such as the World Bank Group's International Centre for Settlement of Investment Disputes (ICSID). But these agreements have been negotiated bilaterally, outside of association agreements. This is due to the fact that, at the European level, competences in this area corresponded to the Member States. It was not until the Treaty of Lisbon, which came into force in 2009, that this issue was incorporated into the common commercial policy, and therefore became an exclusive competence of the European Union. For this reason, the modernisation of the association agreements includes a new chapter on investment protection that will entail the repeal of the APPRIs with European Union member states that have been in force until now. But beyond this formula, the European Union is promoting the creation of a multilateral investor-state dispute settlement system, the negotiation of which will be open to all interested states. Finally, in the specific case of the EU-Mercosur agreement, this chapter has not been included because Brazil does not accept this type of investor-state dispute settlement rules and mechanisms (Bas, 2019).

In the case of Mexico, a causal relationship could be established between European foreign direct investment in industrial sectors such as motor vehicles and the signing of the EU-Mexico FTA, which allows these products access to the European market. But in general, as the studies in this book indicate, this link is not clear due to registration problems and attribution difficulties. It can be confirmed that European investment is concentrated in the service sector, such as banking and insurance, tourism, communications, distribution. Also in the communications infrastructure and energy generation and distribution, where it is more oriented towards renewables, manufacturing, and to a much lesser extent in the primary sectors and extractive activities. Other more general trends, such as the slowdown in these flows, may be influenced by the crisis of globalisation and the retraction of global supply chains, or socio-political changes in the region, such as the reforms in the energy sector in Mexico, or the deterioration of the investment climate in some Central American countries. But again, neither the trends are as marked nor the causes as clear.

5.4. Dispute settlement, dialogue on regulatory issues and modernisation of the agreements

Beyond their impact on trade, investment and economic growth, the agreements are "alive", as they include mechanisms for dispute settlement, dialogue and cooperation that make it possible to address regulatory issues of great importance.

The institutional framework that monitors the accords always revolves around two entities, one that is dedicated to strategic monitoring, and another that specialises in technical implementation issues. The second one usually splits into different bodies and offices depending on the case, but in all situations this strategic monitoring committee, which is established at the highest level, is in charge of resolving the public policy problems that revolve around implementation.

In the first ten years of operation of the agreement between the European Union and Chile, which is relatively demanding in terms of sanitary and phytosanitary norms and technical standards, there has been fruitful dialogue on these and other matters and it has not been necessary to activate dispute settlement mechanisms (Itaqa, 2012). The parties have, however, been negotiating a comprehensive modernisation of this agreement, which among other issues includes broader provisions on technical barriers to trade, government procurement, intellectual property, digital trade and services, data protection, and anti-corruption.

The institutions of the EU-Central America trade agreement have been functioning regularly and effectively, extending to issues relating to other pillars of the agreement, which are not yet in force. A variety of issues have been addressed within the multiparty agreement, although some have been referred to WTO bodies. In particular, the application of stricter standards on the presence of cadmium in cocoa products. In particular, the application of stricter standards on the presence of cadmium in cocoa products, which required Ecuador and Colombia to compliance with European regulations. The conformity of certain biofuels with European standards has also been discussed, and the European side has objected to Peruvian health labelling standards. Furthermore, progress has been made in the registration and application of geographical indications.

6. Trade, human rights and sustainable development

The relationship between FTAs and sustainable development has often been the subject of ideologised interpretations, with limited and selective empirical support and confirmation bias. Studies that have attempted to address this nexus are often limited in their ability to identify and isolate specific causal relationships and effects of the agreements from those that would be attributable to a particular development model, socio-economic structure or political regime. The literature highlights the potential negative consequences of free trade on sustainable development, especially in countries with insufficient or loose regulation of labour or environmental standards. The incoherence between human rights requirements and trade openness has also been pointed out. Moreover, it has been noted and confirmed by some of the studies considered in this volume that the increased opportunities for large firms, and the obstacles faced by SMEs, can have negative consequences for income distribution. This literature, however, has also indicated that FTAs, even when incorporating high standards in these areas, are insufficient. Beyond the employment or income improvements derived from their direct economic impact, their role is to encourage and/or reinforce domestic regulations and their enforcement, to prevent backsliding, and to promote their alignment with existing international standards and treaties.

As mentioned, from the first association agreements to the most recent ones undergoing modernisation, one of the elements of change is the appearance of a chapter on trade and sustainable development (TSD). This reaffirms the obligations established by international treaties and national rules, and a specific committee for dialogue and cooperation on these matters. Unlike the clause on democracy and human rights, those obligations are not considered an "essential element". In the absence, moreover, of binding compliance obligations and/or additional clauses to those set out in these international treaties, the TSD chapters are characterised by low enforceability and effectiveness. For this reason, it has been suggested that they need to be reinforced with an environmental "essential element" clause that is legally analogous to the democratic clause (Giles, 2021; Sanahuja and Rodríguez, 2021). The European Commission itself proposes this for future trade agreements, as part of the external dimension of the European Green Pact, approved in 2019 (European Commission, 2019; Sanahuja; 2022).

However, as shown by the studies included in this book and the ex-post impact assessments carried out at the request of the European Commission, the TSD chapters of the agreements have played an important role in improving labour and environmental standards through dialogue and cooperation between the parties in the monitoring bodies provided for in these chapters. These bodies have allowed for a broad regulatory exchange between governments and a wider dialogue with civil society and governments.

In Central America and the Andean countries, for example, the labour rights situation is precarious. Although formally recognised, there are serious limitations in the application of standards in several countries in both sub-regions. The dialogue arising from the TSD chapter and the standards of the agreement have led to significant improvements in Colombia's agri-food sector. There have also been significant improvements in the area of freedom of association and the protection and defence of trade union leaders, but this is an area where the situation in Colombia is still of great concern. In Peru, there has been progress in improving rights in working conditions in agriculture and in strengthening labour inspection. Between 2017 and 2018, the intervention of civil society and the European Commission contributed to concrete progress in the field of labour rights. In Central America, there have been positive developments in sectors such as tuna fishing and processing in El Salvador. It has also been noted that there has been more progress in labour issues when national inspection bodies have been supported (BKP 2022a: 21). Positive effects have also been registered in the increase of formal employment in more regulated sectors, such as pineapple cultivation in Costa Rica. However, in terms of gender equality, the studies considered show that the effects are limited and difficult to isolate and identify.

In the EU-Mercosur agreement —a last generation— treaty it is worth highlighting the inclusion of a very advanced TSD chapter, with a mutual commitment to the labour rights treaties in force of the International Labour Organisation (ILO) and others on environmental issues. The agreement also includes a commitment by both parties not to lower environmental or labour standards in order to attract foreign investment. The ex-ante sustainability study highlights the importance of this chapter, which would provide a framework of cooperation for the South American bloc, which lags behind the European

Union in this area, to reinforce the social and environmental commitments that have been made at the multilateral level, and to adopt more ambitious ones.

Several considerations arise from the above: on the one hand, the imperative of modernising the agreements, by including a TSD chapter where they do not yet exist, as in the cases of Mexico and Chile. There is likewise a need to strengthen the bodies responsible for implementing these chapters as bodies for dialogue and cooperation, both intergovernmental and with social organisations. On the other hand, a better articulation between the work of these bodies on norms, standards and regulatory frameworks, and development cooperation would be desirable. The latter can reinforce the technical, policy design, monitoring and/or inspection capacities of public administrations and business, environmental or consumer organisations in the countries party to the agreements. Finally, as indicated above, there is a need to reinforce these provisions with environmental clauses in the "essential element" modality, on par with the existing democratic clause, and to further develop dialogue and cooperation.

The studies presented here and the impact assessments show that the environmental effects of the association agreements, in their trade pillar, are not decisive. The effects that have been observed and that are directly attributable to the treaties are both positive and negative. Among the first, we can mention the improvement of regulatory frameworks and the adaptation to international standards. This, for example, has encouraged investment in renewable energies in countries such as Chile, or has contributed to improving the regulations applicable to agrochemical products in Central America. Negative impacts include increased export-oriented production of agricultural products at the expense of primary forests and other ecosystems. Examples of this include mangroves in the specific case of aquaculture in Central America or Ecuador, or salmon farming and forestry in Chile. The adoption of sustainability certificates for exports of coffee, timber and other products, which is more present today, seems to be more a response to European consumer demand and cooperation initiatives than to the requirements of the agreements.

Finally, with regard to FDI, it has been noted that the degree of compliance with labour standards and environmental standards is often higher in multinational companies of European origin.

7. Association agreements and the parties' external relations: continuities and the search for autonomy

The relationship of Latin American and Caribbean countries with all their extra-regional partners has historically been marked by the perception of vulnerability to externalities derived from the asymmetries produced by the global economy. One of the shared interests common to all countries in the region is to produce foreign policies that preserve the capacity of national societies to decide over their political and economic affairs. In other words, the search for autonomy, for the protection of what is understood by sovereignty.

With regard to strategic autonomy, in Central America trade has not grown significantly in percentage terms since the implementation of the agreement, despite being one of the main elements of the agreement. A large part of the expectations were processed during negotiation and implementation, based on political logics that depended on contingent interests in each of the cases. These expectations were higher than the possibilities, among other reasons, due to the aforementioned vulnerability and the ways of insertion. As producers of primary agricultural goods, they are inserted into a market in which the supply of these goods is extensive. The material basis for these expectations, as in the rest of Latin America and the Caribbean, has been the perception that the agreements would boost national economic development projects based on the expansion of international trade.

From a Caribbean perspective, the possibility offered by the post-Cotonou agreement from 2021 was to build a relationship that modernises and makes the old relationship with European countries more symmetrical. Particularly for this sub-region, it is necessary to deconstruct the archetype of a link marked by 'donor-client' interaction. The Caribbean would have sought in the post-Cotonou agreement the possibility of producing mutually beneficial results that would overcome the persistence of colonial patterns. These patterns historically characterised the way in which the region related to the rest of the world in the 19th and 20th centuries, based on the exchange of primary goods or elementary services for industrialised products.

In the context in which the relationship between Europe and the Caribbean is developing, the presence of China appears as an element of diversification of the capabilities of their economic relations, given that it is already perceived as a powerful partner for the region. China has the additional advantage of not having been a colonial power, and is perceived as a power that generates economic relations, apparently without political or axiological conditioning factors.

Another element to take into account in relation to Europe's relationship with the Caribbean is that Brexit reduced the economic volume of trade relations with the European Union as a whole given that the UK remains a central player in the region, precisely because of its historical and cultural ties with the English-speaking nations, twelve of which make up the Commonwealth.

In Central America, unlike in the Caribbean, the agreement reinforces the image of the European Union as a development partner and, from the author's perspective, the EU can be imagined as a "positive hegemon". In fact, the European Union has consolidated itself as the most important extra-regional partner in Central America and as a fundamental external actor for the strengthening of its own sub-regional integration system.

Trade between Chile and the European Union has doubled since the implementation of the agreement, and since its signing, Chilean production has diversified for a variety of reasons, not exclusively linked to the agreement. Having originally been an economy built on the export of extractive goods, Chile now generates foreign exchange in its external trade not only from copper and other mineral products, but also, from exports of agricultural and other value-added goods.

It is important to note that for Chile the presence of USA in its trade flow has been gradually fading in comparison with the growth of China and the EU. Despite this, the possibility that the eventual economic dispute between Washington and Beijing could have an effect on the Chilean economy is a real concern. These countries, however, unlike the EU, do not have a specific agenda linking trade with economic development and social cohesion goals, or do they have a vision to contribute to an eventual transition of the South American country's productive matrix. As with other Latin American regions, the relationship with Europe is seen as an opportunity to improve negotiating capacity with other counterparts, and therefore as an additional element of the country's capacity for autonomy in its international relations.

In Cuba's case, its historical conflict with the United States articulates the interests that the island would have in its relationship with the rest of the world. This also applies to Europe insofar as European policy might not coincide entirely with that of the United States regarding the island. Cuba needs to diversify its international partners precisely in order to have windows of opportunity that will allow it to compensate for Washington's economic harassment over several decades. From the Cuban perspective, strengthening ties with the European Union, as long as its policy is not complementary to what is perceived as US hostility, is a possibility to counteract the effects of US sanctions. Thus, it is possible to sustain the Cuban government's counter-hegemonic project.

For Mexico, updating the agreement is part of the interest in sustaining a policy that has traditionally promoted multilateralism. It also suggests the possibility of assuming a regulatory logic that goes beyond the limits of the free market. In the international system, rules in themselves regulate inter-state relations and moderate the power of economic and political actors. Mexico would take the potential of normative realities in trade issues, for example as an opportunity to influence the consequences of globalisation and to sustain, promote and protect its own interests and values. In other words, Mexican foreign policy consistently views trade from a political perspective and not only from the perspective of the exchange of goods.

The case of the Andean countries illustrates the EU's capacity and limitations to establish economic regulatory standards in its global projection. The agreements with Colombia, Ecuador and Peru, for example, show its capacity to produce similar rules in different scenarios. This is an expression of power in the conventional literature on international relations.

The Andean region and the three countries party of the agreement are also vulnerable to the effects that an economic confrontation between China and the United States could have. In this context, the European presence, which historically has similar interests to those of the Latin American and Caribbean countries, is also perceived as an option for diversifying these countries' relations. As in other cases, the author reiterates that shared issues such as support for multilateralism can be a basis for strengthening the partnership. Additional possibilities arise from the existence of a European position and policy that has elements to stimulate sustainable development in the region in an agenda that links trade and social issues, in contrast to the lack of such a policy in China and the United States.

Negotiations with Mercosur are highly conditioned by the international projection of its economies in the context of globalisation and the dynamics of domestic politics, as well as the impact of specific relations with some European Union countries. The experience of two decades of negotiation identifies the need for stability in the conduct of the international actors involved. In addition, the relative economic weight of Mercosur countries makes the bilateral relations of their economies with European counterparts more relevant.

An additional element is the political influence of the United States, which has been unstable in its conduct, especially during President Trump's administration. The political uncertainty of this administration has influenced both European and South American countries' responses to issues such as openness and protectionism. As the studies included in this book show, the Mercosur countries, like other countries in the region, also maintain the expectation that the agreements with the European Union will make it possible to break or at least attenuate the classic pattern of North-South relations, towards more symmetrical scenarios in terms of trade.

8. The potential of partnerships to relaunch development in the wake of the pandemic, regulatory convergence, and the social, digital, and ecological transitions[1]

In retrospect, after more than two decades of negotiations and implementation of the association agreements between the European Union and its partners in Latin America and the Caribbean, it is possible to identify elements of continuity and change in the international political economy. These changes are modifying the conditions, expectations and incentives for maintaining and deepening these agreements, as well as the correlation of forces in favour and against them. These transformations are occurring both within the countries involved, with the rise of actors more sensitive to environmental problems and opposed to free trade, and at the global level, with an acceleration of de-globalisation trends and the emergence of new development strategies. Following the traumatic experiences of the pandemic and its effects, which are still far from clear, of the Russian invasion of Ukraine there is a greater weight of public actors promoting transition, innovation and resilience. The impact of the global dispute between China and the United States also contributes to this.

Against this backdrop, the European Union is formally assuming a geopolitical vision centred on the search for strategic autonomy. Against the backdrop of the rise of both the extreme right and greater electoral support for the Greens, the European Union is moving

1 This section incorporates previous insights from Sanahuja and Rodríguez, 2021.

towards a new economic model. This model includes stricter environmental standards in global supply chains and job creation through the *European Green Deal* (EGD) and the European Recovery Programme *Next Generation EU*, approved in July 2020, as well as novel strategies for post-pandemic sustainable development (Sanahuja, 2022).

These factors, which lie both at the level of structure and agency, are key to understanding the political and socio-economic conditions in which discussions on the ratification and/or updating of the conventions are taking place, and, should this finally happen, with regard to the implementation and foreseeable economic, social and environmental consequences of the partnership agreements and their potential as tools for development and international insertion.

The Covid-19 pandemic has accelerated the productive transformation of the global economy. The current conjuncture of the crisis of globalisation and the challenge to the liberal international order responds to a set of changes in the international political economy since the global financial crisis of 2008 (EU-LAC Foundation, 2022). This crisis manifests itself in the productive sphere as well as in the social and political dimensions, while at the same time showing the environmental limits of a model of production and consumption that is neither universalisable nor sustainable. One of the drivers of change is the transformation of production, social relations and the distribution of power in the international system brought about by the so-called Fourth Industrial Revolution or Industry 4.0, with disruptive changes through technology, digitalisation and automation.

In this context, it should be noted that resistance and constraints to these agreements have increased in both regions, as illustrated most clearly by the EU-Mercosur agreement and the modernisation of the EU-Chile and EU-Mexico treaties. Doubts have increased in countries with major agricultural and livestock interests in the EU, as well as in other member states. In the European Parliament serious concerns have been raised about the potential environmental impacts of the agreements, particularly in the case of Mercosur. This group, in turn, debates the intermittent demands for openness and flexibility from Uruguay or Brazil, which would mean a bloc with different speeds and without a common position vis-à-vis third parties. Some proposals for rupture even advocate leaving the bloc and unilateral international insertion. At the same time, environmental policies and the deforestation of the Amazon become an additional obstacle to the viability and political sustainability of the agreement.

The discussion in this study on the impact of the agreement on production, trade and other economic and environmental variables is highly relevant, given that at its core is a process of trade and investment liberalisation and reciprocal access to markets. However, focusing on this dimension implies an economistic reading of the association agreements, and fails to grasp their potential for the new challenges facing both regions in an international scenario characterised. On the one hand, because of the need to expand the margins of autonomy and maintain spaces for multilateral regulation in the face of growing geopolitical competition from powers such as China and the United States. On the other hand, the environmental crisis reveals the limits of globalisation dynamics that dominated previous decades, and calls for a new, more sustainable model of economic and social development.

This means considering the scope and potential of the association agreements in their geopolitical dimension, and as an instrument for advancing in a triple transition. Firstly, a productive transition, incorporating digitalisation and other technologies that drive the new industrial revolution. Secondly, a transition that refers to the renewal of the social contract and greater levels of social and territorial cohesion. Thirdly, an ecological transition, towards decarbonisation and sustainability. In this sense, the association agreements would be a key basis for Europe, Latin America and the Caribbean to make progress on these issues in a joint and coordinated manner.

In this regard, it should be stressed that association agreements should not be seen only as agreements for free trade. This is not their design, although the dimensions of political dialogue and cooperation are less developed. It has always had a profound geostrategic significance. When the interregionalist strategy was proposed in the mid-1990s, it was a joint response to the hegemonic Free Trade Agreement of the Americas (FTAA) project. Subsequently, they have responded, among other reasons, to the risk of reprimarisation associated with the growing importance of China. This rationale remains valid and is now even more compelling.

Moreover, association agreements can now be a safeguard against the possible consequences of rising economic nationalism and fragmentation of the international trading system. They are therefore tools that can contribute to the strategic autonomy of both regions in the face of competition between the United States and China, which seeks to place both Latin America and the European Union in a position of strategic subordination (Borrell, 2021; Sanahuja, 2022). It should be remembered that beyond their commercial heart, the integration projects of both regions are ultimately political projects, and the agreements between the two regions cannot be seen, in a reductionist manner, in terms of mere free trade.

In turn, the agreements can be shared spaces for dialogue and regulatory and policy convergence for a productive transformation that in both regions is necessary for the change of the economic model and the reconstruction of the social contract. In some respects, the agreements limit the "policy space", but in others they open it up, through cooperation for the design and implementation of active long-term policies, and in particular, with the recovery of industrial policy, in order to leave behind the phase of reprimarisation and growing dependence on China.

This challenge also questions the European Union itself: the European Union is no longer the same entity that established relations with Latin America and the Caribbean to promote association agreements more than two decades ago, and it intends to be even more distinct in 2030. It is an European Union that, through the 'European Green Pact' and the external shock of the war in Ukraine in terms of energy, wants to promote an ecological transition and a transition in its energy matrix. This transition is intended to be, at the same time, a new strategy for development, industrial policy and foreign policy, a framework for the renewal of the social contract, a mark of its ‘soft power’ and a renewed mobilising narrative of European construction (Sanahuja, 2022).

In terms of trade and investment policy, the commitments to sustainable development and decarbonisation envisaged in the 2030 agenda and the Paris agreements require combining openness to trade and investment with stricter environmental standards. They imply, in other words, an approach to trade and investment with environmental and geopolitical principles different from the classic liberal approach that permeates the design of the agreements in their current form. Such standards are already being adopted by the European Union for implementation in the internal market itself, for example with the sustainable financial taxonomy adopted in April 2021, and the carbon tariff expected to be introduced in 2023, both of which are justified on very strong environmental grounds. Without such instruments, and in general without a tightening of labour and environmental standards, governments, public opinion and parliaments may be much more reluctant to accept trade opening (Fahimi, 2021).

Such standards are, in turn, a sign of the EU’s characteristic ‘regulatory power’, which refers to its ability to set higher global standards based on the size and attractiveness of its internal market. This is what Anu Bradford calls the ‘Brussels effect’ (Bradford, 2020; Bradford and Janse, 2021). In essence, this means that such standards are adopted by companies and authorities in exchange for access to the European market. This is similar, for example, to the rules on data protection and privacy in the digital sphere, which will be key to the modernisation of agreements in the digital economy. This ‘regulatory power’ is, in turn, an expression of the geopolitical role that the European Union aspires to play. But in the absence of dialogue and cooperation, these rules can also be challenged by Latin American and the Caribbean partners as the expression of a new ‘green’ or technological protectionism, as well as an expression of asymmetrical relations that cannot be ignored. This is the case, for example, of the European Green Pact’s ‘farm-to-table’ strategy, which proposes to tighten environmental standards for European Union agri-food production and imports from third countries in the interests of sustainability, and which is a source of concern for the European Union’s Latin America and Caribbean partners. The rich experience of dialogue and cooperation on regulatory issues that has already developed within the existing cooperation agreements, as shown in these pages, illustrates the great potential of the agreements in these matters.

As noted, the latest generation of agreements, such as the EU-Mercosur, already include a TSD chapter in this direction. But the European Green Pact raises the need to add a binding commitment to the ratification and effective implementation of the Paris Agreement to any global trade agreement as well as to association agreements. This would be a kind of environmental clause analogous to the democratic clause that has been compulsorily included in all European Union agreements with third countries since the 1990s. Without such an instrument, or similar ones, it is difficult for an agreement to be accepted by public opinion and political parties and to make its way through the Council and the European Parliament.

9. Final thoughts

The comparison between the negotiation processes and the monitoring of the implementation of the association agreements between Latin America, the Caribbean and the European Union shows several of the possibilities. At the same time, it also shows the limits of the European Union in its relationship with the region. The presentation of a cohesive European project that brings together the commitments of all its members would also demonstrate Europe's geostrategic potential in its relations with other regions of the world, particularly those of Latin America and the Caribbean. In the studies in this book, these capacities are explicit because the dialogue is regional. The bi-regional relationship shows how integrated policies coordinated from Brussels interact in an environment marked by heterogeneity, and end up producing relatively similar results in the commitments and documents that formalise the association agreements.

Specifically, reading from the logic of geopolitical power, for example, would show that the asymmetry of resources and economic and political capacities —an expression of the way in which the international order is organised,— highlights Europe's capacity to build consensus and complement itself with the different countries of Latin America and the Caribbean. Europe's projection, through the European Union, as demonstrated by the association agreements, is greater as long as it operates as one actor that unifies the different national interests of its member countries along the same strategic lines. This capacity is expressed in practically all negotiations with Latin America and the Caribbean.

In this line of reasoning, however, it is also apparent that negotiations produce special agendas that are intertwined with the domestic political dimension. For example, negotiations with the larger economies, as well as with cases of political exception, such as Cuba, produce special agendas that are intertwined with the domestic political dimension both in the European Union and in the countries of Latin America and the Caribbean.

From the Latin American and Caribbean side, the possibility of negotiating with Europe invokes a strategically important interest for all actors. This can be summed up in the need to diversify their international counterparts as a mechanism to avoid excessive dependence on one of them, which could lead to subordination. In the contemporary scenario, there are three major extra-regional influences. One, historically, is that of the United States, characterised by the perception of hegemonic projections. The second emerging influence is China, which is identified with the growth of exports of primary goods. The third one is the European Union, which on several occasions has operated politically in a different way from the United States, for example, in the negotiation of the Central American peace processes. Yet it is also expressed in strong bilateral presences, most importantly that of Spain in its relations with Latin America.

For Latin America and the Caribbean, dialogue with Europe goes beyond the investment and trade opportunities offered by the agreements. Its presence broadens the options for negotiation with Washington and Beijing. But, this projection is not exclusive to Brussels. Latin American and Caribbean countries are open to any other opportunity to diversify their relations regardless of the form of political regime of their partners. Several countries in Asia, Africa, Russia or India, probably in more limited dynamics than the three above mentioned, have also established economic and political ties with LAC states. Thus, association agreements, and even other political commitments that European Union countries may establish with the region, cannot be seen as unique or exclusive.

The ratifications of the association agreements show different negotiation times, despite the similarity of the texts in terms of content. In all cases, with the exception of Cuba, the trade pillar has always been a priority for Latin American and Caribbean countries. Pending ratification and implementation issues show difficulties in the political dialogue pillar and also in the cooperation pillar. This is because the latter might evoke issues that eventually allude to the domestic politics of the negotiating countries. However, negotiations with all states have been relatively successful, apart from the one with Mercosur, which illustrates the intersection of the domestic interests of specific actors on both sides of the Atlantic with international decisions. It is in the area of political dialogue that consensus has been most difficult to reach in practically all cases. The European Union can be perceived as a regulatory power, not only in economic but also in political terms, and in this sense objections about the role it can play in domestic arenas generate caution in negotiation and difficulties in implementation.

The generation of biregionalism as the axis of dialogue between the governments of the European Union and those of the Community of Latin American and Caribbean States involves a dynamic of political construction that articulates a discourse that integrates them beyond bilateralism. In the material sphere, the exchange is very intense and has long historical antecedents. However, in the realm of the symbolic, which is where visions of a relationship between two regions and its institutional expressions are created, the narrative has yet to complete the construction of Europe as a whole (and not just its countries) as a regional partner. This will probably involve reflecting on the validity of past agendas and the needs of the present. Social cohesion, sustainable recovery, digitalisation, gender equality as a common public policy have been recurrent themes that propose approaches that prioritise what is shared and are a base of undoubted strength. There are other issues, those that have to do with different visions of the nature of political regimes or the course of the international order, which may naturally have different interpretations among such diverse countries. Such normal and acceptable differences, however, neutralise the power of a strategic partnership that can have a decisive influence on global affairs.

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