



Robert Schuman



A New Generation of Agreements between the EU and Latin America: The cases of Mexico and Chile

Roberto Domínguez



**Jean Monnet/Robert Schuman Paper Series
Vol. 6 No. 13
June 2006**

This publication is sponsored by the European Commission.

The Jean Monnet/Robert Schuman Paper Series

The Jean Monnet/Robert Schuman Paper Series is produced by the Jean Monnet Chair of the University of Miami, in cooperation with the Miami European Union Center.

These monographic papers analyze ongoing developments within the European Union as well as recent trends which influence the EU's relationship with the rest of the world. Broad themes include, but are not limited to:

- ◆ EU Enlargement
- ◆ The Evolution of the Constitutional Process
- ◆ The EU as a Global Player
- ◆ Comparative Regionalisms
- ◆ The Trans-Atlantic Agenda
- ◆ EU-Latin American Relations
- ◆ Economic issues
- ◆ Governance
- ◆ The EU and its Citizens
- ◆ EU Law

As the process of European integration evolves further, the Jean Monnet/Robert Schuman Papers is intended to provide current analyses on a wide range of issues relevant to the EU. The overall purpose of the monographic papers is to contribute to a better understanding of the unique nature of the EU and the significance of its role in the world.

Miami European Union Center
University of Miami
1000 Memorial Drive
101 Ferré Building
Coral Gables, FL 33124-2231
Phone: 305-284-3266
Fax: (305) 284 4406
E-Mail: jroy@miami.edu
Web: www.miami.edu/eucenter

Jean Monnet Chair Staff:

Joaquín Roy (Director)
Wendy C. Grenade (Associate Director/Editor)
Markus Thiel (Associate Editor)
Eloisa Vladescu (Research Associate)
Catherine Cottrell (Editorial Assistant)

**A New Generation of Agreements between the EU and Latin America:
The cases of Mexico and Chile**

Roberto Domínguez *

**The Jean Monnet Chair
University of Miami
Miami, Florida
June 2006**

* Assistant Professor at Suffolk University, Boston. Ph.D in International Studies from University of Miami and an M.A. from Ortega y Gasset Foundation, Spain. He was professor of International Relations at UNAM, México (1996-1999) as well as editor of the Journal *Relaciones Internacionales*. Likewise, he has been visiting Professor at University of Quintana Roo and Teikyo University, Maastricht, Holland. From 1999 to 2002, he was research assistant at The North South Center and since 2002 research associate at the Miami European Union Center. Among his publications, he has coordinated the following books: with Joaquín Roy and Alejandro Chanona, *La Unión Europea y el TLCAN: Integración Regional Comparada y Relaciones Mutuas* (2004); with Joaquín Roy, *Relaciones Exteriores de la Unión Europea* (2001), and with Alejandro Chanona, *Europa en Transformación: procesos políticos, económicos y sociales* (2000); *Cooperación e Integración en la Organización Regional Europea* (2000). Dr. Domínguez was also a weekly columnist of the magazine *Siempre* (1998-2000) and is currently a frequent analyst for *La Jornada* newspaper. He was political analyst at Radio Educación (1998-2001) and since 2004 has been political commentator at *America en Vivo News* (Telemundo-NBC Network). He was also advisor and speech writer for the Governor of the State of Mexico (1994-1995), head of the Department of Press Analysis at the Education Secretariat (1994), and head of the Department of International Press Analysis at the Foreign Affairs Secretariat (1990-1993).

A New Generation of Agreements between the EU and Latin America: The cases of Mexico and Chile

Introduction

This paper analyzes the Association Agreements between the European Union and Mexico (2000) and the EU and Chile (2005). The relevance of this topic is based on the assumption that both agreements are significant for the EU-Latin American relationship due to two chief reasons: a) they are the first comprehensive – political, economic, and cooperation - agreements with countries in the region and b) they set a precedent for future agreements with other countries or group of countries in the region.

The fact that both agreements portray an unquestionable relevance for Latin America does not mean that they represent a solution for Latin America. Instead, as the evaluation in the paper suggests, they complement the political and economic reforms in Mexico and Chile and their impacts are moderate. In this regard, the first section of the paper upholds the argument that in light of the moderate impact for both parties, the agreements can be explained by the assumption of absolute gains. The second section makes an assessment of the EU-Mexico agreement, while the third and last one presents the main characteristics of the EU-Chile agreement.

A Theoretical Note

How should one explain the relationship between two parties whose a) priorities, b) interest and c) political and economic developments are unbalanced and different? The rhetorical communication of official statements emphasizes the “common” heritage of the European presence in Latin America. However, an evaluation of the European and Latin American relationship by almost any political and economic standard reflects a moderate and in a great number of cases a marginal impact of Europe in Latin America.

In the case of the EU external relations towards Central and Eastern Europe, rationalist and constructivist theories sustain a debate about the motivations and impacts of their bilateral relationship. Indeed, the comprehensive explanation of the 2004 enlargement must consider both interests and identities as essential components of the argument. In this particular case, common history, heritage and above all shared challenges (security, migration, and economic growth) provide a firm and solid ground for the rationalist-constructivist debate, regardless of their explanatory powers.

When one shifts the attention to Latin America, one can see that the driving forces of interests and/or identities diminish and the bilateral agenda becomes less complex due to the lack of intense structural links. This situation confines us to a restricted number of analytical options. In fact, most of the literature on the relationship between the EU and Latin America is devoid of any analytical frameworks and focused on the narrative of negotiations.

In this regard, gains is a key concept in the debate between realist (of any kind) and (any variant of) liberals. The former emphasize that policy-makers will primarily be concerned with *relative gains*; in other words, does one party gain more than the other party? The latter argues that policy-makers should consider the *absolute gains* to be made from the arrangement, including the potential longer-term gains such as advancing a more stable and credible system of rules.

The concept of relative gains will provide explanatory power for cases which involve competition between two parties with similar power. The extensive literature of the Cold War exemplifies the usefulness of relative gains. The variant of absolute gains may be applied to cases in which the parties are more concerned with what they can get from a negotiation, regardless of the gains and power of the other party. This framework can be helpful and useful to explain the agreements between two parties with different and contracting political and economic leverages.¹

Absolute Gains for Mexico in the Association Agreement EU-Mexico

Ever since Mexico and the European Union announced their intentions to negotiate an Association Agreement in the mid-1990s, there has been an agreement in the literature on this topic on the reasons for the agreement. On the Mexican side, the following arguments are relevant: a) to deepen the process of economic modernization and trade liberalization; b) to end the discrimination in the Mexican market against European investors and exporters as a result of NAFTA, and c) to improve the conditions for Mexican exporters' access to the European market. On the European side, two reasons seem quite relevant: a) NAFTA as a catalyst for negotiations, and b) the prospects of a free trade area in the Americas as proposed in the 1994 Summit of the Americas.²

Bilateral relations between the EU and Mexico are governed by the Economic Partnership, Political Co-operation and Co-operation Agreement (Global Agreement), which was signed in Brussels on 8 December 1997 and entered into force on 1st October 2000. On the other hand, after more than six years of negotiations, the provisions governing the liberalization of trade in goods between the EU and Mexico came into force on July 1, 2000. The Free Trade Agreement (FTA) covers a broad spectrum of economic aspects. It includes: a full liberalization of industrial products by 2003 for the EC, and by 2007 - with a maximum 5 percent tariff applied by 2003 - for Mexico; substantial liberalization for agricultural and fisheries products; and, as regards rules of origin, a satisfactory balance between the EU's policy of harmonization and market access considerations. The FTA will also provide EU operators with access to the Mexican procurement and services markets under equivalent conditions to the ones offered by NAFTA. In the 5 years following the entry into force of the FTA, bilateral trade between the EU and Mexico grew by nearly 40 percent. While European exports to

¹ John Baylis and Steve Smith, *The Globalization of World Politics* (Oxford: Oxford University Press, 2005), 343

² Jaime Zabudovsky and Sergio Lora, *The European Window: Challenges in the Negotiation of Mexico's Free Trade Agreement with the European Union*, Working Paper SITI-09, INTAL (July 2005).

Mexico have risen by 30 percent, Mexican sales in Europe have grown by 19 percent, which reflects the best position European exporters can make of the agreement.

As to the dialogue in the institutions created by the Global Agreement, during the fourth EU-Mexico Joint Committee meeting, which took place in Mexico in November 2004, the parties agreed to start the review of the clauses in agriculture, services and investments as foreseen in the Agreement. The aim of the review is to provide a more dynamic environment for businesspeople and a full exploitation of the market access possibilities already offered by the FTA.

The Association agreement certainly has brought new opportunities for both parties. Nevertheless, the magnitude of such opportunities is different for each party. In the Mexican case, the Association agreement, and particularly the section on trade, has complemented the extensive network of free trade agreements that Mexico has concluded in the past 15 years. Likewise, the controversial democratic clause paved the way for undermining the atavistic Mexican perception of “non-intervention,” a shift that was reinforced with the foreign policy of the Fox administration. Along the same lines of strengthening the Mexican transition, Mexico was one of three priority countries in Latin America for the 2002-2004 European Initiative on Democracy and Human Rights.³ By the same token, the Association agreement facilitated the cooperation in a range of important areas such as tropical forests, NGOs, ECIP (European Community Investment Partners), ECHO (humanitarian aid), economic co-operation, demographic policies, and refugees and displaced persons.

One last element to be considered in the relationship between the EU and Mexico is the way the Joint Committee and other mechanisms of dialogue have helped to accelerate the cooperation between both parties. Table 1 summarizes how new themes have been brought into the agenda and how others have been adapted to the new circumstances. For instance, in the area of cooperation, both parties have intensified their efforts to reach a Horizontal Civil Aviation Agreement as well as to establish a form of cooperation in the context of the European Program for Global Navigation Services (Galileo). Likewise, both parties have discussed alternative options and respective appropriate modalities for assuring a follow up of the Dialogue with the Civil Society.

³ European Commission, *EU-Relations with Mexico*
http://europa.eu.int/comm/external_relations/mexico/intro/ (accessed March 19, 2006).

Table 1
Main meetings and results in the Mexico-EU Dialogue

Meeting	Date	Issues
Summit at the level of Presidents	18th May, 2002, The First Mexico-European Union Summit	<ul style="list-style-type: none"> - in the framework of the Global Agreement. - reaffirmation of leaders' belief that the strengthening of multilateral institutions and the implementation of international law help to achieve international security, prosperity and well-being
Joint Council at ministerial level	27 th February 2001, The First Joint Council meeting	<ul style="list-style-type: none"> - current issues both within Mexico and the EU such as human rights, democracy and fulfillment of the Nice Treaty
	13 th May 2002, Second EU-Mexico Joint Council meeting	<ul style="list-style-type: none"> - to consolidate bilateral relations - developments in Latin America, the Plan Puebla Panama - preparation of the Second Summit of Heads of State and Government of Latin America, the Caribbean and the EU
	27 th March 2003, Third EU-Mexico Joint Council Meeting	<ul style="list-style-type: none"> - discussed the impact of EU enlargement on bilateral relations - highlighted the important potential and dynamics of bilateral trade and investment flows - expressed satisfaction with the conclusion of negotiations of bilateral agreement in science and technology
	25 th May 2005, Fourth EU-Mexico Joint Council <i>first half of 2007, Fifth Meeting of the EU-Mexico Joint Council</i>	<ul style="list-style-type: none"> - discussion about ways to reinforce their political dialogue and enhance coordination in international fora - reaffirmation of their determination to contribute to achieving the Millennium Development Goals. - particular attention will be devoted to the issue of social cohesion.

Meeting	Date	Issues
<p style="text-align: center;">Joint Committee at Senior Civil Servant Level</p>	<p style="text-align: center;">2 October 2001, the First EU-Mexico Joint Committee meeting</p>	<ul style="list-style-type: none"> - agenda included co-operation and trade issues - aspects of political dialogue covering among others the United Nations Conference on financing development, the fight against terrorism, high level meetings between the EU and Mexico in 2000-2001
	<p style="text-align: center;">3 October 2002, the Second EU-Mexico Joint Committee meeting</p>	<ul style="list-style-type: none"> - confirmed the mutual desire to strengthen political ties - common desire to work together to bring about closer political and economic co-operation
	<p style="text-align: center;">11 November 2003, The Third EU-Mexico Joint Committee meeting</p>	<ul style="list-style-type: none"> - reviewed the state of bilateral cooperation, especially in the field of human rights and emphasized the importance of the dialogue with civil society - regarding trade aspects, implementation of the FTA Agreement and its perspectives after the accession of the 10 new member States in 2004
	<p style="text-align: center;">10 November 2004, The Fourth EU-Mexico Joint Committee meeting</p>	<ul style="list-style-type: none"> - common interest in upgrading the level of existing bilateral relations and expressed their willingness to work closely together - regarding the trade aspects, the main result was the decision to start negotiations during 2005 on Services, Agriculture and Investment, as provided for in the review clauses of the Global Agreement.
	<p style="text-align: center;">26-27 October 2005, The Fifth EU-Mexico Joint Committee meeting</p>	<ul style="list-style-type: none"> - discussion how to strengthen bilateral political dialogue, the follow-up to the UN Summit, the preparation of the next EU-LAC Summit in Vienna.
	<p style="text-align: center;"><i>Last semester 2006, The Sixth meeting of the EU-Mexico Joint Committee</i></p>	

Source: Own elaboration based upon the documents provided by the web page of the European Commission

The Association Agreement EU-Chile

Despite the differences in economic weight and political leverage in international relations, several characteristics make Chile and Mexico alike. The first is that both countries underwent a simultaneous and gradual process of a) erosion of political authoritarianism and b) implementation of free market policies. While Mexico has gone through a process of steady electoral democratization since late 1980s, Chile was welcomed in the family of democratic nations in the early 1990s and has made significant progress in the normalization of the relationship between the civil and political society, on the one hand, and military class, on the other. Both countries, likewise, implemented free market reforms under authoritarian regimes, which led some analyst to evaluate their evolutions, particularly the Mexican case, as “perestroika without glasnost.”

In the case of Chile, this South American country has managed to re-insert itself into the international community after years of isolation during the military regime and actually has become a very active actor in a number of international fora.⁴ As to economic reforms, “Chile has distinguished itself in Latin America by its good economic performance (high growth rates, low inflation and public sector surplus). Growth rate in 2004 reached 6.1 percent. Unemployment remained at 8.8 percent at the end of 2004, in spite of strong economic growth.⁵

In the context of the relations with Europe, Chile has followed the steps of Mexico in pursuing an Association Agreement with the EU. Unlike the Mexican case, the relationship between Chile and the EU is a more recent one. The cooperation between the EC and Chile has been guided by several bilateral agreements. The Community Cooperation Framework Agreement signed in 1990 was the main instrument that permitted the initiation of government level contacts after the re-establishment of democracy in 1990. This agreement was replaced by the Cooperation Framework Agreement signed in 1996, which has as a final aim the establishment of a political and economic association between Chile and the European Community and its member states.⁶ Indeed, the EU and Chile began these negotiations in April 2000 and the Association Agreement was signed on 18 November 2002.

The Association Agreement has been in force since 1 March 2005 and covers the main aspects of EU-Chile relations, namely, political and trade relations and cooperation. Certainly, while the elimination of customs duties is clearly a major step forward, in view of the Commission the agreements on services, market access and investment are the areas where the most important liberalization has been made.⁷

⁴ European Commission, *The EU's relations with Chile. Overview*; available from http://europa.eu.int/comm/external_relations/chile/intro/index.htm; (accessed March 6, 2006).

⁵ Ibid.

⁶ European Commission, *Chile. Country Strategy Paper*, Brussels, 2002, 6-7

⁷ Final Report, “Sustainable Impact Assessment (SIA) of the trade aspects of negotiations for an Association Agreement between the European Communities and Chile (Specific agreement No 1),” Planistat, Luxembourg, (October 2002).

With the aim to follow up and make progress in the implementation of the agreement, the creation of bilateral institutions is of the utmost relevance. The Association Council is the highest level of dialogue established by the agreement. The first Association Committee met in Brussels on 10-11 December 2003.⁸ The most recent meeting of this Council was held in Luxembourg on 26 May 2005. The results of these meetings reflect the active engagement of Chile jointly with the EU in international relations such as the participation of Chile in Operation ALTHEA, “as a further sign of its strong commitment to global peace and stability.”⁹ In this regards, the incoming Chilean President, Michelle Bachelet, is quite sensitive to the role of military forces in this type of operations because during her tenure as minister of defense in 2002, Bachelet modernized the armed forces and, most importantly, shifted them further away from the repressive role they played under Pinochet’s regime toward an international peacekeeping one.¹⁰

Likewise, a recent agreement is in order to facilitate transportation cooperation between the two parties: the EU-Chile Horizontal Agreement in the field of air transport was reached and there is a firm intention to move forward with Chile’s request for liberalization of services in this area.¹¹

Along the same lines of bilateral institutions of cooperation, the agreement sets in motion the Association Committee on Technical level, the Association Parliamentary Committee (European Parliament and National Congress of Chile) and the Joint Consultative Committee (channeling dialogue between the Social and Economic Committee of the EU en the Chilean counterparts).¹² Both of these institutions are an innovation in comparison to the EU-Mexico Agreement.

On the other hand, as a complement to the Association Agreement, both parties signed a parallel Scientific and Technological Agreement that allows Chile to have access to the EU’s Framework Program investigation activities.¹³ Mexico also has signed an agreement of this sort with the European Union. On the other hand, Mexico and Chile have adapted their Association Agreements in order to include the 10 new members of 2004 enlargement.¹⁴

With regard to the trade area, it is still too early to asses the economic effects of the Agreement on the Chilean economy. However, it could be stated that the mere

⁸ External Relations, *The EU’s relations with Chile. Overview, op. cit.*

⁹ EU-Chile Association Council, *Joint Declaration*, Luxembourg, 26 May 2005.

¹⁰ Marcela Sanchez, “Bachelet, A Subtle Force,” *Washington Post*, March 10, 2006.

¹¹ EU-Chile Association Council, *Joint Declaration*, Luxembourg, 26 May 2005.

¹² Christopher Patten, “Prologue” in *The Strategic Association Chile-European Union*, Patricio Leiva Lavalle, 22 (Chile: CELARE, 2003).

¹³ External Relations, *The EU’s relations with Chile. Overview; op. cit.* ”

¹⁴ The 10 new members are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia.

expectations of the agreement since the end of the 1990s, as well as the return to democracy and economic stability in Chile for more than a decade, are components that boost confidence in investing and trading with that country. Unlike Mexico, Chile has a high degree of dependence on primary products that makes it vulnerable to external market fluctuations. This is the main challenge for Chile. Thus, traditional activities still have an important share in the country's GDP and export structure: during the first semester of 2003, mining (predominantly copper) still represented 46 percent of total exports, while agriculture, farming, forestry and fishing products combined represented 13.02 percent.¹⁵ In such a context, trade with the EU represents less than one-fourth of the overall Chilean external trade: 25 percent of its exports go to the EU and 19 percent of its imports come from the EU.¹⁶

It is expected, nonetheless, that the specific areas covered by the trade chapter of the agreement will contribute to the diversification of the Chilean economy. In this regard, the agreement establishes a free trade area in goods covering the progressive and reciprocal liberalization of trade in goods over a maximum transitional period of 10 years. It also establishes a free trade area in services and provides for the liberalization of investment, and of current payments and capital movements. Likewise, it includes rules to facilitate trade in wines and spirits, trade in animals and animal products, plants and provisions in areas such as customs and related procedures, standards and technical regulations. Another important aspect is that it provides for the reciprocal opening of government procurement markets and for the adequate and effective protection of intellectual property rights.

An important point to consider is that the free trade agreement with the EU is one that complements a network of free trade agreements that Chile has signed with Canada, Mexico, South Korea, most major South American countries, the United States, as well as the association with MERCOSUR. Mexico has a similar number of free trade agreements with various trading partners, including United States and Canada, Israel and Central America.

In the context of the negotiations of the agreement, the cooperation offered by the EU to Chile is of the utmost relevance. Since 2000, 22 projects have been committed for a total amount of about € 7,790,000. The bulk of the funds (87 percent) committed so far have been allocated to NGO projects, 15 percent of the funds went to projects related to the European Initiative for Democracy and Human rights and 3 percent went to a project in favor of the environment.

Unlike the literature on the Mexico-EU negotiation, the narrative of the negotiations between Chile and EU remains to be published. In this regard, it is worth noting that the negotiations were effectively launched on November 24, 1999, on the occasion of the first meeting of the EU-Chile Joint Council, which was created according to the 1996 Framework Co-operation Agreement. It then took ten rounds of negotiations

¹⁵ *Idem.*

¹⁶ *Idem.*

to come to an agreement and, as any negotiation, there were some points of disagreement. For instance, in the eight meetings in Brussels in January - February 2002, an agreement was reached on all texts in the area of economic co-operation with the exception of the provisions on agricultural co-operation and fisheries.¹⁷

However, following the end of the negotiations, the bulk of the Agreement (i.e., provisions related to the institutional framework, trade - and more specifically, the trade in goods, government procurement, competition and the dispute settlement mechanism, and co-operation) has been implemented since 1 February 2003. The remaining provisions (political dialogue, certain chapters on trade, such as trade in services, establishment, current payments and capital movements, intellectual property rights, and the bulk of the cooperation part) entered into force after the assent of the European Parliament was obtained and the national Parliaments of the EU Member States ratified the Agreement. The European Parliament gave its assent at its plenary session of 12 February 2003.

Similar to the Mexican experience, the political area of the agreement is significant. Having fresh memories in the recent past, the democracy clause in the agreement upholds the no-return to authoritarian practices or at least raises the political cost if such regression takes place in the future. Thus, for Chile the respect for democratic principles, human rights and the rule of Law are essential elements of the Agreement.

In the field of co-operation, the Association Agreement explores new areas, which were not foreseen in the 1996 Framework Co-operation Agreement between the two parties; many of the new cooperation articles negotiated should be seen as a complement to the trade clauses since they better define what co-operation projects could involve in some of the areas negotiated. An increased participation of civil society is suggested and the EU and Chile will meet at regular intervals in order to exchange views on this topic. Finally, the co-operation chapter foresees the promotion of the EU and Chile's participation as associated partners in each other's cooperation programs.

Conclusions

Mexico and Chile entered into the twenty-first century with a strengthened international position. Both economies hold numerous free trade agreements with the most important economies in the world. The challenge for both economies is to make use of the free trade agreements to improve and promote sustainable economic and social development as well as equitable distribution of the benefits of the Association. In the case of Mexico, there is an emergent consensus among the political establishment that free trade agreements are not enough for improving the standards of living. In the case of Chile,

¹⁷ First Meeting, Santiago, April 2000; Second, Brussels, June 2000; Third Meeting, Santiago, November 2000; Fourth Meeting, Brussels, March 2001; Fifth Meeting, Brussels July 2001; Sixth Meeting, Brussels, 2001, Seventh, Brussels, December 2001; Eight, Brussels, February 2002, Ninth, Santiago, March 2002 and Tenth.

former president Ricardo Lagos has accurately referred to this challenge and stated that while his country had followed the so-called “Washington Consensus” of free markets and deregulation, they have also tried to wed this to a network of social protection.¹⁸

Based upon the arguments presented in this paper, the evidence reflects that from the Latin American perspective the association agreements with the European Union should be negotiated under the premise that they will open windows of opportunity for investment, trade and political cooperation, but they do not substitute the domestic efforts for economic and political reforms. In fact, both countries attracted the attention of the EU once they proved that their free market reforms were moving forward and their political systems presented clear evidence of democratization.

*

*

*

¹⁸ Ricardo Lagos, *Presentation before the European Parliament*, October 25, 2005.