The EU and complex interregionalism: the case of Latin America

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The EU and Complex Interregionalism: The Case of Latin America

Alan Hardacre

Doctoral Thesis
Submitted in partial fulfillment of the requirements for the award of Doctor of Philosophy of Loughborough University

1 February 2008

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Abstract

The post-Cold War era has seen a restructuring of the institutions of global governance and an intensification of international relations, to which one of the most important responses has been a reinvigoration of regionalism and regionalisation. The proliferation of regionalism has led to increased relations between regional groups in different world regions, and the EU has been central to the development of this new interregional phenomenon. This thesis sets out to test the theory of interregionalism by looking at how the EU has strategically pursued interregionalism, and at how this has subsequently worked in practice. To best achieve this objective the thesis develops a more sophisticated framework of analysis; complex interregionalism. This framework allows for a detailed investigation of how the EU has simultaneously engaged in bilateral and interregional relations in Latin America. The thesis explores the tensions between interregionalism as a strategy and interregionalism in action, principally by drawing lessons from the EU’s relations with Latin America, and Mercosur in particular. The most general foundation for this analysis is the study of International Political Economy (IPE), particularly the extensive literature on regional integration and the emerging literature that deals specifically with interregionalism.

The thesis starts by presenting a comprehensive framework for analysis of interregional relations using the theory of interregionalism. The theory of interregionalism ascribes a series of motivations and impacts that interregionalism should exhibit, all of which are replicated in EU complex interregional strategy. The EU is found to have a consistent and coherent complex interregional strategy that it employs across three world regions: Asia, Africa and Latin America. The EU, notably the Commission, is pursuing an ambitious complex interregional strategy in each region that encompasses different levels of relations with different actors, but a strategy that always centers on the pursuit of pure interregionalism. Whilst the thesis details the EU’s pursuit of this consistent complex interregional strategy with all three of the aforementioned world regions, it is the presence of the Andean Community, Central American Common Market and Mercosur in Latin America that marks the region out for deeper analysis. Complex interregional strategy in Latin America is applied consistently to all three regional integration vehicles, confirming the EU desire to pursue pure interregionalism, most notably with Mercosur. Analysis of EU relations with Mercosur reveals a core tension between strategy and action, notably that Commission strategy is not translated into action, as witnessed by the change towards bilateral relations with Brazil in 2007.

The thesis finds that more important than the EU inability to translate strategy into action, is its inability to foster regional integration in its partners and encourage more coherent counterparts for the future pursuit of pure interregionalism.

Key Words: Interregionalism, EU External Relations, EU-Latin American & EU-Mercosur relations, Regional Integration
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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AC</td>
<td>Comunidad Andina de Naciones (Community of Andean Nations)</td>
</tr>
<tr>
<td>ACP</td>
<td>Africa, Caribbean and Pacific (Group of countries)</td>
</tr>
<tr>
<td>AFTA</td>
<td>ASEAN Free Trade Agreement</td>
</tr>
<tr>
<td>AIDCO</td>
<td>EuropeAid Cooperation Office</td>
</tr>
<tr>
<td>ALADI</td>
<td>Asociacion Latinoamericana de Integracion (Latin American Integration Association)</td>
</tr>
<tr>
<td>ALALC</td>
<td>Asociación Latinoamericana de Libre Comercio (Latin American Free Trade Association)</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<tr>
<td>ASEM</td>
<td>Asia-Europe Meeting</td>
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<tr>
<td>AU</td>
<td>African Union</td>
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<tr>
<td>BCC</td>
<td>Biregional Cooperation Council</td>
</tr>
<tr>
<td>BCIE</td>
<td>Banco Centroamericano de Integración Económica (Central-American Bank for Economic Integration)</td>
</tr>
<tr>
<td>BIT</td>
<td>Bilateral Investment Treaty</td>
</tr>
<tr>
<td>BNC</td>
<td>Biregional Negotiations Committee</td>
</tr>
<tr>
<td>BRIC</td>
<td>Brazil, Russia, India and China</td>
</tr>
<tr>
<td>CACM</td>
<td>Central American Common Market</td>
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<tr>
<td>CAF</td>
<td>Corporación Andina de Fomento (Andean Development Corporation)</td>
</tr>
<tr>
<td>CAFTA</td>
<td>Central American Free Trade Association (US)</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
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<tr>
<td>CARICOM</td>
<td>Caribbean Community and Common Market</td>
</tr>
<tr>
<td>CBI</td>
<td>Confederation of British Industry</td>
</tr>
<tr>
<td>CCP</td>
<td>Common Commercial Policy</td>
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<tr>
<td>CCT</td>
<td>Common Customs Tariff</td>
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<tr>
<td>CEMAC</td>
<td>Central African Economic and Monetary Community</td>
</tr>
<tr>
<td>CET</td>
<td>Common External Tariff</td>
</tr>
<tr>
<td>CFSP</td>
<td>Common Foreign and Security Policy</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for East and Southern Africa</td>
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<tr>
<td>COMESSA</td>
<td>Community of Sahel-Saharan States</td>
</tr>
<tr>
<td>CSN</td>
<td>Comunidad Sudamericana de Naciones (South American Community of Nations)</td>
</tr>
<tr>
<td>DC</td>
<td>Developed Country</td>
</tr>
<tr>
<td>DDA</td>
<td>Doha Development Agenda (WTO)</td>
</tr>
<tr>
<td>DG</td>
<td>Directorate General</td>
</tr>
<tr>
<td>DG RELEX</td>
<td>Directorate General for External Affairs (European Commission)</td>
</tr>
<tr>
<td>DSM</td>
<td>Dispute Settlement Mechanism</td>
</tr>
<tr>
<td>EBA</td>
<td>Everything But Arms Initiative</td>
</tr>
<tr>
<td>EC</td>
<td>European Communities (pre1992)</td>
</tr>
<tr>
<td>ECIP</td>
<td>European Community Investment Partners (ECIP)</td>
</tr>
<tr>
<td>ECLAC</td>
<td>Economic Commission for Latin American and the Caribbean</td>
</tr>
<tr>
<td>Ecowas</td>
<td>Economic Community of West African States</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>-----------</td>
<td>-----------------------------------------------------------------------------</td>
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<tr>
<td>EMIFCA</td>
<td>EU-Mercosur Interregional Framework for Cooperation Agreement</td>
</tr>
<tr>
<td>EPA</td>
<td>Economic Partnership Agreement</td>
</tr>
<tr>
<td>ESDP</td>
<td>European Security and Defence Policy</td>
</tr>
<tr>
<td>EU</td>
<td>European Union (post 1992)</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>FTAA</td>
<td>Free Trade Area of the Americas</td>
</tr>
<tr>
<td>G20</td>
<td>Group of 20 (developing countries negotiating within WTO)</td>
</tr>
<tr>
<td>GATS</td>
<td>General Agreement on Trade in Services</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>GCC</td>
<td>Gulf Cooperation Council</td>
</tr>
<tr>
<td>GSP</td>
<td>Generalised System of Preferences</td>
</tr>
<tr>
<td>IADB/IDB</td>
<td>Inter-American Development Bank</td>
</tr>
<tr>
<td>IGC</td>
<td>Intergovernmental Conference</td>
</tr>
<tr>
<td>IRELA</td>
<td>Institute of European-Latin American Relations</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IPE</td>
<td>International Political Economy</td>
</tr>
<tr>
<td>IPR</td>
<td>Intellectual Property Rights</td>
</tr>
<tr>
<td>IS</td>
<td>Import Substitution</td>
</tr>
<tr>
<td>JCC</td>
<td>Joint Cooperation Committee</td>
</tr>
<tr>
<td>LA</td>
<td>Latin America</td>
</tr>
<tr>
<td>LAC</td>
<td>Latin America &amp; Caribbean</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developed Country</td>
</tr>
<tr>
<td>MEBF</td>
<td>Mercosur-EU Business Forum</td>
</tr>
<tr>
<td>Mercosur</td>
<td>Mercado Común del Sur (Common Market of the South)</td>
</tr>
<tr>
<td>MS</td>
<td>Member State</td>
</tr>
<tr>
<td>NAFTA</td>
<td>North America Free Trade Agreement</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>NTB</td>
<td>Non-Tariff Barrier</td>
</tr>
<tr>
<td>OAS</td>
<td>Organisation of American States</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Aid</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PTA</td>
<td>Preferential Trade Agreement</td>
</tr>
<tr>
<td>RIA</td>
<td>Regional Integration Agreement</td>
</tr>
<tr>
<td>RTA</td>
<td>Regional Trade Agreement</td>
</tr>
<tr>
<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
</tr>
<tr>
<td>SACU</td>
<td>Southern Africa Customs Union</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern African Development Cooperation</td>
</tr>
<tr>
<td>SICA</td>
<td>Sistema de la Integración Centroamericana (System for Central-American Integration)</td>
</tr>
<tr>
<td>SOM</td>
<td>Senior Officials Meeting</td>
</tr>
<tr>
<td>SPS</td>
<td>Sanitary and Phyto-sanitary</td>
</tr>
<tr>
<td>TPA</td>
<td>Trade Promotion Authority (US)</td>
</tr>
<tr>
<td>TRIPS</td>
<td>Trade Related Aspects of Intellectual Property Rights (WTO)</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>US</td>
<td>United States of America</td>
</tr>
<tr>
<td>WAEMU</td>
<td>West Africa Economic and Monetary Union</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
Key Definitions

**Bilateralism**

Bilateralism is a relationship between two state actors from any world region. It is the oldest and most frequent relationship between states in the modern world.

**Interregionalism**

Interregionalism is a relationship between two regional groups in two different world regions, such as one in Europe and one in Latin America e.g. EU-Mercosur.

Interregionalism is a comprehensive relationship that covers trade, political and cooperation pillars through frequent interaction at all official levels.

**Transregionalism**

Transregionalism is a relationship between regional and state actors from any number of world regions, usually two.

Transregionalism has wide membership and deals with high-level strategic thinking via a summit driven process.

**Complex Interregionalism**

Complex Interregionalism relates specifically to the result of the EU policy of differentiation implemented in the 1990s. It reflects the EU strategic pursuit of simultaneous relationships within a region at bilateral, interregional and transregional levels, notably with Asia, Africa and Latin America.
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Latin America and the Caribbean

Acknowledgement

This thesis was written for my part-time doctoral studies within the Department of Politics, International Relations and European Studies at Loughborough University. The thesis has taken over six years to complete and has been written across no less than five countries, four jobs and innumerable people and other life circumstances. I would like to take this chance to thank some of the people who have driven, helped, motivated and tolerated my PhD work over the years.

Firstly I would like to extend my sincerest thanks to my supervisor, Professor Michael H. Smith, under whose tutelage I have passed the last six years. Whilst his comments and guidance have been invaluable, especially in the later stages of my work, it is other aspects of his supervision that I have come to appreciate the most. Mike's willingness to let me make my own mistakes and discover the best methods for overcoming my problems has been an important facet of this process, meaning that much of the time spent working on my PhD has in many respects been time spent working on myself. Perhaps the most important element that my supervisor has brought to me, and my PhD, has been that of focus, a notion that I have gradually absorbed with time.

From an empirical perspective I would like to thank the many officials from the European Commission, whose names shall remain anonymous at their request, for all their time and support. The encouragement I received from certain officials was definitely motivating. I would also like to thank the members of my Annual PhD Panel who provided critical input at crucial stages in my work, especially Helen Drake and Professor Dave Allen whose availability and time was much appreciated.

A part-time PhD is mostly researched and written in isolation from the academic community, which makes the entire process a very different one from a full-time PhD. There are simply too many people that I would like to thank who have had to participate in my frustrations, questions and happiness over the years. Various people over the duration of the PhD, without perhaps realizing it at the time, have made important contributions, which makes the completion of this thesis all the richer and more satisfying.

A major personal journey has come to a close, through which I have learnt much about interregionalism and Mercosur, but much more about myself, who I am and how I work. Completing a part-time PhD has been the biggest personal challenge of my life, and whilst it has not all been a smooth passage it has been an exhilarating and intellectually rich journey that will have changed me forever.
"The path of dialogue and economic cooperation embarked upon by the EC in a spirit of true partnership is proving to be the path of the future"

(Hans-Dietrich Genscher, German Foreign Minister quoted in Edwards & Regelsberger 1990: vii-viii)

"Given the sprawling variety of Asia, it is absurd to think of a monolithic EU-Asia relationship: a single policy or approach, equally valid across the whole region"

(Speech by Commissioner Chris Patten 2002c: 2)

"The EU and Latin America share a common history and culture, and are thus better placed to understand each other than other regions, boosting their potential for joint action considerably"

(City Commission Communication ‘A Stronger Partnership between the EU and Latin America’ 2005c: 3)

"Failure on our part to engage in this wider economic co-operation may well result in important economic regions developing a regulatory framework which will potentially hurt the Union’s interests"

(City Commission Communication ‘Free Trade Areas: An Appraisal’ 1995: Art 7)
Introduction: The EU and Complex Interregionalism: the case of Latin America

The post Cold War world has been one of restructuring global governance and increasingly complex international relations. There have been and continue to be structural realignments in international relations which ensure the constant evolution of a form of new world order. An important development within this changing environment has been a large shift from geopolitics towards geoeconomics as the focus of international interactions. This development can be largely attributed to the increasing international commercial competition instigated by the advance of globalisation, which in turn has played a role in the rebirth and reinvigoration of regionalisation and regionalism. This new geoeconomic and regional context has given rise to the increased use of "soft power" (Nye 1990), as both trade and commercial policies have become increasingly powerful tools to manage international relations in the global environment. The importance of the trend was highlighted by the World Bank dedicating their 2004 annual report to an analysis of Regional Trading and Preferential Trading Agreements\(^1\). The report notes that "the proliferation of regional trade agreements (RTAs) is fundamentally altering the world trade landscape" (2004: 1). There has been a corollary tendency to institutionalise, not only trade and commercial relations, but also political and cooperation relations into all-encompassing relationships, expanding existing ties and creating new ones, into wide-ranging economic, political and developmental agreements. Almost every World Trade Organisation (WTO) member state\(^2\) is currently a member of at least one RTA, and many more are expected to be signed in the coming years. Indeed the World Bank suggests that "nearly all countries belong to at least one RTA" (2004:

---

\(^1\) PTA is a term that includes free trade agreements (FTA), common markets (CM), customs unions (CU) and single markets (SM). WTO convention terms them Regional Trade Agreements (RTA), but PTA has also become a valid and frequently used term in recent years

\(^2\) 150 at the time of writing in June 2007 (www.wto.org, accessed 19 June 2007)
29), continuing that only twelve countries are recorded as not active participants\(^3\). It is not simply the sheer volume of RTAs, Free Trade Agreements (FTA) and Preferential Trade Agreements (PTA) that is important, but the role they are taking in global governance, both individually and through their interaction. The necessity to adapt to the new economic, political, commercial and social realities of the last two decades has given rise to new models of, and new levels of, international relations. There are now many levels of complex international relations to analyse and evaluate, one of which is a recent and important development: interregionalism.

Interregional relations are formal agreements between two regional entities in different world regions. Interregional agreements can cover trade, political, cooperation, development and many other areas\(^4\), usually all within a defined institutional structure. Such a development in international relations has an element of logical progression to it, as regionalisation has progressed to regionalism, so the interaction of these regional entities has led to interregionalism in the 1990s as part of the trend to expand external relations. Within the context of globalisation, increasing the necessity of global networks and contacts, interregional developments were indeed to some extent inevitable, especially as coherent regional actors appeared around the globe.

Globalisation and regionalism have spawned many questions in international relations, in areas as diverse as identity building, actorness, regional entity formation, soft power versus hard power, legalisation, economic development, the role of new levels of relations in the existing international context and their role in global governance. The traditional Bhagwati question of "stumbling blocks or building blocs" (1991: 77) in reference to the ambiguous relationship between regionalism and multilateralism is in itself becoming inherently more complicated by the inter-relations of RTAs and Customs Unions (CU) with other RTAs and CUs, moving towards more widespread interregionalism. The Bhagwati dictum could indeed now be applied to interregionalism

---

\(^3\) Those 12 countries are: American Samoa, Bermuda, Channel Islands, Guam, Isle of Man, Monaco, Mongolia, N. Marianna Islands, Palau, Puerto Rico, Timor-Leste and the Virgin Islands (World Bank 2004: 53)

\(^4\) In varying combinations according to circumstances
itself, in regard to its role between regionalism and multilateralism. The advent of interregionalism as a level of international relations, between these two established spheres, and the exact forms that it has taken, has become an important area of research. Aggarwal and Fogarty suggest that it is "the emerging face of the international political economy" (2004: 207), an idea they develop further, even enquiring:

"With global institutions facing an uncertain future, could various types of interregionalism – the pursuit of formalised intergovernmental relations with respect to commercial relationships across distinct regions – emerge as a next best strategy for states and firms to pursue trade liberalisation? And will pure interregionalism – the formation of ties between two distinct free trade areas or customs unions – become the predominant form of trade organisation in the global economy as the world increasingly divides up into regional groupings?" (2004: 1)

Whilst there is an element of inevitability inherent in interregionalism, there is also a crucial element of strategic support and dissemination by the European Union (EU). The EU has systematically supported regional integration and simultaneously promoted interregionalism as a mechanism for its external relations. This EU strategic support has made the EU, without question, the most active interregional entity, credited by many commentators with having actually developed the concept. Malamud notes that the "consolidation of European unity since the signing of the Treaty of Maastricht in 1992, along with the contemporary mushrooming of integrating regions all around the world, illustrate a significant new phenomenon" (2003b: 53). The significant phenomenon to which Malamud refers is interregionalism, spreading both due to its inevitability and the strategic support of the EU. The EU has cultivated a number of interregional relationships around the globe and has signed interregional agreements that have subsequently been considered to be benchmark agreements in the field. Indeed the drive of the EU in this direction was highlighted by the Draft European Constitution, which stated that the EU’s international role should be "guided by, and designed to advance in the wider world, the principles that have inspired its own creation, development and enlargement" (European Convention 2003, Title V, Chap. 1, Art. III-193). The strategic drive of the EU for other
countries to embrace regionalism, and then subsequently interact interregionally has led to a field of study in this EU approach to international relations and global governance.

The EU regionalist project is compared to the domination and unilateral super-power approach of the United States of America (US). These two so-called 'models' are seen to be in competition as viable alternatives of global governance, which makes understanding interregionalism crucial to understanding the potential of the regionalist drive. This idea is articulated by Hettne when he says that "the emerging structure of interregional arrangements that follows from a process of global regionalisation, and is consciously cultivated by the EU, constitutes a possible world order which differs from Pax Americana" (2003: 1). The EU plays a fundamental role in every aspect of interregionalism given its central position in promoting and practicing current interregionalism, as well as in fostering and encouraging its future potential. As the Chaire Mercosur 2002-3 Annual Report notes; "the way the European Union will define its own international identity will largely determine its ability to shape the international order" (2004: 11). Interregionalism is an attempt by the EU to define and reinforce its own international identity and shape the international order, a strategy that adheres to the suggestion of Moravcsik, who proposed that the EU "would do better to invest its political and budgetary capital in a distinctive complement to it (military power). European civilian power, if wielded shrewdly and more coherently, could be an effective and credible instrument of modern European statecraft" (quoted in Vasconcelos 2003: 3-4). Interregionalism is one such attempt by the EU to form its own international identity and influence the international order, forming the lynchpin of a regionalist theory of global governance.

The EU has fostered its most advanced interregional relations with Latin America, East Asia and Africa, but it also has forms of limited interregional relations with the South Mediterranean, Eastern Europe and the Middle East. Of all the EU's external relations those with Latin America provide the most topical and comprehensive model of developing international relations with interregionalism at the core. The Latin American, African and Asian regions has developed their own specific interregional relationships
with the EU, with idiosyncrasies taking account of their specific nature and of the needs of their interaction. Whilst EU relations with East Asia have been subject to the most in-depth study and reflection it is the set of interregional relationships that the EU has developed with Latin America that has taken the most advanced steps in the last ten years. It is due to this that EU relations with Latin America represent an ideal case study for the operation of interregionalism in practice. A deeper analysis of EU interregional relations with Latin America reveals the world’s single most ambitious and important interregional relationship, that between the EU and Mercosur. The EU-Mercosur relationship was the first interregional relationship to aspire to an Association Agreement covering political, cooperation and trade pillars, making it the cutting edge of the theory and practice of interregionalism. Since Mercosur was created in 1991 the EU has offered every form of support open to it to try and nurture a solid regional entity with which it could engage in interregional relations. The EU has thus maintained very close relations with Mercosur, officially aiming to establish an interregional Association Agreement since the signing, in 1995, of the EU-Mercosur Interregional Framework Co-operation Agreement (EMIFCA). This relationship, which has still not achieved the level of interregional Association Agreement, is crucial to a comprehensive understanding of the EU strategy of interregionalism, how interregionalism works in practice with Mercosur and within Latin America, and also to a wider understanding of the future potential of interregionalism as a general concept.

Research Questions

This thesis will be based on a multi-level analysis of the EU’s strategic use of interregionalism in its external relations. The investigation will be guided by the following specific research questions:

1. What exactly is interregionalism, and what does it offer international relations that other levels of relations do not?

5 This is in the most part because they were the first interregional relations to be developed
2. How has the EU's strategy of interregionalism manifested itself across the globe?

3. How does the EU's strategic interregional approach to Latin America work in practice?

4. Are there any tensions between the EU interregional strategy for Mercosur and EU-Mercosur interregionalism in action?

These four specific research questions are designed to focus the multi-level analysis into distinct and progressive areas of study. The thrust of the research questions is to ascertain the theory and reality of the EU's strategic use of interregionalism in the international arena, hence the first two chapters build the analytical and conceptual background before chapters three and four undertake more specific empirical analysis.

Policy Research: Formulation versus Implementation of Strategy

The overriding objective of this thesis is to analyse the EU's strategic use of interregionalism, thus it will have to evaluate both policy formulation and its subsequent implementation. In this sense the thesis aims to contribute to both academic and policy debates surrounding interregionalism and the EU's external relations. In order to provide value-added in policy research it is crucial to obtain information from policy-makers so as to get the full picture behind, and around, published strategic policy papers. Such access to policy makers in the Commission and Council is invaluable for gaining insight into the motivations and strategic implications in EU policy documents towards Latin America and Mercosur for example. Having established the theoretical basis and potential for interregionalism it will be essential to present a thorough understanding of the policy formulation process for EU interregional relations in general and in specific regions, such as Latin America. The thesis will need to identify the EU's main interregional objectives, which will allow it to proceed to an evaluation of these objectives by assessing how the EU interregional strategy has been implemented in Latin America and Mercosur, and with what results. It will be important to assess how the EU

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6 The European Parliament is not mentioned as it does not have formal powers over the elaboration and implementation of EU external relations
sets out its objectives for interregionalism on paper and then how it attempts to implement these objectives, and finally to evaluate the results of these two processes.

In chapter two, the EU’s interregional activity will be studied across the three main regions with which the EU has interregional relations. This will lead, in chapter three, to a deeper analysis of EU interregional activity in Latin America, which will in turn lead, in chapter four, to an analysis of the EU’s interregional activity with Mercosur. By proceeding in this way the thesis will present a key distinction between strategic formulation and implementation, which will frame the general scope of the overall analysis.

Multi-Level, Multi-Causal Analysis

From the mid-1990s the EU has engaged in a multi-level approach to its external relations across the globe which gives rise to the need for a multi-level approach to evaluate them. This is encapsulated in the words of Chris Patten, the 1994-2004 External Relations Commissioner, when he said of relations with Asia; “given the sprawling variety of Asia, it is absurd to think of a monolithic EU-Asia relationship: a single approach equally valid across the whole region” (2002c: 2). This multi-level approach was also adopted for Latin America, “in a significant shift of policy, the EU decided to move towards some form of associated status with Mexico, Chile and Mercosur. Hitherto associated status had been reserved for those states that either for historical reasons (ex-colonial states of the Lomé Conventions) or political reasons (the near abroad of East and South Europe) had been considered of top foreign policy priority status for the EU” (Peterson & Sjursen 1998: 161). In essence the EU’s interregional strategy is part of its overall multi-level approach to its external relations, and it will be evaluated as such. The empirical work in chapters three and four will discern any strategic policy or implementation differences between the different levels of interaction that the EU has with the region at bilateral, interregional and transregional levels. Obviously the different levels of relations are unavoidably related, and the advent of a strategic drive towards interregionalism will impact on all levels of relations. Multi-causal analysis will also be
needed to provide a thorough investigation of multi-level relations, as there is not one dominant hypothesis to explain any aspect of interregionalism.

**Research Methods and Sources**

This section addresses the sources of this thesis as well as the methodological approach that it has adopted in tackling the research questions outlined above. The first chapter is a thorough literature review of the concept of interregionalism, which has combined the relevant aspects of the theories of international relations and regionalism with the more specific literature on interregionalism itself. Despite the fact that interregionalism is a relatively new concept it does have a small, dedicated and increasing literature attached to it. From these key literary sources the main aspects of the theory of interregionalism are analysed. Given the focus of the work on the EU’s strategic use of interregionalism an important section of the first chapter is dedicated to the main theoretical motivations and impacts of interregionalism, as they provide a solid underpinning for the later analysis. Chapters two, three and four, as they are more EU-specific and empirical in nature, use a wider net of primary and secondary sources of information. In order to assess the EU’s strategic interregional objectives the investigation of primary sources is invaluable, thus Commission strategic documents, press releases, speeches, and other written sources are the basis for a majority of the analysis in these chapters. Not only are documents from the Commission key, so too are those from the Council and the European Parliament, as well as the various documents emanating from interregional meetings such as EU-Mercosur Ministerials.

In the case of the Commission the key documents that form the basis of the investigation of EU interregional objectives are its strategic documents which it has issued from the mid-1990s. These documents set out, in succinct fashion, the EU’s strategic objectives, priorities and aims, as well as the mechanisms for implementation. It has issued these at different levels, from the broad sub-continental level (Latin America), to the regional level (Mercosur) as well as the bilateral level (Brazil) which makes comparison between levels of relations more straight forward.
To supplement and add further value this thesis also relies on interviews and policy networking to fill gaps, provide between the lines analysis and supply detail that is not available in published form. Interviews have been a regular qualitative research method of this investigation, performed as and when needs and questions arose. The author targeted not only the most relevant policy officials, whose knowledge and experience of the issues at hand was second to none, but also other informed and important stakeholders in the EU interregional process. The most productive interview method was semi-structured interviews based around a set of loose questions that were mailed to interviewees in advance. Such a methodology usually provided for a more open and constructive dialogue. Interviews of this nature provided invaluable information for the empirical work of chapters three and four, especially for the work on EU-Mercosur negotiations. All interviews were undertaken on the understanding of total interviewee confidentiality, which prompted the inevitable decision to withhold all interviewee names from this thesis.

Interviews were carried out almost exclusively in Brussels and covered mainly the European Commission, mostly officials from DG Trade, DG External Relations and DG Agriculture. These interviews were supplemented by additional ones with Business Organisations strongly invested in the interregional process, such as BusinessEurope. For all the interviews undertaken there was a short telephone follow up to clarify any outstanding issues and also to address any questions that occurred after reflection. In many cases this way of proceeding led to a continued informal contact which moved onto e-mail. In this way it was possible to answer individual questions as and when they arose. The author found Commission officials to be very willing to engage in a critical analysis of EU strategy, often in uncompromising terms on a, 'it does not leave this room' basis, all of which has provided value-added to the thesis. Being able to interact with policy makers on an informal basis allowed the author to tap their perspectives of the issues under investigation and gain the benefit of their experience (often tempered by hindsight). Information from interviews, and their follow-ups, was also bolstered by the author's significant policy network contacts in Brussels and in Latin America. These contacts have provided a stream of information and insight throughout the work on the thesis.
Overall the thesis rests on a combination of research methods, the principal one of which has been the verification and deepening of primary and secondary source analysis by interviews. Primary and secondary source analysis has provided the conceptual and theoretical underpinnings, present most noticeably in chapter one, but these have been supplemented in later chapters by interview material to bolster empirical work. The thesis has thus used a multi-source analysis to furnish the most apt information for each chapter.

Structure of the Thesis

To analyse the development, formulation and implementation of EU interregional strategy this thesis is divided into four distinct chapters. Broadly speaking the first two chapters present the framework for empirical analysis by providing a strong conceptual and theoretical foundation, which chapters three and four then make use of in their case-study analyses.

Chapter one reviews the existing IPE and interregional literature to discern the exact theoretical place and form of interregionalism. The general political economy context of interregionalism relates to how nation states have, over time, used many measures and strategies to promote, control, regulate and manage international relations and trade. The first sections of the chapter explain the context and then the typology of interregionalism, based on the work of interregional specialists such as Rüland, Hettne and Häggi. These authors have started to classify and examine interregionalism, identifying key motivations as well as the main outputs and implications, all of which are related in the course of the chapter. The identification of interregionalism’s exact nature, forms, drivers, impacts and implications sets the base for an analysis of EU interregional strategies across the globe.

Chapter two is devoted to an analysis of the EU and interregionalism, specifically asking how the EU has strategically promoted interregionalism. The criteria and structure employed to analyse interregionalism in chapter one are applied to the EU and interregionalism to determine the key aspects of this specific relationship. Chapter two starts by mapping the prevalence of EU interregionalism around the globe, finding that it
is concentrated in three specific world regions; Asia, Africa and Latin America. Each of these regions is then examined in turn, looking at the Commission’s strategic objectives, the mechanisms deployed to implement these strategies, partner motivations and the results attained in each region. Chapter two discovers that Latin America is the EU’s most active interregional partner, with a neatly structured relationship that encompasses all levels of relations from bilateral to transregional, something that the thesis terms complex interregionalism.

Chapter three investigates the picture of complex interregionalism that the EU has with Latin America. The chapter addresses the three main levels of relations between the two partners; bilateral, interregional and transregional. Such a multi-level analysis is undertaken from the perspective of investigating interregionalism and how it meshes with other levels of relations. The chapter also aims to assess the two different facets of EU interregionalism that arose in chapter two; interregionalism as a strategy and interregionalism in action. The chapter concludes with a comparative analysis of complex interregionalism in action in Latin America. One of the main elements to arise from the study of complex interregionalism is the importance of the EU-Mercosur relationship, which is very much the flagship interregional relationship in the world and the best example of the EU pursuit of pure interregionalism.

Chapter four investigates EU-Mercosur interregionalism in detail, by analysing the exact strategies that the EU has for relations with Mercosur, how it has gone about putting them into place, and what the results have been. The chapter addresses the three pillar agreement approach combining economic, political and development elements that have formed negotiations between the two partners. The main focus rests on the trade pillar as it is the most contentious and still unfinished aspect of negotiations. By examining the details of EU-Mercosur interregionalism certain key elements come to the fore, elements that also have an important bearing for interregionalism in general. The most significant of these concerns regional integration and specifically the difference between the envisaged aims of the EU, and the reality of Mercosur regional integration.
The conclusion begins by reviewing the empirical findings of all of the chapters, with a specific focus on the development between the conclusions to the theoretical and strategic chapters, one and two, and those of the empirical case-study chapters, three and four. The concept of complex interregionalism, as developed in chapter three, adds to the understanding of interregionalism as a multi-level phenomenon. The review suggests, however, that there is a great difference between the theory of complex interregionalism and the reality of complex interregionalism in action as witnessed in Latin America, and especially Mercosur. The conclusion endorses the sentiments of Aggarwal and Fogarty (2004: 1) that interregionalism has the potential to become the next best strategy for international relations outside of the multilateral arena, especially pure interregionalism, on the basis of potential, but it provides solid empirical backing that suggests that this potential is not being realised, and that in many cases it will not be realised.
Chapter 1: Interregionalism in the Global Political Economy

Introduction

The trend of interregionalism can originally be traced back to the 1960s and 1970s (Regelsberger in Edwards & Regelsberger 1990: 5), when there were the first interregional manifestations, so-called bilateral interregionalism or bi-regionalism, which was created due to the first proliferation of regional entities in their various forms. The EC, itself created in 1957, started to interact more consciously with other regional entities and regions in the 1970s, such as the EU-Arab Dialogue (1974), cooperation with the Mediterranean region (1977) and the Lomé convention signed with ACP countries (1975). This early version of interregionalism was a crude form of basic region to region contact conducted principally by the EC with partner regions as part of its Cold War hub and spoke relations strategy. There has, in essence, always been some form of interregionalism, which at its most basic was a form of inevitable regularised contact between two regions. However, over time, as regions have become better defined, as regional groups have developed more actorness qualities and as interregionalism has been used as a strategy in itself, its occurrence and use has spread far and wide.

Both the inevitability and strategic perspectives of two world regions interacting necessitate improved structures, defined fora and overarching aims and objectives, all of which have given shape to interregionalism in its different guises. Interregionalism as it is currently understood, is a more recent and expanding phenomenon in international relations, and one that has elicited much comment and evaluation. The increase in interregional relations noted since the 1990s\(^7\) has given the phenomenon added topical significance and led Aggarwal and Fogarty (2004: 238) to the conclusion that "understanding the driving forces behind interregionalism is likely to become a crucial

\(^7\) See Appendix 1 for an indicative list of regional integration vehicles in the world
theoretical and policy concern". This desire to understand interregionalism and all its potential motivations, forms, contents, impacts and implications is the leitmotif of this chapter.

As identified in the introduction the key research question associated with current interregionalism is to ascertain its exact nature and principal implications. The aim of this chapter is to understand this rising trend of interregionalism by situating it in the relevant context and literature. Interregionalism will be taken more as a static concept in this chapter, as opposed to a dynamic strategic concept that will be covered in chapter two, but it will not ignore this important facet. To structure such a comprehensive analysis this chapter will be separated into four sections relating to the key questions that interregionalism poses for international relations and academic enquiry. The first section will set the theoretical context within which an analysis of interregionalism can take place, explaining its exact position and importance in international relations theory. The second section will address a typology of interregionalism as well as the different forms that it has taken. This will lead into an analysis of firstly the motivations behind and sustaining interregionalism, and secondly of the impacts and implications of its existence and use. This will lead to a conclusion in which interregionalism can be situated in the major schools of international relations and also within its own branch of academic literature.

As Rüland has observed, "studies on interregional relations constitute a novel area of research in the field of international politics" (2002a: 1), and it has been a research area that has grown rapidly in the last decade. Interregionalism is not only a new concept, but also one that does not subscribe to one single school of international relations. From this basis it is understandable that there is currently no common and accepted definition and explanation of the interregional phenomenon and that there is debate over a large number of issues surrounding the study of interregionalism, all things that this chapter will address.
Context

The general political economy context of interregionalism relates to how nation states have, over time, used many measures and strategies to promote, control, regulate and manage international relations and trade. To situate interregionalism it is necessary to understand the context and environment within which it exists and operates. As was noted in the introduction the overriding environment of interregionalism is that of globalisation and global governance structures and of the responses to changing international relations and circumstances. Interregionalism is even more specifically related to a sub-division of this wider global debate, that of regionalism as a response to globalisation. In many senses this is the inevitability argument for interregionalism, because as a concept its "rise must be linked to the proliferation of regional organisations under the auspices of what since the 1980s is known as New Regionalism. Their existence reflects the fact that these regional organisations are increasingly interacting" (Rüland 2002d: 3).

Regionalism has been an important development of recent decades, within the ever-changing structures of global governance, and has spawned a large debate about its ambiguous relationship with multilateralism. The Bhagwati question noted in the introduction, "building block or stumbling bloc" (Bhagwati 1991: 77), remains unanswered. Despite the continuing lack of consensus on the impact and role of regionalism the WTO reports that, in part because of slow progress in the Doha Round, "between January 2004 and February 2005 alone 43 RTAs have been notified to the WTO, making this the most prolific RTA period in history" (2005: 1). They further comment that "RTAs are a major and perhaps irreversible feature of today's multilateral trading system" (idem).

It is into these two crucial debates, globalisation and global governance and regionalism and multilateralism, that interregionalism is situated, often as a potential middle ground. These two closely linked developments have created an environment and situation in which interregionalism has been able to flourish. The growth of globalisation, and efforts
at global governance, have led to international limitations and frustrations in terms of
content and action that have meant that interregionalism has been given the opening and
incentives it needed. As the current WTO Doha Round continues at its slow pace and
RTAs flourish, interregionalism could find itself thrust even more into the spotlight.
Added to this has been the growth in coherent regional organisations, which have become
increasingly capable and willing to engage in external relations.

Interregionalism clearly occupies an important space within the globalisation and global
governance field of study and it is therefore important to understand the context of
globalisation and the key issues that it has brought to international relations. To help
situate interregionalism it is useful to consider two questions about globalisation; firstly
the type of order that globalisation is creating, and secondly the issue of whether
globalisation and regionalism are complementary or not. These two key questions relate
to the two key areas in which interregionalism has a (perceived) role to play. The global
debate will be addressed first and then the regional and multilateral issue will be analysed
as a sub-division of this wider globalisation debate.

It has been argued that globalisation has intensified conflict and fragmentation (Rüland
2002d: 2) as periphery areas get involved in outcast scenarios from which they struggle to
reinsert themselves, for which "Clash of Civilisations" (Huntington 1993) is the extreme,
and most quoted, example. This view suggests that globalisation is not producing a stable
order. The other side of the debate advances the idea that globalisation has facilitated
international institution building and cooperation and is contributing to a more stable
regulated world order. There is a general debate about globalisation and its power to re-
order or fragment, in which Reinecke contends that the current state of global governance
resembles at best "a loose set of cross-national policy patchworks, conspicuous for their
missing links and unnecessary overlaps" (1998: 10). Within the fragmentation logic
interregionalism is attempting to address the problem of missing links by creating a new
level of relations. Within the re-ordering logic, that of constructive institution building
and cooperation, interregionalism appears as a new level of international relations born

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*For more a detailed look at these two questions in relation to interregionalism see Hettne (2003 & 2004)*
out of globalising necessity. Accepting either interpretation it is clear that the advance of globalisation has created a need for more intermediaries and controls on its processes, and that interregionalism can play an influential role.

Interregionalism is thus an important element as a potential level of control, negotiation, institutionalisation, contact, action and mediation. Globalisation has affected, and continues to affect, different world regions in different ways, requiring differing actions. Relations at an interregional level facilitate negotiation, discussion, resolution and apprehension of issues that globalisation induces. Interregionalism can thus be seen as an important development in the debate on the order that globalisation is creating, as a level of interaction formed to divest further order in the global system. The need to address globalisation leads into the second contextual setting of interregionalism, that of regionalism. Regionalism has already been noted to have been one of many reactions to globalisation, and the one that lies at the very origin of interregionalism itself.

The trend of 'new regionalism' in the 1980s is directly linked to the current wave of interregionalism and it is of great theoretical and contextual relevance, as interregionalism is anchored in the advance of regionalism and its theory. This section will only deal with the so called 'new regionalism' and not the regionalism of the 1960s, closed regionalism, from which it is very different⁹. The first wave of regionalism in the 1950s and 1960s was a much more inward looking wave that sought shelter from the outside world, not integration into it, but nonetheless inspired projects in Latin America, Asia, Africa and the Arab world such that many current regional projects stem from this first era. Regionalism in the 1980s and onwards has been much more closely linked to economic liberalisation and global commercial competition, making it more externally focused in the search for new partners and markets. The increasing number of regional organisations, all with more intent, desire and capability to engage in external relations is what has given birth to interregionalism. As regionalism has expanded and deepened interregionalism has become almost inevitable in the sense that these new international

⁹ For more information on the differences between the two regionalisms see Burfisher, Robinson & Thierfelder (2003) and Devlin & Estevadeordal (2001)
actors would want, and need, to interact. As Doctor suggests "it was only in the mid-
1990s that states began to consider engaging with other regions as an effective means of
applying open regionalism strategies to a wider area so as to manage economic and
security challenges from beyond the region" (2007: 283).

Given the birth of interregionalism in regionalism it is important to briefly assess the
motivations and principal characteristics of regionalism, as these will help underpin an
understanding of interregionalism. There are varied perspectives on, motivations for, and
explanations of regionalism and its benefits and drawbacks for members and the
multilateral system as a whole. It is not the intention of this section to enter this large
debate10, but simply to draw on the most important recognised points to help understand
the motivations of interregionalism. Of the principal motivations for actor participation in
regionalism those highlighted by the World Bank (2000) will be taken as a basis.
Although the motivations behind regionalism are manifold, the six specific ones cited
below can be taken to be primary for actors across the broad spectrum of regional
projects.

Firstly the desire to pool resources and sovereignty is an important motivation, to
enhance possible projects and actions that would be better suited (or indeed only possible)
on a regional scale, such projects as infrastructure for example. Secondly security has
been a key issue for regional projects, from the European Economic Community to
Mercosur, as grouping together enhances internal security by drawing members
together11. By uniting together a region can also help consolidate against extra-regional
threats. Thirdly strategic bargaining power is a major motivation for smaller states in
undertaking a regional venture. By pooling together, as in point one, they are able to
increase their visibility, their potential market and their attractiveness for partner regions.
Through this combination of factors they are able to increase their strategic bargaining
power, although maximum bargaining power depends on many subsequent factors such

10 For an introduction to this debate see World Bank (2000), Winters (1996), Vamvakidis (1998), Telo
(2001), Switky (2000) and Schiff & Winters (1998b)

11 The Schuman Declaration of 1950, for example, states that the aim: "The solidarity in production thus
established will make it plain that any war between France and Germany becomes not merely unthinkable,
but materially impossible" (http://europa.eu/abc/symbols/9-may/decl_en.htm, accessed 1 August 2007)
as their ability to maintain one external voice and coherent positions. The fourth point concerns increased cooperation and trust, which has been an important motivation for regional integration as previously aggressive neighbours have sought to move closer together. The fifth factor is closely linked to economic, political and democratic changes that have occurred in many developing countries during the last decades, because as they have joined together regionally and agreed to certain rules and norms, domestic governments have been able to lock-in policies, which increases the costs and difficulties associated with going back on the agreed commitments. Finally the core activity of regionalism concerns preferential trade liberalisation and the belief that larger markets bring economies of scale and increased internal (and external) competition.

It is clear that this mixture of motivations and contextual explanations of regionalism has an important bearing on the international environment within which interregionalism operates. The trend towards regionalism, based on the above-mentioned criteria, as a response to the challenges of globalisation, has created regional groupings with increasing actorness, intent and motivation to interact internationally.

A regional project, once initiated, can follow either supranational or cooperative intergovernmental routes depending on the states involved. Regional projects can at their simplest be declarations of mutual intent, or move to the more committed level of binding agreements, the most common of which is a trade agreement. From this stage there are steps of regional integration that move from Free Trade Area through to Customs Union (common external tariff), Common Market (free movement of labour and capital) and Economic Union (harmonised monetary and fiscal policy), or even to full Political Union. Irrespective of their organisational design and institutional capacity regional entities have increased their actorness and presence in the international environment, although the extent to which they have enhanced their actorness is important. It is on this external aspect of regionalism that interregionalism has been built, as regionalism is a process that is fashioned in the way it relates to the outside world.
It is important to highlight that regionalism is no longer simply an inter-state activity but a multidimensional phenomenon involving non-state actors such as business fora, NGOs and wider civil society groups. These factors will be seen in relation to interregionalism, especially in the empirical analyses that follow in chapters three and four, where civil society has a crucial role to play in regionalism and interregionalism alike. The more integrated (further along the integration scheme outlined above) a region the more coherent and able an actor it has the potential to be\(^\text{12}\).

The fact that regional entities have started to act and become actors in their own right, developing external relations with nation states, regional groups, international organisations and specific companies and corporations, is a crucial dynamic for interregionalism. The very nature of the globalising international environment since the 1990s has made every actor realise that it has to think and act globally, interacting at all levels of international relations with other countries in the world to advance their interests. The slowdown in multilateral negotiations has also had an important impact on regional integration as actors look to accrue economic advantages and preferences outside the multilateral arena. Regional groups are constantly evolving actors, deepening, widening and mutating in response to circumstances. This ability to change as actors is what Hettne (1993) calls 'regionness', which is attributable to five key factors. A region is first and foremost a geographic space which is, secondly, organised by social groups who come to depend on each other to some degree. Thirdly there is the more formal region which exists as an international grouping, usually organised and comprising those states in the region that wish to join. The region develops, finally, into a community as the regional organisation is able to promote convergence in the region. This final region is more structured, able to make decisions and act coherently and consistently.

From this increasingly externally orientated regional basis, within a world of institutionalization and rules, there has been an almost inevitable move towards relations that are more region to region in nature and based on cooperation. In the regionally based world that is developing there is, in Hettne's view, a necessity to have "an inter-

\(^{12}\) The importance of actorness is addressed in more detail in due course
due to their origin in regionalism interregional relations are also subject to the same debate about the complementarity or ambiguity between multilateralism and regionalism. This is an important point to consider as Rüland notes “globalisation has facilitated the emergence of a multilayered system of global governance which is built on regional organisations” (2002c: 2). It is clear that from this regional basis interregionalism automatically takes on an important role in the ambiguity between regionalism and multilateralism.

Globalisation and regionalism have clearly created a space and the opportunity for some form of interregionalism to occur. Having elucidated this global and regional context of interregionalism, and its potential as a middle ground between the two, it is important to underline three essential pre-requisites that are crucial for the expansion and survival of interregionalism (Aggarwal & Fogarty 2004: 208). These factors will, over time, shape the exact type and nature that interregionalism will take, as well as underpinning its current existence. The first factor relates to the continuing desire to integrate the world economy, something that is perhaps currently taken for granted but that is in reality much more fragile than it would appear. Secondly the continued uncertainty over the viability of the multilateral system is an important factor for interregionalism, because if multilateralism were fully functional there would be less need, or space, for interregionalism. Finally there needs to be continued support for the idea of institutionalised, stable and rule-bound international relations as has been the trend in the last few decades. These three conditions currently exist, but there is no guarantee for how long they will continue to hold sway. These three factors also help explain why there are currently many different types and forms of interregionalism, because as the relative weights and balances of these factors change for individual actors so too do the merits and drawbacks of interregionalism, something that manifests itself in the types of interregionalism encountered.

From an overview of the main contexts of interregionalism it is apparent that it has emerged as an important middle ground between the regional and multilateral levels of international relations as part of a wider search for new structures of global governance.
The role and potential of interregionalism is seen to be particularly acute when considering the recent slowdown in multilateral trade negotiations and the proliferation in increasingly coherent externally focused regional integration entities. Within this environment there has been a noted trend to expand PTA activity to such a point that a situation has arisen that has been termed a "spaghetti bowl" (Bhagwati, Greenaway & Panagariya 1998), one of confusion at the many overlapping agreements. Given WTO predictions for continued growth in PTA signings it is a safe assumption that this will only lead to an increasingly complicated situation. The creation of overlapping and potentially conflicting obligations in trade agreements, with different rules of origin, market access commitments and schedules is not leading to a more transparent global system. Within this context regionalism can play a role to subsume bilateral agreements and create pockets of conformity and coherence and from this interregionalism has even more potential to simplify and enhance clarity in international relations.

**International Relations Theory and Interregionalism**

Interregionalism needs to be explained in the context of the literature on international relations because it is important to analyse how the existing perspectives on international relations relate to interregionalism, and how they have sought to explain it. Each school of thought presents its own idiosyncratic views, which has subsequent implications for the study of interregionalism. No one school of thought is singularly able to explain and understand interregionalism, hence why there is not one coherent view of the concept and a need to employ a multi-causal framework for analysis.

As Hänggi notes; "for many years, the theoretical discourse in international relations has focused on the two powerful schools of thought, realism and liberal-institutionalism" (2000: 8). He goes on to add that "in recent years, however, both traditional schools were challenged by a new theoretical perspective – social constructivism" (idem.). It is principally from these three main theoretical approaches to international relations that interregionalism can be apprehended. Interregionalism has posed challenges for these established international relations theories, but in combination they raise important questions for further investigation about this new level of relations.
The overriding perceptions of the rise of interregionalism have ranged from realist views of rival regionalism (Hettne 2003) and balancing games (Hänggi 2000: 8, Rüland 2002a: 3-5, Rüland 2002c: 3-4) to liberal institutional views of cooperation to manage complex-interdependence (Rüland 2002c: 4-7, Hänggi 2000: 8-9). To this the social constructivist theorists would add identity formation through interregional interaction (Rüland 2002c: 8-9, Hettne 2004: 5, Reiterer 2004, Richards & Kirkpatrick 1999: 691). Clearly the three different schools offer very different perspectives of interregionalism which highlights the flexible nature of the concept, being subject to so many different interpretations simultaneously. This flexibility gives rise to differing types and forms of interregionalism used in different circumstances to achieve different aims. The need for the three major schools of international relations also reflects the fact that interregionalism needs to be understood as much as a strategy as an existing level of international relations. A brief analysis of the main contributions of each of the three main theories will highlight all of these different perspectives.

Realism has dominated international politics since World War II, but the emergence of complex interdependence in the 1970s challenged its dominion. For realists the main actors in international relations are states due to their legal sovereignty, which implies that there is no higher actor that can compel them to act. According to this argument states try to maximise their benefits, using diplomacy and force, to balance out relations. For realists there is a division between high politics (military and security) and low politics (economics and social affairs). Neo-realism deals with structure in the international political system and its subsequent impact on the system itself. The Cold War period was one of strong bipolar structure in international relations, but since its end the structure of these relations has moved towards multipolarity (Burchill et al., 2001: 70-99). For realists interregional relations are viewed in terms of power, being a main device of actors to maintain equilibrium amongst themselves and periphery regions and actors. Interregional relations are simply alliances of regional actors with and against other

13 For further information on theories of international relations see http://www.irtheory.com/
14 For more detail on the relationship between Realism and Multilateralism see Cox (1997)
regions, as and when needs arise. Realism views interregional relations as part of the wider struggle for power, be it political, economic, developmental, regulatory or other.

Perhaps the most important part of this realist perspective of interregionalism relates to mercantilism and the primacy of economic and commercial interests, also known as commercialism. In this view interregionalism is simply a strategy of economic advance, competition and domination. This theory stresses the primacy of economic and commercial power and that interregionalism could be seen as a mechanism to ensure commercial advantages and preferences as and when circumstances permit and require it to do so. This would suggest that interregionalism is driven by internal sectoral interests, be they free trade or protection orientated.

For liberal institutionalists cooperation is the key to international relations (Hanggi 2000: 8-9), as Rüland describes; "Liberals view institutionalization as a key to mitigate the anarchical character of international relations, to minimize the incidence of violent conflict and to enhance the welfare of peoples. Cooperation intensifies the flow of information between actors, builds trust and enhances the predictability of actors' behaviour. By creating norms and rules designed to guide state actions, cooperation has a legalizing effect on international relations. Institution building is thus considered an important prerequisite for a peaceful international order" (2002c: 5). In this system effective dispute settlement mechanisms (DSM) are crucial to the overall success of cooperation, as are the presence of multiple channels for dialogue and discussion (Burchill et al., 2001: 29-65). From this perspective interregional relations are an important institutional layer in the international environment to enhance institutional density through the growth in subsidiary institutions such as summits, ministerial meetings, senior officials meetings and expert groups. Interregionalism is a manifestation of a need to institutionalise at a new level of international relations in light of the expansion of regionalism and globalisation.

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15 Mercantilism was essentially first devised as a collection of policies to keep the state prosperous, which in the 1600s related to bullionism - the collection of precious metals such as gold
Finally constructivism is a more social and cultural perspective that has come to prominence since the end of the Cold War. Constructivists argue that the materialistic assumptions that underlie rationalism do not explain rapid post Cold War changes. Reality, for them, is constructed by beliefs and behaviour, and the spread of ideas that take form and subsequently become norms. The focus is on critical historical junctures from which new institutional arrangements, norms, ideas and identities emerge, and also on interactions between structures (Burchill et al., 2001: 209-228). Constructivists argue that interregionalism is the result of past experience and interactions and is a manifestation of beliefs and norms, as reality is built over time. This predominantly relates to interregionalism through the notion of identity creation and development, something that it is crucial for interregional relations because acting on an interregional level encourages actors to intensify intraregional relations and thus enhance regionness. Interregionalism and regionalism are thus mutually reinforcing.

From an overview of the three main theories of international relations, and their perspectives on interregionalism, it is clear that one alone does not provide an exhaustive analytical framework. An adequate framework for analysis requires elements from all three schools, the main elements of which can be taken to be as follows; from realism/neorealism - the promotion of power balancing that suggests interregionalism is about balancing power and gaining power advantages in international relations. This is seen to be most apt in relation to purely commercial motivations, suggesting interregionalism is a strategy to expand and dominate new markets. From the liberal and institutionalist interpretation the need to institutionalise international relations and develop cooperation is the main framework for interregionalism. Finally constructivism maintains that interregionalism is a manifestation of the search for, and attempts to, create and develop identities on the behalf of regional organisations and actors.

Overall these three lines of argument cover the main strands of academic literature related to interregionalism. They offer three rich and diverse alternative theoretical frameworks for interregionalism, which in conjunction are able to provide a multi-causal

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16 For an overview of Social Constructivism see Ruggie 1998
framework that can be used to analyse interregional relations as both a state of affairs and as a strategy. This framework remains in the main theoretical and the extent to which it actually serves to explain and understand interregionalism will only be seen over time and through detailed empirical work, such as this thesis. Trying to establish the balance between the differing frameworks in explaining interregionalism is something that is central to this thesis. Rüland notes that "in the absence of in-depth empirical research the functions of inter- and transregional fora have been theoretically deduced or been based on accidental evidence" (2002a: 3).

Having elucidated the general context of interregionalism in the global political economy, and also the main frameworks for analysis from the three main schools of international relations theory, it is now necessary to advance the analysis of interregionalism by looking at the types and forms of interregionalism that have arisen, and are arising.

**Typology/Forms**

To initiate an evaluation of existing forms and types of interregionalism it is necessary to sketch some basics of the international environment and order within which they operate. It must be recognised that interregionalism itself is one of a plethora of levels of international relations and it is necessary to understand, discern, and evaluate the hierarchy of levels.

Within the evolution of a multipolar world order, and globalisation, there are widely accepted to be five levels of international external relations and policy making; global, interregional/transregional/cross-regional, regional, sub-regional and bilateral actor to actor (Aggarwal & Fogarty 2004: 2-4). These levels correspond to the choices that actors have in undertaking their external relations, predominantly their economic and political relations. They have to decide with whom to interact, at what level and in what way. Actors use many differing measures and combinations of the above to promote or control trade flows, commercial interactions, political and other relations. Each of these levels, in turn, varies according to membership, aims, content and structure, to such an extent that
two relationships are rarely the same. The explosion in regional integration entities and PTAs due to the external focus of international relations from the 1990s onwards, as noted in the introduction, has meant that actors have increasingly been innovative in their choice of levels for interaction.

When considering the level of interaction there are certain criteria that need to be taken into account. Firstly there is membership coverage, which can be bilateral, minilateral or multilateral. This highlights that at each level the number of participants that can be involved in a relationship or action can be very different. In turn the implications of the size of membership on the relationship are important, in areas such as objectives, institutions and capacity for action. A further criterion is the scope of the issues covered, which can be deemed to be narrow or broad. Narrow coverage could for example be a sectoral agreement such as covering automobiles, and broad would be represented by an agreement such as the WTO undertaking that covers a vast array of issues. Finally there is the geographic dispersion of members which can be concentrated or dispersed across and between regions (Aggarwal & Fogarty 2004: 2-4).

Overall these combined elements represent a crude picture of the environment within which interregionalism operates. It is clear that actors have a myriad of options at their disposal in international relations not only in terms of who they wish to interact with, but also on what they wish to interact, and with what level of institutionalisation to manage the interaction. Interregionalism has to be understood and apprehended as one of these many available strategic options. It is also clear that while interregionalism is defined quite tightly in terms of level, membership and geographic dispersion (interregional, minilateral, concentrated in two regions) there is no implicit content, coverage or form that can be assumed. Acknowledging that interregionalism has spread rapidly in the last decades affirms that it is a key strategic choice within this myriad context of options. It subsequently becomes important to understand the specific forms and types that this level of international relations takes.
Hettne outlines three main defining regions of importance for interregionalism; Core, Intermediary and Periphery (2003: 5). The core regions are Europe, North America and East Asia, intermediary regions are South East Asia and South America, and periphery regions are Africa, South Asia and the Middle East (2003: 7-8). For Hettne the definition of a region is important for interregionalism as it is closely linked to the concept of triadization - the increasing domination of US–EU–East Asia relations as the central core of globalisation (idem.). Both Hettne (2003: 5) and Rülund (2002a: 2) make reference to the importance of triadization, even suggesting that interregionalism “is in the first place a Triadic phenomenon” (Rülund 2002a: 2). They contend that one of the effects of globalisation has been to create three core poles of commercial activity and interaction, the so-called triad. It is further suggested that this triad is central to the global economy and that the most important commercial connections are between these three regions, and subsequently between them and other periphery regions. As Chen notes, in 2003 the three poles of the world economy produced 82.2% of world Gross National Income (GNI). Their share of world merchandise export and import was 77.1% and 74.9% respectively (2005: 1-2). Such a situation leads to a competition for position within the triad as well as competition between triad members for control over other world regions. Interregionalism was first and foremost used in triad relations, and subsequently spilt over into intermediary relations. This can be seen through the fact that APEC was initiated in 1989, a development that prompted the EU to deepen existing relations with ASEAN and to create ASEM in 1994. From these initial triadic interregional relationships others were created in the intermediary and periphery regions, where they have now become more numerous.

Also important for defining the types of interregionalism encountered are the three accepted forms of contemporary capitalism that have a bearing on international relations, each of which corresponds to one of the regions of the triad; unregulated (US), administered (Asia) and social capitalism (EU) (Hettne 2003: 5). The issue of the type of capitalism is important in terms of the types of interregionalism that are likely to occur between different regions, because different forms of capitalism imply different governance structures and compatibility. This factor is very important in shaping the
structure and content of relations between regions because as the three dominant regions extend their interregional relations into intermediary and periphery regions they will use a model of interregionalism based on their form of capitalism. These key issues of type of region and type of capitalism have an important bearing on interregional relations and the exact forms that they will take, especially when interregionalism is used as a strategy, something chapter two will clarify. Each region, associated as it is with a different type of capitalism, will have a different model of interregional relations in accordance with its own beliefs, norms, practices and current institutions.

Having determined this broad context for the types of interregionalism that are likely to occur it is possible to now focus on the main types of interregionalism that have formed. As stated in the previous section each interregional relationship has different characteristics determined by its circumstances. The typology of interregionalism relates first and foremost to the actors involved, and this membership criterion is analysed in detail here as it represents the most challenging and dynamic characteristic of interregionalism, and the one subjected to the most literary review. Subsequently there are further classification criteria which need to be applied to ascertain a more accurate picture of the exact type of interregionalism. Whilst accepting that interregionalism relates to the connections between two regions, important differences between types of connection have developed.

From the basic definition of interregionalism as two or more regions interacting, it has become possible to differentiate between different types of interregionalism. The literature specifically devoted to the study of interregionalism has to date identified three main types of interregionalism. Rüland (2001a, 2001b, 2001c, 2002a, 2002b, 2002c, 2002d), Hettne (2003) and Aggarwal and Fogarty (2004), amongst other authors, have all in their own way discussed these three types of interregionalism. This section, however, will be based on the three definitions advanced by Häggli (2000) given the expanded theoretical work he has devoted to the specific analysis of these types.
Transregional (bi-regional / mega-regional)\textsuperscript{17}

This level of interregionalism is the most recent development of the three identified types. These relations were instigated predominantly within (and by) the triad, but they have since spread to other world regions (Hänggi 2000: 5). The crucial distinction from the basic understanding of interregionalism already formed is that membership in transregional fora is wider and less geographically constrained. Transregional relations relate to two broad regions interacting (it is possible to have members from more than two regions involved), whether that be as nation states or a mixture of nation states and regional groups. These fora all share important characteristics in that they have regular meetings and joint initiatives and projects, despite high membership numbers in some cases. APEC is the only one, to date, to have developed some form of independent infrastructure and institutions, although most transregional entities require some form of organisational infrastructure, such as a secretariat. Transregional fora are mostly concerned with dialogue and cooperation, especially in economic, political and development areas, although in certain cases, notably where the EU is involved, there can be wider issue coverage. Due to the diversity of these fora concrete action is limited, but they serve as meeting points, networking and information centers. There are multiple statements of intent and joint declarations, but there is little direct mutual action. The relevance of these fora is more in terms of networks and contacts, information sharing and cooperative consultation.

Transregional relations have a diffuse membership which does not necessarily reflect a region or area, something that has caused debate in the nascent interregional literature, given that their lack of exact definition makes them very difficult to categorise. Rüländ wonders if “\textit{transregionalism is an adequate term to define fora such as ASEM, APEC, the ARF and IOR-ARC}” asking indeed if they “\textit{really constitute the same type of forum?}” (2002d: 4). There is not only intense debate over their definition and its limitations, but also about their content. To add to the confusion different authors have

\textsuperscript{17} Appendix 2 lists the major examples of transregionalism.
used different definitions for transregionalism, further complicating the matter\(^{18}\). Whilst there may be a conceptual problem with the exact definition of transregional fora it will become clear that the term applies to a specific set of relationships that are not strictly interregional or multilateral. Transregionalism should be understood as a type of umbrella forum where two, or more, regions meet to cooperate in areas of mutual interest. This may, as Rüländ suggests, encompass a number of fora that have divergent aims, structures and outputs, but they would all, nonetheless, be covered by this definition.

**Hybrid Interregional (quasi-interregional)\(^{19}\)**

The classification of hybrid interregionalism concerns relations between two regional entities from differing world regions, where one of the partners is a customs union. Whilst Hänggi extends this to "relations between regional groupings and single powers in other world regions" (2000: 7), which gives hybrid interregionalism a very wide net, this thesis will only consider relations between regional groups for the sake of clarity and purity. Almost inevitably regional groups will have to interact with individual states and in cases where the state in question is a regional power these relations, according to Hänggi (idem.), approach interregional status, such as the EU having relations with China or the US for example. Given that this is such a broad brush definition on the behalf of Hänggi (idem.) this thesis when it makes reference to hybrid interregionalism will only be making reference to the interaction of regional groups, and not that of a regional group with a single state\(^{20}\). Hybrid interregional relations are built on regular high level meetings that lead to joint projects and initiatives. The focus of meetings and interaction is from information exchange and cooperation towards the signing of interregional agreements, although for this to happen the second partner has to enhance its regional integration to customs union.

\(^{18}\) Hänggi (2000: 11) talks of 'mega-regional' relations in reference to APEC and Rubiolo (2002) entitles her work focused on Latin America as 'Biregionalism'

\(^{19}\) Appendix 2 lists the major examples of hybrid interregionalism

\(^{20}\) In Chapters two and three relations between the EU and major regional powers will be referred to as bilateral relations

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The third, and final, type of interregionalism occurs between two coherent and distinct regional groups, in two different world regions, where both are at least customs unions. Reference to Appendix two reveals this type of interregionalism to be relatively limited, which is to be expected given the low number of coherent CUs able to participate in interregional relations. Despite the flourishing of regionalism since the 1990s very few regional integration projects have achieved the status of customs union, which is something that should gradually change with time as projects deepen and strengthen, making a shift from hybrid to pure interregional relations a possibility.

Pure interregional relations are easier to define in detail as they revolve around only two actors, and in this sense they resemble bilateral relations. The key distinction of being a customs union is crucial in the sense that from this level of integration onwards a regional entity has gained a much more coherent personality and is able to act as one in external negotiations and also subsequently implement any agreed upon actions. Pure interregional relations are built on regular high level meetings that lead to joint projects and initiatives. The focus of meetings and interaction is from information exchange and cooperation towards the signing of interregional agreements. All of this increases the density of a pure interregional relationship and gives it more of an institutional structure to support the dialogue and negotiations.

The three types of interregionalism are clearly distinct and different, as they serve differing sets of actors with differing venues to discuss and negotiate a wide-range of issues. Given the larger number of members and the diversity of their interests transregionalism tends to be a more ad-hoc summit driven process that strives towards information sharing, dialogue and cooperation. Hybrid and pure interregionalism were easier to define because they involve regions in a much more defined sense, through regional integration entities, with the only difference between the two being whether both partners have achieved integration to the level of customs union or not. Given the

21 Appendix 2 lists the major examples of pure interregionalism
presence of only two actors these levels of relations tend to be based on more regular
meetings of officials, at all levels, with in many cases parallel civil society input. The
agendas of the hybrid and pure interregional relations can be more specific and directly
related to participant interests, making tangible outputs more likely.

The three different types of interregionalism elucidated above form what Hänggi has
termed "interregional relations in the wider sense" (quoted in Rüland 2002a: 2). It is
these three types of interregionalism which this thesis will address. All of the three levels
of interregionalism operate simultaneously as fora for meetings, summits, cooperation,
agreements, negotiations, institutionalisation, as well as also representing different
strategic options for actors. This again highlights the fact that interregionalism is as much
a level of relations born out of increased regional integration as it is a strategy to pursue
and react to. It is possible to put the key variables involved in the definition of an
interregional relationship into diagrammatic form, as follows:
This visual representation highlights the main criteria for the typology of an interregional relationship. The figure shows the three types of interregionalism that have been discussed in this chapter, with both the criteria for definitions as well as subsequent criteria that shape all interregional relations.

The top line addresses the membership of interregional fora, and how differing types and numbers of actors leads to the creation of different interregional relationships. The bottom line addresses the key differentiating factors for an interregional relationship that have been identified. Firstly there is the level of institutionalisation that a relationship develops, as each specific relationship will require institutional support. All types of
interregionalism develop some form of institutionalisation and it ranges from defined autonomous individual institutions to loose organisational structures such as virtual or rotating secretariats. The next two issues concern rules, firstly in the sense that they determine how binding agreements are to be, and secondly how wide the rules coverage is. These two issues are closely linked to the strength and depth of the relationship, as the rules of the relationship, and the existence and form of a Dispute Settlement Mechanism (DSM) are very important determining characteristics. Strong rules enforced by a DSM reveal strong long-term commitment, whereas weak and difficult to enforce rules reveal a lack of desire to commit and a lack of motivation in longer-term relations. The next issue is the scope of the relationship, which relates to the breadth of policy areas and initiatives that the relationship entails. There may be a very narrow focus on one area to the exclusion of all others, or there might be an attempt to broach multiple areas. The issue of scope brings into focus the balance of a relationship as it might be heavily weighted to one area, such as trade for example. The final point in the figure relates to the nature of the partners who are interacting, as this has a decisive impact on the relationship. This includes factors such as partner symmetry and counterpart coherence (Aggarwal & Fogarty 2004: 16). Symmetry relates to the extent to which partners have equal weight and standing in the areas that form part of the relationship, which is best understood through the notion of trade symmetry which defines how suited the two partners are to engage in trade negotiations. Finally the idea of counterpart coherence relates to notions of actorness of regional entities, based on the state of regional integration, in the case of both hybrid and pure interregionalism.

This section has identified the three main types of interregionalism that exist in international relations, explaining how the three types are defined and also the main criteria that are used to differentiate them. Each of these three types has arisen and evolved for specific and idiosyncratic reasons, something that this thesis will address in more detail in the empirical chapters. Having identified the main types of interregionalism that currently exist it is now important to address the motivations behind interregionalism.
Motivations

Understanding the reasons why, and the ways in which, actors enter into and sustain interregionalism is vitally important. Determining the motivations behind the initiation, expansion and adaptation of interregionalism has been the subject of keen academic and practical interest. The emerging literature in this area makes reference to the 'functions' of interregionalism (Rülund, 2002a, 2002b, 2002c, 2002d, Hetne, 2003 and Hänggi, 2000) which have been distinguished and documented. This chapter will highlight the main findings of the academic literature, but will do so in a slightly different manner. Instead of listing the functions of interregionalism in one section, this chapter will separate the analysis into two sections, firstly an assessment of the motivations and secondly an evaluation of the impacts and implications. This novel approach will be employed because the word 'function' can be misleading and not entirely representative of what it is describing. The demarcation between motivations and impacts is not often made when discussing the 'functions' of interregionalism and although the two sections will relate to the same concepts, they will separate between two fundamentally different areas. Such a distinction will allow a clearer understanding of interregionalism and its appearance as a level of international relations, and as a strategy for external relations.

As was noted in the context section of this chapter three main analyses of interregional relations have come to prominence. The perspective of each of these theories on the motivations of interregionalism will be approached here.

Balancing and Bandwagoning

This realist concept was predominantly used in international relations in terms of power balancing, principally in relation to military power, but in the post Cold War world its use has diversified. Power is now perceived not only in military but increasingly in economic and institutional terms (Rülund 2002c: 3). Balancing thus has to be understood in power, commercial and institutional terms, and all three will be addressed as motivations behind interregionalism.
Regional actors and nation states work in an environment of balancing, acting to maintain equilibrium or create leverage. New regionalism, in itself, is an example of balancing as regional groupings represent a response to multilateral and global developments as an attempt to increase presence and visibility. It follows from regionalism being viewed as a balancing phenomenon that interregionalism is also perceived as one. The key motivation is to balance out a threat (real or perceived) from another region, or country, such as by building a relationship to stop the advance of a competitor for example. For Hettne the foundation of this is within the triad as "relations within the Triad are rather tense, due to power balance concerns" (2003: 9), of which interregionalism is simply one of many balancing tools. In this view the core regions form relations with intermediate and periphery regions as part of a balancing game with other core regions. Simultaneously the intermediary and periphery regions place themselves in relations with members of the triad to increase their own position relative to other competing intermediary and periphery regions. This is encapsulated by Ruland, when he notes that "non-Triadic interregionalism may be instrumentalised by peripheral regions to adjust to the dynamics and changing power equation within the Triad" (2002a: 4).

Power balancing is thus now increasingly linked to mercantilist ideas of commercial advance and competition as well as control over international institutions (Ruland 2002c: 3). In this view balancing is for purely commercial reasons, to gain extra preferences, to protect from preference erosion and to open new markets. It must be made clear that the most important balancing motivation, noted in the literature, concerns commercial balancing, as actors try to gain economic advantages and leverages that their competitors do not have.

Closely linked to balancing is the concept of bandwagoning22, a related realist concept which describes the joining of regional or interregional initiatives so as not to be left out, or behind. In relation to regionalism this has been termed "domino regionalism"

22 Concept advanced by Walt (1987), although Ruland notes that "inter and transregional relations do not support Stephen Walt’s assertion that bandwagoning is a more common reaction of actors to changing power equations than balancing, there are nevertheless cases where bandwagoning has occurred" (2002a: 5)
(Baldwin 1993), and with a slight extension could become domino interregionalism. It is contended that actors in the international arena are sensitive and aware of developments and will not risk being left out for fear of losing their voice, prestige, market access or power. Balancing and bandwagoning are closely related concepts and can be related to interregionalism through the words of Rüland, when he notes that “inter and transregional fora may be regarded as pragmatic and flexible coalitions of regional players directed against others which are activated when need arises” (2002a: 4).

Whilst commercial balancing is, for realists, widely accepted as the most important motivation of interregionalism, there is a further type of balancing of importance. Institutional balancing, from the liberal-institutional school, relates to power, but power of, and in, institutions. The key element here is control, or influence, over international organisations where international rules, norms and conduct are decided (Rüland 2002a: 4). International organisations have developed a pivotal role in international relations and are the scenes of power struggles. As with power balancing the key element for institutional balancing is triad positioning and the subsequent readjustments intermediary regions make to change the dynamics of their relations. It is also true that in some cases institutional balancing can serve commercial power balancing in the extent to which the institutions advance purely commercial interests. By balancing institutions actors are able to balance access, information, coordination and potential for future action as well as use institutions to promote their norms and standards. Like power balancing, institutional balancing is a pragmatic and flexible coalition of regional actors directed, activated and used when needed with and against each other.

Balancing and bandwagoning are the key explanatory motivations advanced in the realist literature on interregionalism. It is also important to highlight the strategic nature of both of these motivations, as both are clear strategic options for actors to use.
The principal dynamic of interregionalism suggested by the institutionalist school of international relations is the need, and drive, to create institutions, summits, dialogues and some form of general coordinated policy to advance and stabilise international relations. As Hänggi notes, "liberal institutionalist approaches would highlight the need for cooperative efforts in order to manage complex interdependence on an interregional level" (2000: 8-9). Creating institutions to manage relations allows for greater contact, inter-linkages, trust and cooperation, and contributes to stability in international relations. Institution building is a process of progressive institutionalisation of international relations and interregionalism is seen as a logical extension of this trend. Interregional relations reflect the need to build a level of institutions between regional actors, and between them and the multilateral level. In this view interregionalism is born out of the need for institutions and institutionalisation to administer and regulate relations at this new level. Institution building and creation is a very important element for an interregional relationship, especially with regard to things such as dispute settlement and stability.

Institutionalisation is a tool to lock-in a relationship and set rules of conduct which both sides have to ratify and adhere to. There also has to be a clear and concise set of rules that lead to a smooth and transparent relationship, based on a mutual recognition of the agreed rules. Institutions subsequently administer and evolve these codified relationships, thus taking on an important role in international affairs. The motivation to lock in relationships and institutionalise them is the key dynamic of this institutional view of interregionalism.

By combining both the realist and liberal institutionalist visions it is possible to evoke a further potential motivation behind interregionalism, that of rival interregionalism. This, being a logical extension from rival regionalism (Van Scherpenberg & Thiel 2000), is where the main interregional actors use interregionalism to "export their values and concepts of order to other regions" (Rüland 2002a: 4). Interregionalism becomes an
institutional mechanism to export values, ideals and ideas. This proposal purports that by exporting their own institutions, values and norms each region is able to gain control of intermediary regions, to the detriment of other triad members. This motivation is particularly important for this thesis as it reveals a further potential strategic use of interregionalism.

An additional motivation of interregionalism is rationalising, which arises from the fact that multilateral organisations are clearly over-burdened and have been functioning at an ever slower pace (Rüland 2002a: 7). The GATT/WTO is a good example; Kennedy Round three years, Tokyo Round six years, Uruguay Round eight years. This slowdown only serves to reduce efficiency and legitimacy and also spurs members to solve issues at other levels. Global multilateral organisations, like the WTO, have had to deal with increasing numbers of countries, actors, complex issues and interests, which has inevitably led to slowdowns. Accordingly this dynamic, essentially a liberal-institutionalist (governance) approach, assigns interregionalism with a role in helping rationalise international relations by acting as a sort of "clearing house" (Rüland 2002a: 7).

The rationalising idea is expressed in two different ways, firstly that of a "multilateral enhancer" (Dent 2001) which stipulates that interregionalism is lost in a firmer more committed multilateral arena. A multilateral enhancer defers to the interests and competences of multilateralism, according to which interregionalism's prime purpose would be to fit alongside multilateral organisations as one of many support mechanisms working to strengthen and bolster it. Dent (2001) also details the reverse idea of a "multilateral distracter" which is a mechanism to bypass multilateralism by creating its own regime space within which a specific set of regionalised norms, regulations and rules are only in partial compliance with multilateralism. In this light interregionalism would become a zone of retreat when multilateralism slows. There is clearly an important distinction between creating a support mechanism and an entirely new regime space within which to interact. It will be important to assess the exact status of interregionalism.
The essential element of the rationalising argument is that interregional agreements can act as filters or supports for global organisations as and when needed. Of all the motivations for interregionalism this one remains the most theoretically derived and the one with the least empirical support in the academic literature.

One further motivation, closely related to rationalisation, fits into this section; that of agenda-setting (Rüland 2002a: 8). This explanation for interregionalism suggests that it serves to set global agendas, acting as a platform to build broad based coalitions in global fora. This suggests that creating a level of region to region dialogue allows certain policy areas and items to be subject to broad agreement and consensus, which can then be taken to the multilateral stage. Political dialogue is an important part of interregionalism and serves to build consensus and common positions, with the possibility of coordinating these positions for multilateral institutions. Much like rationalising, the agenda-setting motivation of interregionalism is very much theoretically derived.

**Collective Identity Building**

The third major motivation for interregionalism is drawn from constructivism and stipulates that the way regional organisations act and develop has an impact on other regions and their policy choices, not least in terms of their regionalism. The main thrust of this motivation is that interregionalism has been used to help solidify existing regional identities and groups, as well as to create and enforce new ones. Rüland suggests that "interregionalism may stimulate regional identity-building" (2002d: 10). There is debate as to whether this is in fact a motivation of interregionalism or an impact of its presence, and in essence it can be viewed as being both depending on the relationship and actors considered. The crux of the issue is whether interregionalism is considered as a state of affairs or as a strategy, as for the former collective identity building is an impact, and for the latter it is a motivation. For this reason collective identity building will be explored both here and in the next section, separating as best possible what can be deemed to be motivations and impacts.
In terms of a direct motivation of interregionalism, both Gilson (1998), and Hänggi (1999) have referred to the phenomenon of regionalism through interregionalism. This is the strategic pursuit of, and enforcement of, regionalism in world regions through the use of interregional relations. Support for regionalism in another world region can simply be through the act of interregional relations, but may also be through more material support such as financial aid, training, cooperation and assistance. In this sense interregionalism can be seen as a deliberate strategic attempt to strengthen regional integration around the world. Thus for collective identity building to be considered as a motivation there have to be actors strategically and actively using interregional relations to deliberately foster regionalism in partner regions. This practice represents a virtuous circle in the sense that interregionalism enhances regionalism, which in turn strengthens interregionalism. This particular issue will be explored in greater detail in chapter two in the analysis of EU interregionalism.

The potential motivations of interregionalism put forward in this section, thus far, have concentrated on what would be termed outside-in approaches. It is also very important to mention the relatively less used approach of inside-out analysis. Some authors (Aggarwal & Fogarty 2004, Faust 2002) have specifically used this form of analysis to determine the motivations of interregional relations. As yet this approach remains confined to single actor and single relationship studies and needs to be expanded before allowing wider assumptions and comparisons. This approach revolves around key internal variables that have the potential to determine interregional approaches, types, forms, contents and impacts. Aggarwal and Fogarty (2004: 7) put forward a number of internal variables. They specify interest group influence as a key determinant motivation of interregionalism, with the main struggle between free trade and protection lobbies. They also suggest there is an important motivating role of the central organs of government, which in their analysis is specifically of the EU. This approach will be used in an analysis of EU relations with Mercosur in Chapter four, at which point it will be expanded upon given that it is a more idiosyncratic framework for analysis.
The global political economy perspective of the motivations of interregionalism has highlighted the importance of the rationale and growth of regionalism. The attributes and motivations behind the new wave of regionalism were noted to be an important direct motivation for interregionalism. There are three principal motivations of interregionalism as expressed by the main international relations theories. Firstly realists argue that interregionalism is motivated by balancing (commercial, political and institutional) and bandwagoning, as actors attempt to advance their interests and curtail the advance of their competitors. Liberal institutionalism highlights interregionalism's main motivation as being a drive to create institutions to enhance international stability and relations. In this theory institutions are needed in international relations and interregionalism has been created to fill an institutional need and void. Institutionalism also advances the motivations of rationalising and agenda-setting, whereby interregionalism is able to filter multilateral relations and set their agendas. Finally constructivism puts forward collective identity creation as a motivation for interregionalism, whereby regional actors are using interregionalism to enhance their own and others regional cohesion and actorness.

This section has highlighted the principal and most widely advanced motivations of interregionalism. To fully understand interregionalism it is necessary to incorporate elements of all the aforementioned motivations, as each specific relationship will result from differing combinations of the above, all of which will change through time. Interregionalism, and its different perceived motivations, entails differing impacts and implications on individual and regional actors as well as on international relations in general, something the next section will address.

Impacts/Implications

The focus of this section is on the impacts and implications of interregionalism on specific actors, on parties to interregional relationships and on the broader global arena. The impacts and implications will be analysed through the same perspective as the motivations and thus split into the three core areas of balancing, institutionalisation and collective identity building.
To fully grasp the impacts and implications of interregionalism it is necessary to outline the different ways in which it can have an impact. First and foremost it has been understood as an outcome of the evolution of regionalism and the global environment, in that the proliferation of regional actors led to a situation where their interaction had become necessary. From this interregionalism, as a multifaceted concept, can be essentially understood as either a static level of international relations or as a dynamic strategy for external relations. Both of these understandings are valid and will be present to varying degrees in all interregional relationships, something that needs to be determined on a case by case basis. Interregionalism can be approached, understood and analysed from either of the above perspectives and both are important when assessing the perceived impacts of interregionalism.

Balancing and Bandwagoning

Balancing and bandwagoning are clear cut motivations of interregionalism as opposed to impacts of it, but nonetheless it is worth assessing the implications of these two motivations. It is necessary to assess on a case by case basis whether the creation of a new interregional relationship is motivated by the prior creation of another such relationship, and if there is thus evidence of balancing or bandwagoning. If it is assumed that either balancing or bandwagoning have been the main motivations of interregional relations then it must be recognised that this entails important consequences in terms of impacts and implications. If either of these two motivations dominates then institutionalisation becomes a mere secondary process and collective identity building a side-effect. Balancing is inherently short-term in nature, as actors adjust to ever-evolving circumstances, making interregionalism an unstable phenomenon. Alliances are given up, changed or adapted as situations necessitate, which makes the creation of rigid strong institutions a costly and unprofitable activity. As Ruland notes "if balancing is a key function of inter and transregional relations...this may explain why most inter and transregional fora have so far opted for soft institutionalisation" (2002a: 5). Balancing has little long-term need for deep institutionalisation, because as the circumstances surrounding interregional relations change there is no desire to be encumbered by costly
institutional investments. Low levels of institutionalisation would also persist because as power and interest equations change there may be a necessity for multiple memberships of international organisations, which makes it in many actors' interests to maintain such low levels of institutionalisation.

Institutionalisation/Rationalisation

Institution building is an important motivation of interregionalism with equally as important impacts and implications, albeit in need of further empirical backing. Institutions form part of every interregional relationship, but their form, strength, aims and shape differ according to the main motivations of the relationship. In this sense institutions are a direct implication of every interregional relationship and an omnipresent impact.

The last section noted that if balancing were to be considered the main motivation for interregionalism then institutions would be weak and secondary, altering according to needs and circumstances. As Lake (1999) has pointed out, the relationship between opportunity costs and governance costs is more important than institutionalisation per se, so if the governance cost of remaining within a relationship outweighs the cost arising from leaving the relationship then the temptation will simply be to leave. The opposite of this situation would be where institutionalisation was the main motivation, in which case institutions would be robust and long-term.

Aggarwal's work (1998) on bargaining and nesting is an important area to consider within the institutionalisation of interregionalism. When new institutions are created they must reconcile with existing ones, they must fit in with the current status quo as they need to be nested in hierarchical fashion. Any regime or institution is built to regulate an activity or activities, and if a new institution is to be created it is important to know if it will be nested or have parallel connections. A prime example from the trade sphere is that when new regional groupings are created they need to nest within GATT Article 24, or be
consistent with it, resulting in their positioning between national and multilateral levels. It is also clear from this that the role of multilateral enhancer is a more stable position than that of multilateral distracter.

A further impact of every interregional relationship would be expected to occur in the realms of rationalisation and agenda-setting, which were noted in the previous section to have been minor motivations. The creation of so many interregional relationships has the potential to have important rationalisation and agenda-setting impacts on notably the global system. In terms of rationalisation an increased number of coherent regional entities will reduce the number of actors at a discussion or negotiating table. Such a scenario will also create new agenda items because regional actors will have different needs and desires to single state actors. In this sense two potential impacts of interregionalism are of a reduced number of global actors and also a shift in agenda items to reflect the changing nature of the actors. Both of these impacts clearly depend on the number of coherent regional entities engaging in interregionalism, entities capable of replacing their member states in international relations. As such both of these potential impacts remain largely theoretical - something this thesis hopes to shed light on.

Collective Identity Building

Collective identity was seen to be a potentially important motivation of interregionalism if used as a coherent strategy to enhance regionalism. Collective identity creation and development can also be considered an impact of interregionalism, either as a result of direct strategy, or simply as a result of the overall process of interregionalism.

The ability to act at the interregional level requires greater intra-regional activity in terms of coordination and common position creation. There is good theoretical reason to assume that a positive spill over effect of interregionalism would be to increase intra-regional dialogue, action, institution and identity building. The impact of interregionalism

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23 GATT itself had to be modified to allow for the EEC to come into existence, the loophole that has since allowed regionalism to nest within the existing system

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is to create a need to unify regional positions and then implement decisions taken at the interregional level, which in itself requires greater internal cohesion, dialogue and exchange of information.

Interregionalism also helps to promote a strong sense of 'self' and 'region' which would otherwise not have been promoted. In recently formed regional groups interregional relations can help stimulate a specific and separate identity. Interregionalism is seen to be furthering the creation of collective identity and regional identity, by helping a region define its interests and what differentiates it from others, on which it can then build a 'self'. It seems to be the case that through the process of interregionalism collective identity will be enhanced, developed and expanded in some way.

One specific element of collective identity building is worthy of extended mention, that of actorness. An impact of interregionalism would be to help develop actorness on a regional scale, where actorness is defined as being identifiable and distinguishable from other entities through presence, coherence, autonomy and structure, leading to the development of aims and objectives and a means to achieve them. An actor must be able to make decisions, implement them and then monitor and evaluate their effects. Actorness is a powerful tool in international relations and interregional relations because the more coherent an actor is the more their position of strength in terms of capability and capacity, as weak actors will lack the ability to agree and execute actions. Actorness will also determine relationship potential as weak actors will only ever be able to sign up to soft institutionalisation and lower level relations with little common action and agreement. Bretherton and Vogler (1999) suggest five requirements for actorness; commitment to shared values, ability to formulate coherent policies, capacity to undertake international negotiation, access to policy instruments and legitimacy of decision process. The more these five elements are present the more there will be coherent actorness and hence ability to engage in interregionalism. Actorness can be achieved through a variety of internal means, including through inter-governmental cooperation if one strong state dominates. Collective identity building and actorness development are significant impacts of interregionalism with an important bearing on the future of interregionalism – the
more actorness regional entities are able to assume the more interregionalism will proliferate in a robust and long-lasting fashion. If interregionalism is used as a strategy its main motivation is to have a lasting and important impact on regional integration. In this case the actor carrying out the strategy can be termed an "external federator" (Hänggi 2000: 2), through which the impact on fostering regional development is much greater.

Interregionalism is an established and expanding level of international relations and an important external relations strategy, and as such necessarily has an impact on, and implications for, international relations and individual actors. This section has highlighted the extent to which motivations and impacts are separate but interlinked categories, and that the impacts of interregionalism will depend to a large extent on the motivations behind the actions. In this sense the use of interregionalism as a strategy is a vitally important motivation to understand given that it is predominantly used as such, and that it will have a specific set of impacts and implications.

Conclusions

The four sections on interregionalism have aimed to give an overview and analysis of its context, typology, motivations and impacts, in answer to the initial research question posed of interregionalism – ‘What exactly is interregionalism, and what does it offer international relations that other levels of relations do not?’ Whilst interregionalism has been given differing definitions, together they help form a specific picture that this chapter has endeavored to reveal. For Roloff interregionalism is a “process of deepening political, economic and societal interaction between international regions” which has both state actor and external influences (quoted in Doctor 2007: 287). Rüland is more detailed when he defines interregionalism as;

24 Appendix 3 graphically depicts the four principal areas of interregionalism in an 'Interregional Flow Chart'
"group to group dialogue with more or less regular meetings centering on the exchange of information and cooperation (projects) in specific policy fields (trade and investment, environment, crime prevention). It is based on a low level of institutionalisation" (Rüland 2002d: 3).

The appearance and expansion of interregionalism relates to the processes of globalisation and regionalism, with the latter as part of a wider response to the former. The birth of interregionalism in regionalism was noted to be particularly important because as more formal macro and micro-regions have appeared they have assumed stronger actoriness qualities and a willingness to engage in external relations, hence interregionalism has prospered. Hänggi concludes that "the causal factors of interregionalism, and of regionalism alike, are the ongoing processes of globalisation and regionalisation" (2000: 13). Whilst this origin in regionalism is crucial, interregionalism needs to be separated from regionalism, which Gilson says has been "regarded simply as a stepping-stone or body of resistance to globalization" (Söderbaum & Langenhove 2005: 257). Interregionalism is an important new level of interaction that needs to be considered in its own right.

Interregionalism is part of an evolving and dynamic system of international relations, born in, and driven by, relations between the triad through which it is exported to intermediary and periphery regions. Interregionalism has developed as a more formal and institutionalised relationship between regional actors which will have longer term consequences for global order. Current interregionalism is thus a synthesis of commercially motivated globalism and politically driven regionalism and is a long term trend which Hettne describes as a "non-linear and uncertain (trend) which will include setbacks and the outcome of which we can not know" (2004: 9).

Interregionalism is seen to have arisen not only as a level of relations, but also as a strategy for international relations, both of which are important. Interregionalism, in whichever form it manifests itself has elements of both given that it will have to start in strategic form and be implemented as a level of relations with institutions. Whilst these
two aspects of interregionalism are important, and need to be understood separately as well as together, the use of interregionalism as a strategy is the most important aspect of interregionalism to consider as it is the one that determines all the subsequent characteristics of interregionalism. It is from the strategic objectives that interregionalism is formulated, employed and implemented which leads to the series of impacts that it has on individual actors, regions and the global system.

From the differing circumstances, motivations and understandings of interregionalism certain different types of interregionalism have arisen which manifest themselves in manifold ways. Much controversy surrounds the theoretical underpinnings of interregionalism which are deemed to lack empirical backing. Söderbaum, Stalgren and Langenhove conclude that "although interregionalism is no novelty, it still needs to find its place in the research field" (2005: 377). It is also notable that there is also a lack of comparative empirical work to bolster the basic interregional theory.

The current mass of interregional relations, whilst all part of the same trend, manifest large differences, perform different roles, and offer different visions of the future. The three main types of interregionalism were analysed, and transregionalism was noted to be the latest development in the interregional trend, yet the most difficult to assess and evaluate. Transregionalism was seen to be a relationship between regional and state actors from any number of world regions, usually two, with wide membership and dealing with high-level strategic thinking. Hybrid interregionalism was noted to be the most predominant type of interregionalism because it is a relationship between two regional groups in two different world regions, where only one partner is a customs union. Pure interregionalism, the relationship between two customs unions in two different world regions, was considered to be the type of interregionalism with the most to offer as a robust level of international relations given the likely actoriness levels. Although there has been a recent increase in transregionalism there is no clear indication of which long-term direction the overall interregional trend is taking, but the plethora of regional entities that are developing around the world does point to an increased use of interregionalism in some form.
Consensus emerged from the literature that there are three main motivations behind interregionalism; balancing and bandwagoning, institutionalisation and collective identity building. Interregional literature, based on empirical studies to date, suggests that balancing and bandwagoning are the principal motivations for interregionalism. Rüland notes that balancing is the "least controversial" (2002d: 7) motivation. This implies that interregionalism is a policy strategy that actors employ in their external relations. This applies equally to power, commercial and institution balancing, all of which have been noted to occur. Power and commercial balancing and bandwagoning are pragmatic and flexible international strategies to advance a position in the international environment. They are important responses to political and economic allegiances within the wider international arena, but as with any allegiance or alliance they can be easily discarded or substituted when no longer needed.

Other motivations are attributed differing roles by differing schools of thought. Institutionalisation is seen to be the most important process of interregionalism, a process born out of balancing needs. Because of the perceived dominance of balancing as a motivation it becomes necessary to consider the other potential motivations as largely impacts and implications. The notable exception to this is the strategic motivation to foster regionalism through interregionalism, and this strategic use of interregionalism to create, enhance and impose regionalism on world regions forms part of the rival interregionalism motivation. The use of interregionalism as a strategy in international relations is a theme that will be continued in the next chapter on EU interregionalism, as references to a strategic use and rival interregionalism pertain directly to the EU. It becomes clear that the most important factor to understand is that the key motivation for interregionalism is different for each actor and each relationship. Despite that fact that the literature, to date, has accorded relatively more weight to balancing does not imply its existence or primacy for all actors or all relationships, nor does it imply its lasting domination.

In terms of the other perceived motivations, assuming the current predominance of balancing, it must be noted that rationalising has been largely theoretically deduced. At
the "Interregionalism in International Relations" (Rüland 2002a) conference in 2002 there was found to be only scant evidence of rationalising actually occurring leading to calls that; "more systemic research is utterly needed" (Rüland 2002a: 8). Faust suggests that interregional relations were merely second-best solutions for key international states, given that interregionalism succeeds only where multilateralism fails or slows (quoted in Rüland 2002a: 7). Although little evidence has, as yet, come to light there is consensus that rationalisation requires further empirical investigation, as there appears to be solid potential for it to actually play a role. It must also be noted that whilst, for the moment, interregional relationships rarely go beyond multilateral commitments, working within its auspices, the multilateral slowdown does grant great potential for rationalising to increase as a motivation for interregionalism, albeit on more of a distracter scale than as an enhancer. As agenda-setting is so closely related to rationalising, and equally as theoretical, it has also proved to be controversial and without sufficient empirical backing. Agenda setting (although relatively under-researched) is noted to be very rare and not of the order expected, with interregional relationships showing little enthusiasm for coordinated attempts to set multilateral agendas. Interregionalism does, however, provide a convenient platform for coalition building from where global issues can strongly be lobbied for.

When considering the impacts and implications of interregionalism it is necessary to take heed of the previous paragraphs on the motivations, where balancing and bandwagoning have been noted to hold primacy. Interregionalism is thus impacting international relations by its presence and spread, as all actors have to take notice of developments. Actors have to balance their external relations and bandwagon in response to activities of other actors. From this impact it becomes the case that institution building has been weak and not of the order expected by liberal-institutionalists. If the primacy of balancing is assumed then it explains the predominance of 'soft-institutionalisation' (Rüland 2002a: 6). The inherently short-term and flexible nature of balancing implies that alliances are changed as and when needs arise. This results in institutionalisation simply referring to a new level of policy making, as a process of interregionalism. It might be added that the current low levels of institutionalisation only pertain to the present global context, which
might in the future change in ways that encourage greater institutionalisation. It is not inconceivable that balancing could require greater institutionalisation at some point in the future.

Collective identity building has already been addressed as an important strategic motivation of interregionalism, within the rival interregionalism argument. Interregionalism necessarily impacts on collective identity building and actorness. Through the use of interregionalism as a strategy regional actors have to act with greater coherence thus creating incentives and needs for greater internal cohesion. If it is argued that a key motivation behind interregionalism is the fostering of regionalism the impacts on regional actors can be assumed to be even greater. If they are obtaining financial and technical assistance for regional initiatives then they are certainly increasing their actorness, regionness and ability to interact in interregional dialogues and international relations as a whole. The impact of interregionalism on collective identity building becomes importantly self-serving.

As interregional relations are so often soft and flexible in nature, as well as largely non-binding, their ability to represent a really strong building block for global governance and a middle ground between regional and multilateral levels of international relations has been questioned. A level of international relations driven and motivated by commercial balancing is inherently unstable and also subject to the volatility that balancing entails. Even with institution building as a process and impact, do the interregional institutions really strengthen the regional organisations involved in interregionalism? The fact that interregionalism is built on soft law and soft institutionalisation gives rise to fears over the long-term prospects for its success and has prompted the labels of "sunshine cooperation" and a "fair weather" phenomenon (Riland 2002a: 6), good whilst times permit but unlikely to survive in rougher circumstances. This is a criticism that has yet to be adequately dispelled and one that will only be answered with time. Despite these short-comings, the visible scepticism and lack of empirical support for key motivations and impacts of interregionalism, there remains great potential for it to play a role in international relations well into the future, and represent a strong building block in global
governance. Interregionalism can also serve as an important entry point for civil society, which is an essential pre-requisite to building lasting regional integration and international relationships. Political dialogue alone, if enhanced, can create more transparency in policy development and positioning which in turn enhances predictability for negotiations in global fora. Whilst interregional relations run the risk at times of being too superficial and adding too little genuine content resulting in suggestions they are symbolic gestures without any meaningful intent and consequences for the global environment, Hänggi concludes that “interregionalism appears to have become a lasting feature of the international system. It may be expected that a wide array of forms and types of interregionalism will continue to coexist, thereby further enriching (and complicating) the emerging multilayered system of global governance” (2000: 13). Interregionalism is certainly now established as one of the myriad policy and strategic options open to regional groups.

Söderbaum, Stalgren and Langenhove (2005: 378-9) outline what they consider as the five key research questions for the future of interregionalism, of which three are of specific interest to this thesis; 1) the need for more detailed research on why and how the EU promotes interregionalism; 2) an assessment of interregionalism in its own right and not as part of regionalism; 3) an analysis into what interregionalism is doing for multilateralism and for global governance. This concurs with Rüland, who finds that the current state of research on interregionalism falls short of the needed mark, when he says that “despite a growing number of studies on inter- and transregional fora a reasonably precise assessment of their contribution to global governance is still elusive” (2002d: 12). This thesis aims to make its contribution by analysing two specific aspects of the interregional debate. Firstly, the focus to date of interregional analysis has been heavily biased towards interregionalism as a state of affairs and as a level of relations, as opposed to a strategy, and this thesis intends to examine the tension that exists between these two approaches by analysing the EU strategic use of interregionalism. Secondly, interregionalism tends to only be dealt with in isolation as a level of relations, whereas it needs to be addressed as part of a wider strategy of international engagement, something that this thesis will also address. Chapter two will thus focus on these two key elements.
in an analysis of EU interregionalism through the second research question; 'How has the EU’s strategy of interregionalism manifested itself across the globe?'
Chapter 2: The European Union and Interregionalism

Introduction

Whilst the first chapter concentrated on the general phenomenon of interregionalism the focus of the work now shifts to the more specific case of interregionalism and the EU, notably to how the EU has pursued an interregional strategy. As mentioned in the introduction, and as noted in the last chapter, the EU has widespread and multiple external relations, but this chapter will focus specifically on EU interregionalism, placing it both within the context of wider EU external relations strategy and also that of general interregionalism.

The EU has embraced interregional dialogue and action for over thirty years as part of its external relations strategy, and continues to develop and deepen its usage far and wide. EU interregional relations have also expanded to cover, not only more regions and countries, but also more issues and interests. In the introduction the main research question related to the EU and interregionalism, and the basis for this chapter’s analysis, was: ‘How has the EU’s strategy of interregionalism manifested itself across the globe?’ This chapter will thus seek to explain exactly what the EU has done to promote a strategy of interregionalism, the type of interregionalism it has pursued and where it has done this. It is also worth recalling one of the key research questions highlighted by Söderbaum, Stalgren and Langenhove in their recent analysis of interregionalism: “more detailed research is needed on why and how the EU promotes interregionalism (and the reasons why it does not)” (2005: 378-9). This chapter will address all of these valid and complementary research questions by evaluating EU interregionalism, enabling conclusions to be made about a general class of EU interregional relations.
This chapter will evaluate EU interregional strategy by means of a comparative analysis of the EU’s main interregional relationships; with Asia, Africa and Latin America. The principal reason for this, as can be noted from the last chapter\textsuperscript{25}, is that the EU has concentrated interregional activity in these three regions. Within Asia the EU has had long-standing interregional relations with both ASEAN and ASEM, and moreover, given the increasing economic importance of the region, the EU has made it a priority. EU relations with Africa have always shown some form of interregionalism, from original EU-ACP relations through to the current negotiations for Economic Partnership Agreements (EPAs). Finally interregional relations with Latin America are extensive and active, as the EU interacts through the EU-LAC Heads of State Summit and with Mercosur, CACM and the Andean Community. Indeed Latin America is the most prolific region for EU interregionalism. In keeping with the classification of triad and periphery regions proposed by Hettne (2003), the EU’s three principal interregional relations are with periphery regions.

Having briefly explained which regions will be analysed it is important to address the ones that will not be analysed. There are three main world regions that have not been covered; North America, Eastern Europe/Mediterranean and the Middle East. The most obvious region that is not included is that of North America, for the simple reason that EU relations with North America can not be termed interregional in any sense. Relations are purely bilateral, e.g. EU-US and EU-Mexico, and the only regional entity in the region, NAFTA, is a Free Trade Agreement that in no way aspires to its own external relations. The EU in North America has no natural interregional partner, and given US dominance in the region the EU has little chance of creating one. In the Mediterranean region the EU has a complex set of relations, those encompassed within the EU Neighbourhood Policy and the Euromed Group. There are elements of interregionalism about these relations, especially the EU-MED dialogue known as the Barcelona Process, which would qualify as a hybrid interregional relation. As this is the only manifestation of interregionalism that the EU has in the region this chapter will not cover it, because the focus is more specifically on the type of interregional strategy that the EU applies to a

\textsuperscript{25} See also Appendices 1 & 2
region as a whole, and not simply to one single interregional relationship. It is a similar picture for relations with Central and Eastern Europe, where the EU has intense relations through the Neighbourhood Policy, but not with any groups that could lead to interregionalism. The EU does have an interregional relationship within the Middle East, with the Gulf Cooperation Council, which was started in 1989 with a Cooperation Agreement, but for the same reason as with the EU-Med relations this chapter will not cover it. The EU has not sought, or been able, to extend its interregional strategy to all world regions, and as Söderbaum, Stalgren and Langenhove suggest; “there are strategic reasons for not pursuing interregionalism everywhere” (2005: 373).

For reasons of coherence this chapter will follow a similar structure to that adopted in Chapter one, albeit with slight, but important, modifications. The first section will thus address the specific context of EU interregional strategy. The second section will address the typology of EU interregionalism across the three world regions with which the EU interacts interregionally, and draw some preliminary conclusions. The chapter will then address the three main interregional dialogues that the EU has with Asia, Africa and Latin America in turn. Within each of these self-contained sections the first element will be an analysis of the evolution of the interregional relationship, with a specific focus on the stated principles and strategy of the EU. The subsequent sections will look at the motivations behind and within the specific relationship and then the impacts of the relationship – with a focus on the EU, the partner region and the global system. Such a structure will allow a more solid grasp of EU interregional strategy, how it is expounded, how it has been pursued and translated into action and what it has delivered in concrete terms. This holistic and individual approach to the EU’s key interregional relationships will drive forward the overall analysis of interregionalism, taking it from the general approach in chapter one, and forming a more refined analytical framework for chapter three. This chapter will thus form key questions about EU interregionalism that the in-depth analysis of EU-Latin American relations, in chapter three, will take forward.
Context

The general context of interregionalism, as discerned in Chapter one, was essentially within the globalization/regionalism debate. This section will address the position of interregionalism within the more specific context of the EU and its external relations strategies and options. It was noted that as multilateral institutions, crucially the WTO, have slowed in their efficiency and delivery of results, the search for other channels to conduct relations has led many states towards RTAs. Within this evolving external environment, which the EU tries to shape and react to, the EU has important strategic policy options. An integral part of its response, for the last thirty years, has been to resort, if possible, to interregionalism. This embracing of interregionalism is part of a constant reviewing and restructuring of the EU’s dealings with third parties. Despite the change of channels or forum over time, the aims and objectives of EU external relations have remained broadly constant, as Romano Prodi noted (www.ec.europa.eu, accessed 12 November 2005):

“To expand and deepen relations with other countries and regions, the EU holds regular summit meetings with its main partners like the United States, Japan, Canada and, more recently, Russia and India, as well as regional dialogues with countries in the Mediterranean, the Middle East, Asia and Latin America. Although these relationships focused mainly on trade issues at the beginning, they have expanded over the years to cover investment, economic cooperation, finance, energy, science and technology and environmental protection as well as political matters such as the global war on terror, international crime and drug trafficking, and human rights.”

This quotation starts to touch on the extent, both in terms of issue scope and geographical coverage, as well the levels of interaction, of EU external relations. It is from these parameters that the debate concerning the EU’s role in global affairs takes shape. EU external relations are very important, not just for the EU but also for their partners and the world system, and the EU has constantly evolved its external relations according to

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26 The debate covers such issues as intentions and desires, impacts and implications, expectations and capacity, rhetoric and actions, structures and mechanisms, strategies and hierarchies etc.
circumstances and needs. The objectives of EU external action differ markedly, for example from steering countries and regions towards more democracy, sounder economic policies, sensible defense spending, respect for minorities, sustainable development, peaceful settlement of ethnic disputes, to plain commercial interests (Interview 5). The table below is an indicative introduction to the levels at which the EU can, and has, engaged in external relations with third parties:

**Figure 2-1 EU Strategic Policy Options**

<table>
<thead>
<tr>
<th>Strategic Option</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multilateral</td>
<td>WTO, UN, Criminal Court of Justice</td>
</tr>
<tr>
<td>Plurilateral</td>
<td>WTO Government Procurement Agreement</td>
</tr>
<tr>
<td>Continental</td>
<td>EU-LAC, EU-Africa, ASEM</td>
</tr>
<tr>
<td>Regional</td>
<td>EU-Rio Group</td>
</tr>
<tr>
<td>Sub-regional</td>
<td>EU-Mercosur, EU-ASEAN, EU-GCC, EU-CACM</td>
</tr>
<tr>
<td>Bilateral</td>
<td>Non-reciprocal: GSP (EBA)</td>
</tr>
<tr>
<td></td>
<td>Reciprocal: FTAs, Customs Unions, Cooperation Agreements</td>
</tr>
<tr>
<td>Unilateral</td>
<td>EU-level independent action</td>
</tr>
</tbody>
</table>

*Source: Glania G. & Matthes J. 2005 OWN Creation*

This indicative table represents a picture of the strategic options that the EU has for interacting with third parties across the trade, political, cooperation and development/aid agendas. Each level offers the EU separate tools for achieving differing goals, and at each level the EU has distinct powers and capabilities (both internal and external) which is why it uses a combination of all the options. At the head of the table is the multilateral
level, exemplified by the WTO which is a rule-based organisation that binds its one hundred and fifty members into trade rules. The WTO represents all that is positive in multilateralism as it is able to bind one hundred and fifty countries into reducing protection and increasing world trade. The WTO also encapsulates some of the negative features of multilateralism because as membership has grown the issues covered have proliferated and its ability to act has slowed dramatically. Whilst the multilateral level is the EU’s preferred level of interaction, given the large potential gains and the similarity of the rules-based institutions, it is not the only level at which the EU interacts.

The second option is the plurilateral level, at which a large number of countries undertake a joint agreement. An example is the WTO Government Procurement Agreement which was signed by twenty eight countries in 1994. This level of relations is used mostly for sectoral initiatives, within wider multilateral fora where not all members want to lock-in a policy. The next three levels in the table represent transregionalism and interregionalism. They reflect the three levels analysed in the last chapter, continental/sub-continental, regional and sub-regional. Of all the policy options in the table these three levels are the most recent additions.

Finally the table presents bilateralism and unilateralism as policy options. Bilateralism has two distinct categories; reciprocal and non-reciprocal. The latter is exemplified by the GSP system, initiated by the EU in 1971, which allows developing countries unilateral, non-contractual and non-reciprocal preferential access to the EU market. The EU also has the option of using reciprocal bilateral agreements with countries that are able to reciprocate. The thesis will take an analysis of bilateralism into more detail, alongside the pursuit of interregionalism, in later chapters. EU reciprocal bilateral relations would usually be in the form of an FTA, such as EU-Chile, EU-South Africa and EU-Mexico although it can also be through a Customs Union where there is an alignment of external tariffs, for example EU-Turkey. Finally there is the possibility of a Common Economic Area, such as with the European Economic Area, where there is an additional alignment

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27 150 at the time of writing in June 2007 (www.wto.org, accessed 19 June 2007)
28 Smaller than the number of WTO members but larger than most inter and transregional relations
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\textsuperscript{27} 150 at the time of writing in June 2007 (www.wto.org, accessed 19 June 2007)
\textsuperscript{28} Smaller than the number of WTO members but larger than most inter and transregional relations
of rules and technical standards. The last strategic option open to the EU is to act unilaterally, which happens mostly in the economic realm - specifically with regard to tariffs. Overall the figure presents the broad spectrum of strategic options open to the EU in external relations, as well as simultaneously situating interregionalism as one of many other options.

All of these levels have been used, in varying combinations, by the EU to address different issues at various times. One of the great theoretical appeals of interregionalism is the fact that it does not directly interfere with the other strategic options, offering in fact an effective framework within which many of the other strategic options can nest. The previous quote by Romano Prodi reveals how every level of external relations has expanded to cover more issues outside of the trade realm. Guy Verhofstadt, then Belgian Prime Minister and President of the European Council, took the interregional possibility to its most logical conclusion, suggesting the G8 system be replaced by a more interregional system: "we need to create a forum where the leading continental partnerships can all speak on an equal footing: the EU, the African Union, the Common Market of the South (Mercosur), the Association of Southeast Asian Nations (ASEAN), the North American Free Trade Agreement (NAFTA) etc" (Söderbaum & Langenhove: 250).

The appeal for partner regions of entering into interregional dialogue specifically with the EU, whilst varying from region to region, has been primarily the ample reward of the EU being the largest donor of aid in the world, an important world political player and a dynamic market of 455 million consumers with whom to trade. As EU external relations have expanded and deepened new mechanisms and frameworks to deal with them have been sought. Interregionalism "has turned out to be one of the most attractive frameworks for both the EU and third countries to meet their respective foreign policy interests" (Regelsberger & Alecu de Flers 2005: 317). Indeed the concept of interregionalism fits very aptly into the EU's vision of international relations given its status as the world's largest regional grouping. Whilst noting this interregional trend and
development it is important to underline that the EU has always maintained a strong and firm commitment to multilateralism, which it reiterates is its prime channel for relations:

"Europe's approach to international relations is taking shape. We have chosen the path of multilateralism, not unilateralism. We want to use the force of ideas and persuasion, not coercion. We have moved a long way from the "reasons of State" and from the realpolitik that we ourselves invented. Our concept of power is the power of rules. We reject the idea of going it alone or the absence of any framework of reference."


"We face major challenges like managing globalisation to our advantage, defending our position in the world in the face of increasing international competition, and securing the current rule-based, multilateral international order for the future" (Benita Ferrero-Waldner 2006a: 1)

"Without being exclusive, or ruling out bilateral initiatives, I believe it is right for Europe's first loyalty in trade policy to be to the WTO and success of the Doha round. We have a profound commitment to its success. We have shown again and again – without recognition – that we are prepared to pay to keep the multilateral system on track" (Peter Mandelson 2006a: 2)

This vision of the EU's approach to international relations, whilst underlining the primacy of multilateralism, does not in any way contradict the advance of interregionalism. It simply implies that multilateral principles underpin interregionalism, which is obliged to operate within its confines and parameters. This multilateral approach is indeed very amenable to interregionalism, suggesting "power of rules" and "framework of reference" as key issues, and Commissioner Mandelson makes specific mention of not being "exclusive". It also leaves open the possibility of developing different strategies for different needs. Indeed whilst proclaiming multilateralism above

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29 This effectively equates to the nesting that Aggarwal has investigated. For more on this subject see Aggarwal 1998
all else the EU has undergone an impressive expansion of its interregional relations. It is, however, clear that the EU has multilateralism, and all its implied principles, at the core of its external relations. Indeed this view is one that is often reiterated by key Commission officials in their speeches, as noted above by current Commissioners Ferrero-Waldner and Mandelson.

Interregionalism is thus consistent with both the EU’s global/multilateral commitments and its regional basis and ambitions. Whilst maintaining multilateralism as a priority, EU external relations have developed in such a way that it has become common to note the EU exporting its so-called ‘regional model’. Romano Prodi, whilst President of the Commission, suggested that: “The Union should promote across the world its model for managing relations between countries. For the countries around us, we are proposing a Neighbourhood Policy, which seeks to extend to the whole of Europe the model of peace, democracy and prosperity that are the hallmarks of the Union” (www.ec.europa.eu, accessed 27 February 2006). This model, that Prodi suggests might be exported, is one that is now being used in relations across the globe and is the basis of the EU interregional strategy. This strategic export of regionalism was confirmed by various Commission interviewees who all expressed this very same sentiment (Interviews 1, 2, 5 & 7). In a different speech Prodi advocated that “Europe can only play a leading role on the world stage if it is able to offer a robust political proposal for a more effective and democratic international architecture” (www.ec.europa.eu, accessed 27 February 2006). Finally Pascal Lamy in 2000, whilst EU Trade Commissioner, said that one of the keys to EU external relations was “creating institutions of global governance that can mediate as well as mitigate” (www.ec.europa.eu, accessed 27 February 2006). These quotes reveal quite clearly the basis on which the EU has expanded its interregional strategy, as it has been seeking a viable model through which to export its own values, rules, norms – in short its own model of regional integration. Interregionalism has proved to be the most suited vehicle through which to do this.

Just as crucial is the fact that interregionalism builds on inherent EU strengths and unrivalled experience, as it is based on regionalism. The EU is the world leader in it’s
interaction between partners based on dialogue and negotiation in multiple areas, underpinned by rule-based outcomes and it is clear that interregionalism is a concept that fits extremely well with the EU, and one that has been adopted in a very enthusiastic manner. Interregionalism plays to EU strengths at a variety of different levels, but most importantly at both institutional and normative levels, that is to say it fits the EU’s conception of itself. In addition to these factors the interregional framework offers the EU the possibility of dealing with its partners in a more efficient manner. The efficiency factor should not be under-estimated, as the EU has to deal with every country in the world. The explicit and implicit support for regionalism that stems from increased interregionalism is something that the WTO also supports, as is clear from the November 2001 declaration of the fourth WTO Ministerial Conference, “regional trade agreements can play an important role in promoting the liberalization and expansion of trade and in fostering development” (www.wto.org, accessed 25 March 2005). Interregionalism is thus theoretically compatible with the current system of global governance, the EU’s own identity and strengths and also the multilateral arena – a positive and powerful combination.

The EU has always been a dynamic force in international relations and more recently in transregional and interregional relations. The EU has widely been credited with having developed the concept of interregionalism in its international relations with Latin America, East Asia, and Africa. Even if the EU is not fully responsible for having actually developed interregionalism per se, it is certainly, now, the most active interregional actor and proponent. “The importance of the EU in this process can not be overstated. In many ways contemporary interregionalism is triggered and promoted by the EU” (Söderbaum, Stalgren & Langenhove 2005: 377). Edwards and Regelsberger note the growth of EU interregional dialogue in the mid-1970s with the Euro-Arab Dialogue and cooperation with the ACP Group, which was followed later by agreements with Mediterranean countries (1990: 4). The extension of this new approach to Asia was in the form of EU-ASEAN relations and their cooperation agreement in 1980 – which is widely taken to be the forerunner of modern day EU interregional relations. European
regional and interregional designs have often been, for better or worse, copied the world over.

Mapping EU Trans/Interregionalism

As identified in the last sections the EU is involved in a large number of interregional dialogues. Not only does it have interregional relations with differing regions of the world, but it also has two or more simultaneous interregional dialogues within the same region, notably in the regions to be analysed in this chapter; Asia, Africa and Latin America. Also mentioned in the last section, each interregional dialogue is a specific relationship born out of specific circumstances to serve specific purposes, which has given rise to many differing results. In the interest of furthering the understanding of interregionalism it is necessary to map the main interregional relationships of the EU:

Figure 2-2 Main Transregional & Interregional Relationships of the EU

<table>
<thead>
<tr>
<th>Transregional:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEM (1994)</td>
<td></td>
</tr>
<tr>
<td>Europe - Latin America Summit (1999)</td>
<td></td>
</tr>
<tr>
<td>EU - Africa Summit (2000)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hybrid Interregional:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EU - ASEAN (1980)</td>
<td></td>
</tr>
<tr>
<td>EU - GCC (1989)</td>
<td></td>
</tr>
<tr>
<td>EU - SAARC (1994)</td>
<td></td>
</tr>
<tr>
<td>EU - SADC (1994)</td>
<td></td>
</tr>
<tr>
<td>EU - MED (1995)</td>
<td></td>
</tr>
<tr>
<td>EU - Rio Group (1999)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pure Interregional:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EU - CACM (1993)</td>
<td></td>
</tr>
<tr>
<td>EU - Mercosur (1995)</td>
<td></td>
</tr>
<tr>
<td>EU - CAN (1996)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own Creation adapted from www.ec.europa.eu (accessed 1 December 2007)

30 For a more detailed list of all Transregional, Hybrid Interregional and Pure Interregional relationships see Appendix 2
The figure above outlines all the interregional relations in which the EU is currently engaged. From this, which shows only the start date of relationships, the geographical regions concerned and the type of relationship, it is possible to advance some preliminary observations about EU interregionalism.

In terms of the start date, two things stand out clearly – the first is that EU interregionalism expanded mostly from the mid-1990s, which highlights that interregionalism is still a relatively new phenomenon. The second factor related to the start date is that amongst the types of relations transregional were formed later than the others. They were created after the pure or hybrid interregional relations in their region. This creation of transregional relations, in all cases within regions already having other interregional relations, is a theme that requires further investigation as part of the overall interregional trend. This later emergence of transregional alongside interregional relations poses the question of whether they replace them or serve different aims and functions.

The geographical coverage reveals that three regions predominate in the interregional trend; Asia, Africa and Latin America. These three regions all have pure or hybrid interregionalism and transregionalism simultaneously, and it was seen that the majority of relations are currently hybrid interregional. This fact is purely related to the EU’s partners, and their respective levels of regional integration. If pure interregionalism were an overall objective, it would be expected that the EU would encourage its regional partners to advance their own integration to the point of becoming customs unions, thus allowing relations to be reclassified as pure interregional. The EU’s pure interregional relations are all focused in Latin America due to the presence of three customs unions in that region. Transregional relations only deal with three regions; Asia, Africa and Latin America.

Whilst this list of EU interregional relations reveals their geographical coverage, their start date and their typology, it does not account for their aims and objectives or their content and structure. It is possible to see the extent of EU interregionalism but it does not help answer the question of what the EU is trying to do and how it is trying to do it. In terms of EU strategy it appears clear that the EU has chosen to employ
interregionalism in three ‘distant’ world regions using a combination of both transregionalism and interregionalism. Given the preliminary observations that it was possible to make from the above figure, the next section will concentrate on the three key regions with which the EU has wide-ranging and multiple interregional relations. It will focus on a comparative analysis of Asia, Africa and Latin America.

**EU - Asia**

**Mapping EU - Asia Trans/Interregionalism**

**Figure 2-3 EU - Asia Trans/Interregionalism**

EU relations with the Asian region are often considered as the genuine forerunners of the interregional movement, and have been viewed as blueprints for further EU interregionalism, as Rüland notes; “ASEAN-EU relations have been spearheading this novel trend” (2001: 4). Analysis of EU interregional objectives and intentions with the Asian region will necessarily focus on how the EU came to be interacting with the main constituent elements of the table above, namely ASEM, ASEAN and SAARC. It is,
however, already interesting to note that the two largest and most powerful states, economically and politically, in the Asia region, whilst both being involved in at least one of the interregional fora\textsuperscript{31}, have specific bilateral dialogues; strategic partnerships. This fact immediately reveals that the EU is willing to deal bilaterally if the partner merits the special attention. This strategic choice also suggests that bilateralism is the EU's favoured policy option for partners of a certain economic and political size, leaving interregionalism as a mechanism to rationalise and operate relations with several secondary partners at once. This theme of the EU's preference for strategic bilateral relations with key nations in the three regions under analysis will be expanded upon further, in due course, as it occurs in all three regions.

EU interregional strategy in the region can be traced specifically back to relations with ASEAN, which started in 1978 (http://www.europarl.eu.int/facts/6_3_12_en.htm, accessed 19 November 2006). The initiative of EU-ASEAN relations was that of Hans-Dietrich Genscher, then German Foreign Minister and Claude Cheysson, then European Commissioner, and was an ambitious one as, in the words of Regelsberger & Alecu de Flers, they "wished to promote (it) as a new model for both a consistent European foreign policy and the future of the international system" (2005: 322). The EU was establishing contact with ASEAN as an existing regional grouping in 1978, contact that evolved into a cooperation agreement in 1980 (http://www.aseansec.org/1501.htm, accessed 19 November 2006). Of the nine Articles in this very first interregional agreement, the first two concern commercial issues, the third economic cooperation, the fourth development cooperation and the fifth the creation of a Joint Cooperation Committee (JCC). The EU and ASEAN wanted primarily to increase and promote mutual trade, and to monitor this they set up the JCC to assess progress as well as establishing that ministerial meetings were to take place every two years.

From the 1980 Agreement it was some time until the next interregional developments, which came with the first explicit Asia region strategy in 1994, when the Commission published its Communication entitled "Towards a New Asia Strategy" (European Commission 1994b). This strategic document outlines four "overall objectives" with

\textsuperscript{31} China within ASEM, India within SAARC
Asia, as part of the key idea of modernizing EU relations with the region, as being to "strengthen the Union's economic presence in Asia", to "widen and deepen its political and economic relations with the countries in Asia", to "promote economic development" and finally to "contribute to the development and consolidation of democracy and the rule of law, and respect for human rights and fundamental freedoms" (1994b: 2). The focus, as with the ASEAN cooperation agreement, is firmly on commercial and economic elements, although political criteria have been added in this Communication. The insertion of democracy and human rights are important to underline because they are representative of the EU's gradual placement of normative values in agreements. To achieve these aims the EU noted certain key priorities which were to "strengthen the Union's bilateral relations with individual countries and regions in Asia", to "raise the profile of Europe in Asia", to "support efforts by Asian countries to cooperate at the regional and subregional level such as the ASEAN regional forum", to encourage Asian states to play "a more active role in multilateral actions", to foster an open and conducive EU-Asian business environment, to help Asian countries integrate into the "market-based world trading system" and finally to "contribute to sustainable development" (1994b: 2-3). At this stage the EU was clearly trying to increase its contacts at all levels and on a variety of issues, most notably in trade and commercial terms. It notes that "the EU's strategies will also cover relations with regional groupings such as the ASEAN and SAARC" (1994b: 11) and that ASEAN is recognized as a "cornerstone of dialogue with the region" (1994b: 12). The strategy paper also makes reference to certain other key facets of EU aims, such as, "dialogue of equals", "maintenance of an open rule-based world trade system", "clear consultation and dialogue" even going so far as to note that "a consensus approach...will feed into inter-regional initiatives and smooth the path for work undertaken at the multilateral level" (1994b: 11).

In 1996 the Commission published a Communication entitled "Creating a New Dynamic in EU-ASEAN Relations" (1996c) which continued the importance accorded to ASEAN in the 1994 document. It was also, in effect, the first Commission strategy paper dealing specifically with ASEAN, and the first strategy for the group since the EU-ASEAN cooperation agreement of 1980. This strategic document announced that "relations
between ASEAN and the Community have changed radically since the signing of the 1980 Agreement. In 1980 our relations were conducted on a donor-recipient basis. Today we have a relationship which is characterised by balanced trade, the development of investment and greater economic co-operation. The scope and objectives of our 1980 agreement are limited” (1996: 8). The document proposed a new co-operation agreement, to update the 1980 agreement and redress the changed relationship, but this was not ratified by the Council, leading to an impasse in the relationship with ASEAN.

This impasse, and other reasons\textsuperscript{32}, gave rise to the creation, in 1996, of the Asia-Europe Meeting (ASEM). ASEM had a much wider membership than the EU-ASEAN relationship, hence its classification as transregional. The first meeting was held in Bangkok in 1996 where the three pillars of the relationship were outlined - political, economic and cultural/intellectual. ASEM, according to the EU website, represents an “informal process of dialogue and cooperation” (http://europa.eu.int/comm/external_relations/asem/asem_process/backg_process.htm, accessed 1 December 2006). This is echoed in the key characteristics that the EU attributes to the process; “its informality...its multidimensionality...its emphasis on equal partners” (http://europa.eu.int/comm/external_relations/asem/intro/, accessed 1 December 2006). The aims enunciated in the original Bangkok meeting stressed sharing concerns, common visions, peace and stability, economic and social development, strengthening the Asia-Europe relationship and maintaining dialogue. In terms of how to follow up from the first ASEM meeting the Chairman’s Statement declared that “intersessional activities are necessary although they need not be institutionalised” (1996: 1). ASEM thus became a summit driven relationship with Heads of State gathering every two years. It also has an important ministerial level, notably finance, foreign and economic ministers, who meet on an annual basis. There is also a third level, that of senior officials who also meet on an annual basis for discussions. Also of importance, was the creation, in 1996, of the Asia Europe Business Forum (AEBF), a strategic creation to get an integrated business body to represent interests, input into the policy process and perform networking. It was the first open channel in interregionalism for the

\textsuperscript{32}These reasons will be discussed in more detail in the next section
participation of civil society, albeit a rather limited opening. The process can be represented as follows:

**Figure 2-4 ASEM Structure**

The ASEM Structure

![ASEM Structure Diagram](http://www.tni.org/asem-offdocs/structure.pdf) (accessed 1 June 2007)

33 This was the first direct and specific civil society channel, although sections of civil society had previously been involved in relations through their influence on various actors.
ASEM rapidly became the driving force in relations with Asia, which can be witnessed in the publication, in 1997, of the Commission Working Document entitled “Priorities and Perspectives for the ASEM Process” (European Commission 1997). This document refers to the fact that the ASEM process has got “off to a running start” and brings attention to the fact that “the ASEM process can not be seen as a substitute for other bilateral and multilateral fora linking Asia and Europe. ASEM should primarily function as a catalyst for achieving mutual understanding and enhanced awareness through dialogue”. It then highlights the strength of ASEM as being in its “informal nature, its high-level participation and its multi-dimensionality” (1997: 2).

The EU made it clear that the ASEM was a valuable tool for strategically overseeing relations with Asia as a whole, and that ASEM would not substitute more detailed regional relations. As part of this strategy the EU published an updated Asian Strategy, in 2001, called “Europe and Asia: A Strategic Framework for Enhanced Partnerships” (European Commission 2001). This new updated framework aimed for a “balanced strategic approach for its relations with Asia in the coming decade” (2001: 5) through six key dimensions that it identified as:

“strengthening EU engagement with Asia in the political and security fields, strengthening EU-Asia two-way trade and investment relations in both directions, contributing effectively to reduce poverty in the region, helping promote the spread of democracy, good governance and the rule of law across the region: in turn building global partnerships with key Asian partners (in combating global challenges as well as in international organisations), and promoting further the awareness between the two regions” (http://europa.eu.int/comm/external_relations/asia/news/ip01_1238_en.htm, accessed 2 November 2006).

It is quickly possible to note the similarity to the objectives of the 1994 strategy, although the primacy of the commercial/economic angle seems to have been diluted by increased security and development issues. The increasing message of previous Communications, that diversification was needed in relations, was made explicit by the then Commissioner for External Relations, Chris Patten, when he noted that it was crucial to “recognise the
essential diversity of Asia and the Asia-Pacific region" and that the focus should be on "carrying forward our dialogue and co-operation with individual countries, regional groupings, such as ASEAN, and in the inter-regional dialogue in the Asia-Europe Meeting process" (idem.).

The strategy towards Asia focused on overall priority areas for action\(^{34}\) to be driven through all levels, but mostly through the ASEM channel. It was also based on the need to differentiate and take forward other issues at bilateral and sub-regional levels according to needs and capacities. The Communication made the new EU strategies for Asia’s subregions, as distinct from the region itself, the new keys to success. It actually separated them into South Asia (SAARC), Southeast Asia (ASEAN), Northeast Asia and Australasia. The Communication acknowledges that "in contrast to the EU’s relations with Latin America or with the Mediterranean or ACP countries, there is no one inter-regional forum in which Europe and Asia interact" (2001: 25). As a consequence of the 2001 strategic direction the Commission published, in 2003, its 'New Partnership with South East Asia' for its relations with ASEAN. This document aimed to "revitalise" relations with ASEAN through six key areas; supporting regional stability, human rights, democratic principles and good governance, justice and home affairs issues, regional trade and investment, poverty reduction and finally in intensifying specific area dialogue and cooperation. The foundations for relations with ASEAN are noted to be "stronger common interests – economic, political and security", as well as being based on "values and features shared by the two regions" (2003: 6). Of note is one of the "key components" of the 2003 Communication, the creation of TREATI – a framework for dialogue and regulatory cooperation with ASEAN countries to enhance trade relations (2003: 3-4). The TREATI framework is based on bilateral initiatives, allowing the EU and individual ASEAN partner countries to deepen cooperation in mutually beneficial trade areas, thus strengthening bilateralism within interregionalism.

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\(^{34}\) Such as peace and security, mutual trade and investment, poverty reduction, democracy, good governance and rule of law, partnerships and alliances on global issues and promotion of mutual awareness and knowledge.
Finally, in the July 2003 publication entitled “New Partnership with South East Asia” the European Commission announced a more flexible approach towards ASEAN. This new approach more explicitly opened the door to the possibility of deeper bilateral agreements with ASEAN member countries. The objective of this was to advance relations with key members of ASEAN, as part of a drive to update relations with the region which were still governed by the 1980 EU-ASEAN agreement. The emphasis on the regional level had not been removed but the EU was now explicitly stating its willingness to advance through other channels should the need arise. Then external relations Commissioner, Chris Patten, emphasised that “today's Communication sets out a flexible strategy for deeper co-operation with individual countries within a regional framework” (http://ec.europa.eu/external_relations/asia/news/jp03_961.htm, accessed 2 November 2006). This was a move towards creating a new structure for relations, one with a more bilateral focus, but importantly within an overall regional approach. The maintenance of a regional framework is in order to keep coherence between agreements and also to avoid any issues that might hinder the development of EU-ASEAN relations.

It is important to note that as yet in the analysis of EU interregional strategy in Asia detailed mention has not been made of SAARC, which appears in the figure at the start of the section. This is because the EU has not put together a detailed strategy paper for SAARC, or its region – South Asia, as proposed by the 2001 Communication. The EU does meet with SAARC and is involved in helping with their integration process, but it is noteworthy that the EU has important bilateral agreements with the key member states of SAARC, primarily with India. SAARC has existed since 1985 but the EU has chosen not to deepen its relations with it. Both sides have, however, “affirmed interest in strengthening links” (http://europa.eu.int/comm/external_relations/saarc/intro/index.htm, accessed 2 November 2006). The EU has explained this lack of further cooperation with SAARC as being due to their lack of integration (Interview 1).

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35 As of 31 July 2007 the Commission had not presented a Strategy Paper
36 EU relations with India are based on the 1994 third Generation Cooperation Agreement. The Commission is currently working on upgrading relations with India to a Strategic Partnership
EU strategy towards Asia has shown marked flexibility as the EU has tried various approaches to deal with the region. Overall the two key elements of EU interregional strategy in Asia are ASEM and EU-ASEAN. In these two relationships the EU has complementary frameworks for relations with Asia. The EU strategy has shown certain tendencies, or key features, which can be summarised as follows:

**Figure 2-5 Key Features of EU - Asia Trans/Interregionalism**

| 1. | Emphasis on diversified relations – especially from mid-1990s |
| 2. | Transregional relations through ASEM do not cover the entire region |
| 3. | Agreements all carefully couched in multilateralism |
| 4. | Increasing inclusion of normative values e.g. democracy and good governance, but these are always subservient to economic aims |
| 5. | Transregional relationship created after interregional relationship, to serve different needs |
| 6. | Relations with regional groups axed mostly towards economic liberalisation |
| 7. | Use of ‘partner’ creation and enhancement as well as interaction with existing partners. EU helped regional groups |
| 8. | Trade the core of all relations |
| 9. | Low institutionalisation of all relations in Asia, with flexibility as a key issue |
| 10. | Relations driven by Summits, ministerial, ambassadorial and senior official levels |
| 11. | Development of a three pillar approach: Economic, Political, Cooperation |
| 12. | Evolution to a notion of balanced relations with a partner |
| 13. | Willingness to negotiate/cooperate bilaterally with special partner states |
| 14. | Move towards enhancing bilateral relations, but if possible within an interregional framework |

Source: Own Creation

**Explaining EU - Asia Trans/Interregionalism**

The first section of this chapter noted that EU interregional relations have been present in Asia for longer than in any other region, and also that Asia was the first region to develop a transregional relationship with the EU, in tandem with its interregional relationship. This section will address the motivations that have led the EU and Asia to interact as they have on trans- and interregional levels, principally by analysing official EU documents,
interregional agreements and Commission speeches. EU motivations and their manifestation in EU strategy will form the key element to this section because the EU is the dominant partner in the relationship, and as such is the one that establishes contact, builds the agreements and relationships as well as inputting the instruments and institutional support. It will, however, remain important to analyse the motivations of the Asian region in accepting, or declining, to pursue interregional relations with the EU.

It seems very clear, from the literature, actions, agreements, analysis and context that the main EU motivation for relations with Asia, be it through ASEAN or ASEM has been economic, a desire on the behalf of the EU to increase trade and investment with Asia. "There is one clear core objective to guide the future development of EU-Asia relations into the coming decade: we must focus on strengthening the EU's political and economic presence across the region, and raising this to a level commensurate with the growing global weight of an enlarged EU" (European Commission 2001: 15). A core element in the commercial drive, or business engagement in Asia, has always stemmed from the European business community. As Hänggi, who identifies EU-Asian relations as the "weak side" or "missing link" within the Triad notes; "the transnational business community took the first step in calling attention to the weakness of the Asia-Europe side of the new triangle" (1999: 61). The EU has primarily sought to engage Asia commercially, driven by key business interests. As part of this strategic economic drive, since the mid-1990s onwards, the EU has shown a willingness to alter the channels it uses to engage its partners in Asia.

EU-ASEAN was the first interregional relationship between the EU and Asia, as well as one of the EU's very first group to group relations. From the very beginning the focus was firmly on trade and commercial cooperation, which was visible in the original cooperation framework that prioritised trade cooperation, economic cooperation and development cooperation. Despite the wide-ranging potential, and years of existence, EU-ASEAN cooperation has failed to establish a special relationship between the partners, as the wording of the agreement and subsequent ministerial meetings have remained vague, representing mere expressions of intent and general principles, and not
concrete actions. Despite EU offers and suggestions, explicit and implicit, ASEAN has never really advanced as a regional integration vehicle, making it a difficult partner to deal with on a group economic and commercial basis. Discussions thus became limited to political spheres and expressions of intent. There was a business boom between the two regions through the 1980s and 1990s, but it was more attributable to other factors than to interregional or transregional relations.

Relations with ASEAN were also complicated by different governance styles and different cultural perceptions of institutions and business dealings. Emphasis by the EU on human rights and good governance has also been subject to reservations from ASEAN members and the issue of Myanmar often proved divisive. This has led to Rüland saying that "the conditionalities introduced by the EU...facilitated what has been called the 'Asianisation of Asia' by developing an own set of cooperation principles based on Asia values, known as the ASEAN way" (2002c: 8). One of these "ASEAN values", referred to by Rüland, is that of low institutionalisation with the result that EU-ASEAN relations have marked low institutionalisation, a situation which is also due to EU reluctance to lock-in a relationship.

ASEAN was also motivated by economic considerations in relations with the EU, as Robles notes; "ASEAN countries tended to believe that relations with a regional organisation in Europe offered opportunities to induce European firms to consider Southeast Asia as a profitable region for investment, as compared to the ACP or Latin America" (2004: 100). Robles goes on to note that ASEAN made early efforts to consolidate some form of firms networking for this very economic purpose, but that in the 1980s the EU neglected these advances. What Robles is highlighting is that the principal ASEAN motivation in relations with EU was economic balancing to try and position itself better vis-à-vis other EU partner regions.

Attempts to revise EU-ASEAN economic and commercial relations, by attempting to negotiate a new Co-operation Agreement proved unsuccessful due to political objections. Pelkmans notes that "this decision was never implemented because the East Timor issue
led Portugal to veto a negotiation mandate from the Council to the Commission” (1997: 52). Forster, in similar vein, adds that “though there was willingness on both sides to expand the Agreement into cooperation, and consensus was reached on the technical details, the EU’s increased priority given to the human rights agenda proved to be an insurmountable obstacle...The human rights abuses in East Timor and a massacre there in November 1991 further soured the relationship; Portugal (bolstered by the European Parliament) led EU opposition to renewing the 1980 Agreement” (1999: 749). It is surprising to see that the human rights agenda was put before the commercial agenda, but it is an important trend noted in relations with Asia that human rights and democracy clauses over time became standard parts of an agreement. In 1995 the European Commission published a document entitled “Inclusion of respect for democratic principles and human rights in agreements between the Community and third countries” (1995b), which is testimony to the importance of normative values in the EU’s external relations. It is clear that different values have had a direct impact on the relationship, even to the extent of motivating ASEAN to develop its own values.

Because EU-ASEAN relations had stalled the EU moved to create a new framework for relations with Asia. This was achieved through the establishment of ASEM, as it was seen to offer “the way out of a deadlocked and rather stale relationship with ASEAN”, (Forster 1999: 752) and simultaneously a new mechanism for EU commercial engagement in Asia. Before looking in more detail at the motivations behind ASEM it is useful to address the ‘New Asia Strategy’ of 1994 because it predates ASEM by two years.

According to Richards and Kirkpatrick, “as for the fast growing economy and the huge market of the Asian region, the EU’s Asian policy started to change at the beginning of the 1990s when a more positive and proactive Look East policy was adopted, placing Asian markets near the centre of the EU’s new strategy for globalising its economy and its view of international relations” (1999: 689-690). The ‘New Asia Strategy’ was an explicit response by the EU to Asia’s economic growth and also to the creation of APEC

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37 See Figure 2-5, point 4
by the US in 1993, which is further evidence of the EU’s economic balancing and bandwagoning motivations. APEC involved cooperation between the United States and twenty eight countries around the Pacific Rim excluding, of course, the EU from these enhanced relations with the booming Asian region. The EU was explicit in its rationale at the time stating that “the rise of Asia is dramatically changing the world balance of economic power...the European Union needs therefore to accord Asia a higher priority than is at present the case...and to strengthen the Union’s economic presence in Asia in order to maintain the Union’s leading role in the world economy” (1994: 1-2). In the 1994 document, the overview of relations with Asia section draws attention to the fact that “the main thrust of the present and future policy in Asia is related to economic matters” (1994: 2).

A further development, spurred by slowing ASEAN relations and a need to balance and bandwagon in economic relations with Asia, was the novelty that the EU would downsize relations to the most appropriate level, hence a more bilateral policy if warranted. The EU states that this is a “priority” and that there is a need to “strengthen the Union’s bilateral relations with individual countries and regions in Asia” (1994: 2). This harks back to the initial table outlining relations with the Asia region that immediately highlighted the key bilateral relationships in the region, something this statement reinforces. The EU had already developed key bilateral relations with the main players, but it was now opening the door to bilateral relations with other Asia nations, should circumstances require it. The fact that the EU was reacting to US initiatives in the region is also an important fact to reiterate as it is an important motivation. From an Asian perspective both APEC and relations with the EU made economic sense as the region sought to increase its already booming exports and integrate further into the global economy. APEC and relations with the EU offered the Asian region an opportunity to deal with its two main world partners, in such a way as to balance their own external relations.

ASEM, created in 1996, was a fundamental part of the EU’s Asian interregional strategy. It is a transregional relationship with wider membership than ASEAN, and was created when EU-ASEAN relations had reached an impasse. The main reason the EU proposed the creation of a transregional relationship was because there were no other regional
groups in Asia and it still wanted a region-wide forum. Given that EU-ASEAN relations were faltering it is no surprise that soon after inception it "increasingly absorbed the ASEAN-EU biregional dialogue" (Rülund: 2001). This is an important phenomenon of transregional superseding the interregional, in this case motivated by economic balancing considerations. Due to the impasse in EU-ASEAN relations, the EU sought to find another channel through which to conduct relations with the Asian region, and it chose to do this through ASEM. The new forum was able to not only absorb EU-ASEAN relations, but also expand them to new members and keep overall momentum in EU-Asian relations. Rülund considers that "ASEM was a response to APEC and the increasing economic dominance of Japan and the United States over the East Asian growth region" (2002: 3). The EU itself puts this view forward in its 1995 Communication 'Free Trade Areas: An Appraisal' when it says:

"Failure on our part to engage in this wider economic co-operation may well result in important economic regions developing a regulatory framework which will potentially hurt the Union’s interests. The example of APEC illustrates this point particularly well. If the countries of East Asia, were, as a result of regulatory co-operation within APEC, to align their regulatory systems practices to those of the United States, this would place the EU at a competitive disadvantage" (1995: Art. 7).

In a sense ASEM was more than just balancing by the EU, it was actually, given that it was trying to counter APEC, bandwagoning. The EU was compelled to react to the US initiatives in the Asia region and hence bandwagon, that is create an entity with which it could itself interact with the world’s most economically dynamic region.

Whilst ASEM effectively absorbed EU-ASEAN relations for a time, the aim was not to duplicate or relegate EU-ASEAN relations (Interview 5). The functions that EU-ASEAN had been ascribed were transferred to ASEM, which is seen as complementary to both interregional and multilateral levels, being an institutional off-shoot of interregionalism. The EU viewed it as a key balancing forum to give it a new better equipped foothold in the region. Given the nature of the forum it was never searching for an FTA between the partners, as the Asian side was too disparate, so it was more of a forum for discussion and
negotiation of other issues. From an Asian perspective ASEM was a better tool to curtail US influence in the region and it also balanced EU and US initiatives to revitalise the transatlantic dialogue in the mid 1990s. ASEAN itself also saw ASEM as useful to counter EU interaction with Mercosur, SADC, Mexico and South Africa (Interview 5).

An evaluation of the motivations of the two partners in ASEM is very similar to that of EU-ASEAN, with balancing and bandwagoning predominant, as well as a preoccupation with commercial issues. Whilst ASEM envisages more than just commercial activities, it has failed to provide any tangible rationalising or agenda-setting evidence (Rülund 2001a, 2001c, 2002a).

Overall it is seemingly clear from the context of EU-ASEAN and ASEM that the EU’s motivations, as well as those of ASEAN and the Asia side of ASEM, have mostly been economic and commercial. Within this, it is possible to specify that the motivations have been economic balancing and bandwagoning as the EU, ASEAN and ASEM have tried to gain advantages or not lose ground to competitors in important economic partner regions, notably the US. The EU has strategically used interregionalism and transregionalism to try and achieve these balancing and bandwagoning aims. EU attempts to export its values and institutional approach were both firmly rebuffed by its Asian partners. Within this seemingly clear-cut appraisal of why the EU has used interregionalism and transregionalism with the Asian regions, note needs to be made of the human rights and democracy clauses that are so prevalent in EU external relations. Human rights is the issue that stalled relations with ASEAN, and is an issue that remains high on the agenda of relations with Asia even today (Gilson 2005: 308). It is also important to stress the issue of regional integration, which is built into all EU strategy papers, Communications and agreements. The EU motivation for this is relatively clear-cut, which the EU itself justifies as an inclusion based on simple economic rationale of helping countries develop their regional integration and thus accrue all the benefits associated with such a move (Interview 5). More implicit is the fact that the EU would prefer to deal with one coherent

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38 This is in contrast to APEC, the other transregional relationship in the region, which has a much narrower trade focus
regional partner than a group of countries. It is also obvious that if a partner follows the path of regional integration this puts the EU in a privileged position, as the world's most advanced regional grouping, which in many ways legitimizes the EU's own existence. This EU motivation was not, however, well received in Asia where regional integration was conceived in a very different way to the 'European model' (Reiterer 2005: 2). At no point could it be said that there was any Asian motivation in interregional relations with the EU to bolster its own regional integration. Despite this setback for the EU this section has highlighted how EU interregional strategy has in effect been a mechanism to turn interregional theory into practice.

Evaluating EU - Asia Trans/Interregionalism

This final section of the analysis of EU-Asia interregionalism will evaluate the implications of EU-Asia transregionalism and interregionalism. These implications come as direct consequences of the combination of EU strategy and motivations with those of its Asian partners, which reveals the differences between the rhetoric and reality of the relationship. This section will thus address the general implications of EU-Asia trans- and interregionalism and how they have evolved. It will look specifically at the implications for the partners themselves, although this will focus mostly on Asia as, due to the EU's dominant position, it is the region to be more heavily impacted. Finally the section will address the implications that EU-Asia interregionalism has had for the international arena.

From the conclusions of the first two sections of this analysis on EU-Asia interregionalism it is clear that economic interest has been key in the EU's strategic approach and motivations towards Asia, as well as for Asia towards the EU. This driving force has been couched in the EU's attempts to harness all the potential of interregional theory in its strategy. As a result of this driving force behind relations, the organisation of interaction has been flexible in structure and ever changing in nature, following an ad-hoc development process. Because EU-ASEAN and ASEM are motivated by economic balancing and bandwagoning this explains the reduced incentive to deepen and institutionalise relations. As circumstances have changed the EU has changed channels,
diversifying, as it has done by creating a transregional relationship to effectively replace a non-functional interregional one and also by opening the door to more bilateral relationships.

Concrete relations are mostly only concerned with commercial issues and transactions, despite rhetoric and agreements suggesting wider scope. A further implication of the economic drive has been that actual content and follow through actions from the relationships have been minimal outside of the economic realm. The disengagement in, and low profile of, the AEBF is testimony to this failure to ensure follow through and concrete actions (Interview 3). Set up as a business engagement mechanism to consult and harness industry views, the forum delivered strong messages which did not lead to results. AEBF ran out of steam without any results to show for its work, making it hard to sustain engagement (Interview 9).

EU-Asian relations are often vaunted for their flexibility, as the ASEAN secretariat points out when it says; “the EU has adopted a practical and flexible approach in implementing the Cooperation Agreement. Changes have been made from time to time to reflect ASEAN’s concerns and priorities in tune with ASEAN’s own growth, progress and development” (http://www.aseansec.org/5612.htm, accessed 17 July 2007). A distinction does, however, need to be drawn between flexibility and instability. Flexibility in a relationship is very important to allow evolution and room for maneuver as long as this comes from a solid and committed basis. Instability comes when, in the name of flexibility, the level of lock-in and commitment is so low as to put the entire relationship into question. EU-ASEAN relations ultimately proved too flexible and unable to take difficult decisions, so whilst its declarations and statements might have aspired to great progress, it was not able to deliver. Regelsberger and Alecu de Flers conclude, for EU-ASEAN, that “since 1996 relations seem to have lost something of their status as a model” (2005: 332).

As a direct consequence of the EU-ASEAN impasse, and also the creation of APEC, ASEM presented a different picture. It is based on even more informal institutionalised
meetings of Heads of State and forms a strategic umbrella for all levels of contact with
the region, economic, political and military, with the aim of creating links at all
networking levels. ASEM is very innovative in the social and business linking arenas,
through cooperation and tangible interregional networks and has an infrastructure on
which to rely. The EU had learnt many of the lessons of relations with ASEAN and had
sought a new approach to commercial relations and issues of EU presence in the region.
A further implication of economic balancing and bandwagoning is that both relationships
have had short-term and 'light' natures, which simultaneously means that longer-term
direction and strategy have been lacking.

EU strategy towards ASEAN and ASEM through trans- and interregionalism holds great
potential in theory, but both levels have been weak on concrete and tangible results. Both
relationships had, and have, the potential to fulfill all the roles ascribed to
interregionalism as outlined in EU strategy, but have simply not done so. The move from
interregional to transregional is important in this respect because transregional fora are
less likely to be able to effectively perform all the roles of interregionalism given their
wider membership, different aims and more flexible nature. Transregionalism is very
much an umbrella that gives strategic direction, not concrete action. ASEM and EU-
ASEAN's inability to help in the Asian crisis of 1997 has also brought criticism that
undermined the concept of interregionalism (Rüland 2002c: 6).

Deemed to be even more undermining is the total lack of transparent and democratic
functioning of these particular interregional fora. Interregional parliamentary, social and
NGO fora are underdeveloped and poorly linked to mainstream interregional relations
(Rüland 2002c: 6). Having noted that relations have been poor on results due to the
economic balancing motivation it is hard to see how solid civil society engagement can
be sustained. The example of AEBF is testimony to a potentially interested portion of
civil society simply losing interest in a weak and intangible process. Also of importance,
due to the economic balancing and bandwagoning motivation and the reliance on
flexibility, the EU has been able to move to 'Strategic Partnerships' with its key allies in
the region. It appears to be the case that if interregionalism fails to deliver what the EU
wants, or external economic circumstances, notably pressure from the US dictate, then the EU will consider bilateral relations. With the interregional level, EU-ASEAN, no longer progressing and ASEM dealing with overall strategic direction, there was a pressing need to address concrete economic issues, and the only channel open to the EU was through bilateral relations. The EU's strategic drive in Asia went from interregionalism to transregionalism as vehicles to manage relations, and then finally towards bilateralism with key partners.

An important implication of EU interregional overtures towards Asia has been the defining of 'Asian Values' – as opposed to 'European Values'. The so-called 'Asian Way' or 'Asian Values' is one of relationship building without formal institutions, whereas the EU favours institution building. The 'Asian Way' promotes flexibility, consensus, personalism, pragmatism, intergovernmentalism and thus non-interference in internal affairs of partners (Rüland 2002c: 8). Through attempts to interact with the EU, and in the face of EU methods and practices, Asian partners have been forced to define themselves more clearly and concisely, thus impacting on their collective identity building. Also through closer relations with the EU, there have been important prestige enhancing effects within and outside the region as recognition has strengthened legitimacy and increased internal cohesion. The EU has overtly and covertly acted as an "external federator" in EU-ASEAN relations through the use of a conception of development that has forced the recipients to develop projects on a regional scale, enhancing cooperation and coordination. The EU has sought to influence ASEAN integration both explicitly, through technical help and assistance, but also more importantly implicitly by simply interacting with ASEAN. The 'Asian Way' is, to some extent, a rejection by ASEAN of the EU influence over its regional integration and a major blow to the self-serving nature of interregionalism based on regionalism.

The implications of EU-Asia interregionalism for the EU have been various. As these relations have been noted to be the forerunners of the EU's interregional relations they have formed the basis of all the EU's other interregional and transregional relations. Rüland notes this when he says "the cooperation agreement became a model for
additional interregional relationships initiated by the EC" (2001a: 14). All other EU interregional and transregional relations have been based on EU-Asia experience, as the EU has advanced along the interregional learning curve. This has meant that agreements have been replicated, structures copied and ideas exported to other regions of the world, such as business fora. The lessons that the EU has learnt from its interregional dealings with Asia, which it has taken into its other relationships, has been without doubt the most important implication for the EU in EU-Asia interregionalism. The EU has had to adapt to partner capacity and ability in its external relations, and hence adjust its external policies accordingly, as it did by creating ASEM after ASEAN. Through interacting with ASEAN the EU has also gained valuable interregional negotiating skills and know-how.

Another implication of the relationship for the EU has come through the partner resistance to regional integration and the partner inability, and lack of willingness, to act and define itself as one region. As interregionalism with the Asian region has slowed and failed to produce the desired results, the EU has been forced to alter its strategies for engaging the region. Through the economic balancing and bandwagoning motivations the EU has had to find alternative channels through which to interact, which has meant opening the door to increased bilateralism.

In terms of the global system, the principal implications of EU-Asian interregionalism relate to the interaction between two major world regions, two of the three components of the global triad. Firstly, as EU-Asia trans/interregionalism has been predominantly motivated by balancing and bandwagoning there has been an impact on global economic balancing and bandwagoning. As the EU has tried to balance and bandwagon its relations with Asia, principally in relation to US overtures towards the region, the US has itself responded. Also important is the impact that the Asian desire to balance has had, not only on the US, but also on other EU partner regions such as Latin America and Africa. Increased EU-Asia activity has spurred these regions to seek to intensify their own relations with the EU. This all forms part of the strategic international environment where actors are constantly vying for advantage and openings hence EU-Asia interregionalism has played, and continues to play, a part in this environment. As EU-Asia relations have
not been heavily institutionalised there has been no noticeable impact on global governance structures or mechanisms. The lack of concerted joint positions and consultation has also led to a lack of impacts in the field of joint activity in the multilateral arena.

The second major impact on the global system relates to the impact that EU-ASEAN relations has had on ASEAN and to some extent EU, actorness. To a large extent interaction with the EU has helped ASEAN create itself as an international actor, albeit not in the EU’s image. As Rüland notes, EU-ASEAN relations “helped both organisations develop actorness and gain structure as international players” (2001a: 16). ASEAN has become an important international actor with its own expanding network of external relations and FTAs. The ASEAN website section on external relations reveals that it has relations with thirteen countries and groups, aside from the EU (http://www.aseansec.org/4918.htm, accessed 17 July 2007).

EU-Asia interregionalism has had important implications for the EU, the Asian region and the international system, although clearly not as many as interregional theory and EU interregional strategy would expect. The EU strategy of interregionalism in Asia has proved very difficult to implement and execute, especially in the key EU area of regional integration. This lack of desire for EU-type regional integration on behalf of the Asian region, notably ASEAN, has itself had important implications for both partners and the international system. Having first analysed EU-Asia interregionalism due to its ‘model’ status the next region to be considered will be Africa, with whom the EU has equally long-standing group-group relations.
The figure above gives an overview of EU relations with Africa, simplifying what is the most complex set of relations the EU has with another world region. The first complexity that becomes apparent from the above table relates to the exact region under consideration here in this section. Whilst the term Africa will remain, principally because the two transregional relationships cover the entire continent, it will not be the entirety of Africa that is covered at interregional and bilateral levels. For these sections only sub-Saharan Africa is considered because North Africa has its own specific relationships with the EU, ones that have different structures and different aims, Euromed and the Neighbourhood Strategy. Because of North Africa’s geographical proximity to the EU it is dealt with differently, hence both the Euromed relationship and North Africa’s involvement in the Neighborhood Strategy will not be considered in this section.
The figure shows EU-African relations to have two transregional dialogues and three principal interregional dialogues. As was noted in the Asia section, the EU also has a key bilateral relationship, again with the largest economy in the region – in this case South Africa. This reinforces the view that the EU will negotiate bilaterally with the key economies.

Historically Regelsberger and Alecu de Flers trace interregionalism’s nascent manifestations back to EU-ACP relations and the Yaoundé agreements of 1963 onwards. These first interregional, group to group, efforts were dedicated to institutionalising the EU’s historical links with former colonies in Africa and the Caribbean and were not “the expression of a genuine European foreign policy design” (2005: 321). The efforts were, as Söderbaum, Stalgren and Langenhove suggest “only limited relations” (2005: 365), by which they mean that the relationship was the institutionalisation of a donor-recipient relationship concerned with aid and development. The EU had, however, through these agreements created a group with whom to interact, albeit to institutionalise cooperation. Africa was only one part of this wider group, which interacted with the EU, with no specific group or forum of its own at the time.

The EU was trying to group countries by their past relationship with its Member States, and also by their level of development so as to facilitate cooperation with them through one mechanism. This cooperation and contact was extended in 1975 to the ACP through the first Lomé Convention. It was a privileged relationship in which ACP countries were able to export primary products to the EU without granting reciprocal access. This first relationship was “hailed as an innovative arrangement for the conduct of North-South relations, and the management of political dialogue among countries with an extreme asymmetrical distribution of power” (Farrell 2005b: 267). This first Lomé accord asserted “complete equality between partners” and aimed to “establish a new model for relations between developed and developing States” (http://www.acpsec.org/, accessed 17 July 2007). This first Convention was a non-reciprocal agreement based on trade preferences for ACP states which aimed at “close and continuing co-operation...trade co-operation...developing cooperation and trade among the ACP states” (http://www.acpsec.org, accessed 17 July 2007). This basic Lomé agreement also put into
place a very advanced institutional structure, with multiple committees, a secretariat and a dispute settlement mechanism. The Convention has evolved over the years, with four further agreements coming into force. They all gave the ACP grouping increasing legal status and personality as well as giving a group dimension to ACP country interactions. The permanent structure was reinforced and adapted, and relations remained heavily institutionalised. The Lomé Conventions provided the EU with a single conduit for relations with Africa, as part of the wider ACP group. Whilst economic development was the basis of the Lomé Conventions they also provided a forum for increased dialogue and discussion (Farrell 2005b).

In June 2000 the Lomé Convention was replaced by the Cotonou Agreement. This new agreement was quite a radical departure from the past, and quite a change in strategy from the EU. EU-Africa relations had stagnated somewhat in the 1990s, accused by some of "collective clientelism" (Farrell 2005b: 268), and also dropped down the order of EU external relations priorities. The new agreement was foreseen by the EU in its 1996 Green Paper on EU-ACP relations which recognised that the Lomé Conventions were not WTO-compliant (breaching MFN status) thus requiring a change in the relationship, and hence in strategy by the EU. The most interesting elements in the new agreement, from an interregional strategy perspective, are the propositions for regional integration of ACP regions, namely that the EU proposed to negotiate Economic Partnership Agreements (EPAs) with created, enhanced and existing regional groups. These new EPAs would be reciprocal and have to comply with GATT Article XXIV.

The EU split the ACP into six regions: Central Africa, West Africa, Eastern & Southern Africa and Indian Ocean, Southern African Development Community, Pacific Region and Caribbean region. The new agreement was also in the form of five pillars: political dialogue, participation of civil society, poverty reduction, financial cooperation, economic and trade cooperation. The agreement notes, in Article 1, that the "Objectives of the Partnership" are for "sustainable development" for which "the partnership shall

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39 By this time the ACP had 77 member countries
40 This meant that they would have to cover 90% of trade and enter into force over a period of 10 years
provide a coherent support framework for the development strategies adopted by each ACP State” (http://www.acpsec.org, accessed 27 July 2006). Article 2 on the “Fundamental Principles” states the fourth principle to be “differentiation and regionalisation: cooperation arrangements and priorities shall vary according to a partner’s level of development, its needs, its performance and its long-term development strategy. Particular emphasis shall be placed on the regional dimension” (idem.). The EU is currently negotiating the EPAs with the six groups that it identified, as non-reciprocal trade preferences expired on 1 January 2008. Also of key interest the Green Paper explicitly stated that negotiating bilateral agreements was possible with “willing single ACP countries which are outside any regional integration process and are large and capable enough, and provided that political conditions are right” (1996d: 66). The EU also made specific reference to “differentiation under a single framework” (idem), highlighting the flexible nature of its strategy. The EU was stating that it would consider dealing bilaterally with the few states large enough (economically and politically) to do so, and that for the others it would interact with newly created or existing regional groups.

The Cotonou Agreement currently serves as a broad umbrella, of sorts, for relations with ACP members. In the diagram at the start of the section it is placed as between interregional and transregional for the African region because of its wide membership and wide-ranging activities. The EU has, however, initiated a more specific umbrella relationship with Africa via its relationship with the African Union (AU). The AU was created in 2000 with its own wide-ranging aims designed to promote African integration and cooperation. In a letter of support from the European Commission, President Prodi noted “by its very nature the European Commission understands the common vision and values that will guide the AU” and that the EU was willing “to develop and strengthen its political dialogue with Africa as a whole” (http://ec.europa.eu/development/Geographical/RegionsCountries/EUAfrica_en.cfm, accessed 27 July 2006). Further to this the EU offered institutional support to the whole AU project. Mr. Theodorakis, acting Director-General to the South African Heads of Mission of EU, noted that “with the establishment of the African Union...we have indeed a stronger partner to talk to and more concrete programmes to discuss”. Indeed in
summarising why the EU continued to invest such political capital and will in the AU Mr Theodorakis noted:

"Deepening supranational integration is a necessity for Africa. Strong, solid regional organisations are the best response to cope with the globalisation and marginalization process. With a renewed capacity and less financial constraints, the AU can become the motor of Africa's integration and the continent's voice to the rest of the world" (http://ec.europa.eu/development/Geographical/RegionsCountries/EUAfrica_en.cfm, accessed 27 July 2006).

The EU established its relations with the AU after the first Africa-Europe Summit in 2000, an event which had witnessed the first occasion that all African and European leaders had met together in a specific and tailor-made forum. The Cairo declaration that accompanied the Summit opened with the view that:

"Over the centuries, ties have existed between Africa and Europe, which have led to many areas of co-operation, covering political, economic, social, as well as cultural and linguistic domains. These have developed on the basis of shared values of strengthening representative and participatory democracy, respect for human rights and fundamental freedoms, the rule of law, good governance, pluralism, international peace and security, political stability and confidence among nations. In the light of the current rapid globalisation trend, we are determined to strengthen this co-operation in our mutual interest and make it more beneficial to the two regions" (http://europa.eu.int/comm/development/body/eu_africa/docs/cairo_declaration_en.pdf#zoom=100, accessed 27 July 2006).

The first page of the declaration continues with: "We stress the importance of regional economic co-operation and integration as an efficient strategy for the orderly and co-ordinated development of the African continent. We recognise the important interrelation between political stability, peace and security on one hand and regional

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41 This was organised with the AU’s predecessor the Organisation of African Unity (OAU)
integration on the other" (idem.). There was an important role for regional integration in Africa as "regional integration can be an important step towards beneficial participation in the world economy" (idem.). This statement was consistent with the approach being advocated in the Cotonou Agreement with the EPAs, although the question of whose model of integration is an important one.

The Summit created an institutional structure through which to manage and coordinate relations, based on Heads of State summits, ministerial meetings and senior official meetings\(^{42}\). The EU stressed that relations should be in smaller groups, allow for more flexible and ad-hoc groupings and also involve more NGO and civil society input. Whilst the planned second Summit, in 2003, did not take place, due to political problems surrounding Zimbabwe, EU relations with Africa continued through regular contact with the AU. Transregional relations are thus conducted through the AU although the Africa-Europe Summit offers a further possibility should certain issues be resolved.

As the Cotonou Agreement foresaw the break-up of the ACP group and the creation of regional groups that the EU could negotiate EPAs with, the EU has focused on the AU for its over-arching and political discussions. This strategic choice of negotiating with regional groups is represented for Africa in the table, at the start of the section, by ECOWAS and SADC at the interregional level. The interregional part of this table will soon swell to include all four African groups with which the EU will conclude EPAs\(^{43}\). The groups that the EU is interacting with in Africa\(^ {44}\) are West Africa (ECOWAS and Mauritania), Central Africa (CEMAC and São Tome), East South Africa and Southern Africa (SADC).

For this thesis, however, only SADC and ECOWAS, as they are Africa’s two most advanced regional groups, pre-existing, and also the longest serving partners of the EU, will be assessed.

\(^{42}\) As relations are not as advanced as with the Asian region there is, as yet, no infrastructure chart to refer to.

\(^{43}\) All relations will be pure interregional as through EPAs the EU necessitates customs unions as partners.

\(^{44}\) Only one of these technically pre-existed as a regional group - SADC. For both ECOWAS and CEMAC the EU used existing groups as a basis, and with the East South African region it simply created a group.
The EU engaged in relations with SADC in 1994, making this the main interregional relationship that the EU has within the African region. Relations are based on regular meetings and projects that cover trade and development, security, environment and other cooperation measures typical of the EU’s sub-regional strategy in Africa. This relationship itself aims at “deeper regional economic cooperation and integration on the basis of balance, equity and mutual benefit” (http://europa.eu.int/comm/development/body/region/docs/r7_en.pdf#zoom=100, accessed 27 July 2006). It is important to note that SADC is one of the six groups from the split ACP group. The second regional group with which the EU has had previous sub-regional contact is ECOWAS. The EU is also negotiating an EPA with ECOWAS and as Pascal Lamy put it at the opening of negotiations in 2003, “the main objective of an Economic Partnership Agreement is...supporting the creation of a real regional market and organizing its interaction with the rest of the world” (http://ec.europa.eu/archives/commission_1999_2004/lamy/speeches_articles/spla194_en.htm, accessed 27 July 2006).

Also of key strategic importance, as noted from the figure at the start of the section, is the bilateral relationship that the EU has with South Africa. Indeed in 1999 the EU signed the ‘Agreement on Trade, Development and Cooperation’ (TDCA) with South Africa. Through the signing of this agreement the EU made clear its choice to cement relations with its main economic and political partner in the region on a bilateral level. This development was foreseen by the 1996 Green Paper and also by developments towards bilateralism in EU interregional strategy in Asia. As soon as the EU had decided to dismantle the Lomé framework and reinvent relations with Africa, it duly opened bilateral FTA talks with South Africa. This was not without its complications as South Africa was part of the South African Customs Union (SACU) along with Botswana, Lesotho, Namibia and Swaziland. It is also interesting to note that at the time the US was not in the process of looking to sign an FTA with South Africa, only opening its negotiations with SACU in 2002. In June 2006 the Commission proposed enhancing relations with South Africa even further, to a Strategic Partnership whereby cooperation

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45 This Agreement came into force 1 January 2000
would be stepped up to a higher level. Indeed EU Commissioner for Development and Humanitarian Aid, Louis Michel, said:

"Europe and South Africa both agree on many international issues. Together we promote, for instance, peace, good governance and regional integration through the African Union. This strategic partnership between the EU and South Africa will allow us to work even more closely together at regional, continental and global levels to support Africa meet its development goals"


This move to bilateral relations with South Africa went against the EU strategy of regional integration that the EU was embarking on in Africa, but remains consistent with the EU’s strategic policy of signing bilateral agreements with important partners. It is also possible to note that there are the same key elements of interregional theory in the Commission official’s quote above, but in this case in relation to bilateral relations. This fact shows that Commission goals and ambitions in its external relations are quite similar irrespective of the strategy used, be it interregional or bilateral.

This section on interregionalism in Africa has noted the diversification of relations over the last ten years. From a single highly institutionalised relationship that was concerned principally with economic aid and that included Africa with other regions of the world, the EU has moved towards a very different approach. The EU has focused its strategy on regional integration, citing WTO conformity, in splitting the ACP group into smaller regional entities with which to conclude EPAs. The emphasis of the EPAs is on both regional integration and economics. At the same time the EU has forged links with Africa through the AU, but on a more over-arching and political level. Finally the EU has shown a strategic willingness to pick off the key partner in the region and deal bilaterally with them. The key features of the EU’s trans- and interregional strategy can be summarised in the figure below:
Figure 2-7 Key Features of EU - Africa Trans/Interregionalism

1. Emphasis on diversified relations – especially from mid-1990s
2. Move from institutionalised to less institutionalised relations
3. Relationships bedded within rules of multilateralism
4. Increasing inclusion of normative values as aims e.g. democracy, good governance
5. Partner creation common - especially for economic relations
6. Very strong emphasis/support/pushing of regional integration
7. Original ‘partner’ and some subsequent regional groups created by EU
8. Trade and development the core of relations
9. Transregional relationship created after interregional relationships – to serve different needs
10. Driven by Summits, ministerial, ambassadorial and senior official levels
11. Willingness to negotiate/cooperate bilaterally with special partner states

Source: Own Creation

Explaining EU - Africa Trans/Interregionalism

The motivations behind EU interregionalism in Africa can principally be determined by analysing the shift in relations from those with the ACP group, hence not just Africa but a wider group, to the creation of the EPAs, and also specific relations with the AU. Both EU – Africa specific trans- and interregionalism are relatively late developments. It is also true, as noted in the last section, that interregional relations between the EU and Africa are somewhat more difficult to assess given the complicated and multifaceted nature of the issues at stake, and the countries involved.

The first interregional relationship that the EU developed, that included Africa, was through the ACP grouping via the Yaoundé, Lomé, and then Cotonou Agreements. This relationship was not specific to Africa as it included Caribbean and Pacific countries too. Hurt summarised that “the two Yaoundé Conventions were essentially a continuation of post-colonial relations” (2003: 161), of which the main discernable aim was to govern

46 Four of the EPAs concern African regions
commercial relations. Farrell noted that, “the earlier phase of EU-Africa relations was initiated because certain member states wished to retain formal links with former colonial dependencies in order to ensure continued access to raw materials and natural resources, and to protect economic investments already made” (2005b: 265). These were trade and aid agreements and they moved to a form of institutionalised European support for preferential treatment of ACP countries.

This early partnership with the EU was characterized by the EU granting non-reciprocal benefits for ACP trade. The EU also promoted programs such as the STABEX system, which stabilized export receipts on agricultural products, as part of an active development agenda. To administer these agreements there was a need for a strong and rigid institutional structure which gave the relations a robust nature. Through time, and with renegotiations, the EU added many more elements to the agreements, in areas such as human rights, democracy, environmental protection and women’s rights. These extended agreements developed a wide and broad structure that retained the essence of a ‘partnership’. Farrell suggests that “cooperation is necessary and desirable not merely in the pursuit of self-interest but as part of a wider agenda for peace, justice and equality, where power and politics are supplanted by an institutional framework to support dialogue and enhance the achievement of core values, including democracy and the rule of law” (2005b: 264). In essence the EU had created a mixed structure for long term dialogue and cooperation based essentially on soft power, and not on ad-hoc coalitions. These agreements were motivated by an EU desire to institutionalise longer term relations with ex-colonies. It needs to be noted that the relationship between the EU and the ACP grouping was always extremely asymmetrical, such that the EU was the driving force in relations. Through this large grouping the EU had rationalised its external relations with a significant number of ex-colonies and other developing countries. The EU created a partner, of sorts, with which it could deal in one forum. It subsequently started to use this forum to export its own values to its partner, such as democracy and the rule of law as noted by Farrell (idem.).
From a specifically African perspective the agreements offered trade and aid provisions that were crucial to their economies. The EU is the main trade partner of African members of the ACP group, and as such access to its market was paramount for many members. The structured ACP agreements gave African exporters programmes, support and longer term security. ACP countries wanted to ensure that their preferences and access to EU markets was better than that of non-ACP member regions such as Latin America and Asia. The ACP forum also allowed them a privileged position for political discourse with the EU. Whilst the relationship might have been asymmetrical in power terms, ACP countries did have a lot to gain from it, and once initiated, their interests turned as much towards defending acquired rights and preferences, as to gaining new ones. They wanted to ensure that they retained special access to their key export market, ahead of competitors, as well as maintaining aid flows and political access.

In the 1990s the EU-ACP relationship stagnated, as it became less of an EU priority. Then, after external pressure, the EU Green Paper on EU-ACP relations in 1996 recognised that the ACP agreements were not in compliance with WTO rules. As a response to this the EU initiated the Cotonou Agreement, dropping non-reciprocity and proposing regional integration among several ACP groups. This EU move effectively undid the ACP as a group, replacing it with a much neater regional approach. Regional integration has always been supported and advocated by the EU in its relations with the ACP, but now it became the focal point of a new differentiated EU approach. Having dissected the large group, with which it had interacted, the EU was now motivated by reciprocal interaction with a number of smaller groups. The EU explicitly and actively sought to encourage regional integration in African regions, but as Hurt notes; “the history of regional integration projects within the ACP group, especially in Africa, is one of consistent failure to achieve meaningful integration and development” (2003: 173). This highlights the size of the task facing the EU, especially given the fact that they have to be signed within such a short time frame.

The EU motivations for fostering regional integration in the African region are overt and clear, but they have come under increasing scrutiny and comment, most of which has not
been positive. ActionAid has suggested that EPAs are "narrow free trade agreements that seek to force open the markets of ACP countries to European goods and services" (2005: 7). This duality of regional integration and market access is at the very core of EU African relations and as such forms the backbone of EU policy towards the region. From an EU perspective the message is one of nesting within WTO criteria of reciprocity, which is not widely accepted by African partners. Farrell echoes this view saying "EU policy towards Africa is strongly realist in tone" (2005: 279). It would, however, be short-sighted to overlook the political motivations of EU actions in Africa as Hurt notes, the EU has "a desire to influence and shape the political systems and policies of ACP states...the EPAs...represent a noticeable shift towards a more overt and politicized relationship" (2003: 174).

From an African perspective it is important to maintain relations with the EU, and to try and preserve as much 'special' advantage as is possible under a reciprocal agreement. Their key motivation is based purely on a need to stay as close to the EU as possible. Even bearing this in mind many African governments have voiced concerns over the EPA process, voicing a difference of opinion over the true nature and benefits of EPAs.

In Hurt’s opinion “these are externally imposed (groups) and do not in most cases correspond to existing regional organisations. This may weaken the control ACP states have over their own integration process” (2003: 173). The EU priority for regional integration is not aimed at coherent or even pre-existing groups, which highlights the difficulties involved for African countries in trying to artificially integrate with neighbours to cement relations with the EU. Given the inherent asymmetry in the relationship between Africa and the EU the interregionalism that is being created is exclusively down to the motivations of the EU, and its insistence on dealing with regional groups. Even where there are existing regional groupings their levels of integration and coherence often leave a lot to be desired, hence the EU, whilst slightly altering the groupings themselves, is also pushing their integration agendas well beyond anything that existed before. As Ravenhill notes “few ACP governments perceived significant benefit in the EU proposals – it was more a matter of having to accept an unpalatable
alternative forced on them by the power asymmetries in the relationship” (2002: 17). ActionAid has been more critical in their analysis of EU motivations towards regional integration, suggesting that “the configuration of the regional groupings has caused significant strain on the ACP and has threatened existing regional projects. Furthermore, current plans mean any decision to protect a particular sector of the economy from full-scale liberalisation must be taken at the regional level” (2005: 15).

EU interaction with the AU, on the other hand, is that of interaction with a genuine African organisation. EU motivation was clearly stated by Mr. Theodorakis when he noted that the AU had the potential to speak with one voice for Africa. The African Union has an extended institutional structure consisting of a pan-African Parliament, Commission, Council of Ministers, Permanent Representatives Committee, Court of Justice, Peace and Security Council and Financial Institutions. Its long term aim is a form of United States of Africa, through political integration, and it aims to build this via existing regional structures (www.africa-union.org/, accessed 12 November 2005). It is clear to see how and where the EU can, and would wish to help with this ambitious project.

In terms of rationalizing its external relations and finding a forum for discussion of transregional issues, relations with the AU offer an umbrella organisation much like ASEM in relations with Asia. Because the ACP was no longer a viable forum and EPA negotiations deal with sub-regions only, the AU offered a pan-African grouping with which to interact. The EU had originally created the Europe-Africa Summit, in 2000, to serve this purpose, but the creation and presence of the AU meant that it could be complemented. The EU motivation in relations with the AU has thus been to support the nascent institution in any way open to it so as to help the AU establish itself as a serious and important forum for African affairs, and hence a partner for the EU. On the reverse side AU motivation for relations with the EU are equally clear. It is an opportunity to enhance dialogue with the region’s largest trading, investment, aid and political partner on a wide range of issues. The institutional support from the EU is very important as the organisation seeks to establish itself. Also the very fact of having a dialogue with the EU
forces the AU to develop, as well as having important prestige enhancing effects, so both EU and AU motivations combine very well for transregionalism to flourish between the EU and Africa.

**Evaluating EU - Africa Trans/Interregionalism**

This section will address the implications of EU-Africa interregionalism principally for Africa, but also for the EU itself, and finally for the global system. Whilst the EU-ACP relationship needs to be classified as a form of hybrid trans/interregionalism due to its very idiosyncratic structure and aims, this section will concentrate mostly on the Africa specific developments that came with the differentiation of EU policy in the 1990s, and the creation of EPAs. The development of "EU-Africa relations [has] long been characterised by an institutional framework for cooperation" (Farrell 2005: 265), and those between the EU and the ACP witnessed important changes. Of particular note is that through adaptation of the original Georgetown Agreement, most notably in 1992, the ACP group attempted to harmonise its own voice in negotiations with the EU. This promoted dialogue amongst ACP members as they aimed to attain greater solidarity and mutual understanding. These advances came as explicit, and implicit, outcomes of EU motivations in relations with the ACP as a group.

Relations between the EU and the ACP became increasingly complex as the issues at stake multiplied. ACP exporters had been vying for EU market share with other world regions, many becoming dependent on their tariff advantages. This issue spilled over from EU external relations into the WTO arena as ACP countries fought tariff erosion under WTO dispute settlements. A renegotiation of their preferential access has extremely important implications for relations between the EU and Africa, for ACP countries' economies and also within the auspices of the WTO. The implications of the EU-ACP interregional relationship have been important for Africa, but it is without doubt the change in EU policy in the 1990s, towards EPAs and the AU, that has had the most striking implications for Africa.
EPA negotiations have proved to be very controversial, creating one immediate implication which is the increased role of civil society and dialogue in EU-Africa interregionalism. The move to EPAs has engaged political elites, industry and increasingly wider civil society in a way never seen before. ActionAid has criticised the process as “deeply flawed by the imbalance in political power and negotiating capacity between unequal partners. Overall, democracy is weakened by an approach that seeks to prevent African, Caribbean and Pacific governments from choosing their own development strategies” (2005: 9). In suggesting that the EPA process has reduced democracy in African countries ActionAid touches on a key implication of EU-Africa interregionalism, that of regional integration. The implication of, what was essentially, the EU’s choice of partner groups in Africa once the ACP group was be broken up, is extremely important on many levels for all African nations, now and into the future.

Both SADC and ECOWAS were existing regional groups, but the other two African groups were not fully coherent pre-existing entities, and are thus having to take on new countries to be able to negotiate with the EU. All groups have faced the issue of increasing their own levels of integration and institutional capacity to be able to negotiate. The debate about EPAs and regional integration has been extremely complex and this section can not address directly, or sufficiently, such a large debate. If, however, as EPA negotiations advance and the regional groups take shape, then a crucial implication of EU interregional policy in Africa will have been to create new, stronger and deeper regional organisations. Whilst primarily created to interact with the EU, these groups will subsequently be able to interact with other external actors. This is an important implication not only for themselves and the African regions, but also for the global system. The creation of the EPAs is in stark contrast to Asia’s rejection of regional integration, highlighting the importance of the power balance in EU relations with partners. In the case where power asymmetry favours the EU the most it has been able to implement its strategy of regional integration.

Before an EPA can be finalised with the EU the regional grouping will have to advance its own integration through consensus. The group would also, in essence, need to become
a customs union and have an effective internal free trade area. EPAs, however, have a further important implication which is that "the EU has established the channels through which it can convey its values, priorities and even special interests" (Farrell 2005: 270-1). Given the EU influence in the formation and creation of the EPAs with African groups, they will necessarily carry more EU values, norms, practices and standards than would otherwise have been the case. Whether an implication of this would be greater regional peace and prosperity remains to be seen. All EU interregional agreements with African nations have also had wide agendas which over time have come to include democracy, the rule of law, good governance and human rights. There have, however, been no discernable impacts of the addition of these clauses.

Having noted the important political and economic implications of EU interregionalism for Africa, principally through the vehicle of regional integration that the EU has used, a final mention needs to be reserved for relations with the AU. The transregional level of relations has been a novel forum for all Heads of State of Africa and Europe to dialogue. The support the EU has given, and is giving, to the AU is important as it tries to get off its feet as an organisation. The EU gives the AU an important external partner with whom to interact and thus help define and organise itself. Overall EU support for, and interaction with, the AU has helped bolster it as an organisation which in turn impacts of the AU's relations with all third parties and also its own presence and operation within Africa.

The main implications of relations with Africa for the EU are related mostly to how the EU had to differentiate its relations with the region in the 1990s. The EU faced challenges to the ACP regime, the impact of which was felt directly within the EU, forcing it to make significant changes to the way it approached and dealt with Africa. The EU, in creating a new strategy for Africa, had the problem of trying to deal with a continent at a vastly different stage of development from itself, with the implied asymmetry of power this has brought, all within the confines of WTO rules. Given the EU's historical links with the continent and heavy political relations the task was not easy, especially given the EU priority to rationalise its external relations.
Further implications for the EU of its relations with Africa relate principally to the WTO. Firstly the EU has had to nest its relations with the ACP within the WTO framework, and secondly it has had to deal with a number of WTO dispute settlement cases with African countries over commodity based issues, both of which have required changes within EU strategy and implementation. These changes have necessitated a considerable rethink of EU relations with Africa and the new strategy towards the regions, with EPAs at the core, has been the strategic response.

EU-African trans/interregionalism has had some impact for US-African and Asia-African relations, although not on an important scale. For the US Africa is relatively low in its external relations priorities, except for aid donations and commodities so EU strategy has had little impact. Likewise Asian relations with Africa have not been noticeably impacted by the EU’s Africa strategy, although China has employed a far more direct and offensive strategy of its own, linked to certain key commodities, but this appears to be independent of EU activities in the region.

The EU’s interregional and transregional strategy towards Africa has been very much the same as that used for Asia. In many areas it has had the same problems of implementation and resistance from African regional groups, such as rationalising and agenda-setting. The one difference that stands out is Africa’s inability to resist EU regional integration strategy, despite unrest and dissenting voices, which has led to the creation of four EPA regional groups. Asia, on the other hand, rejected the EU ‘model’ of regional integration in favour of its own methods and based on its own values.

In terms of the global system EU-African interregionalism has had some very important implications. These were touched upon in the section on the main implications for Africa when regional integration was discussed and relate to the consequences of the creation of EPAs as solid regional groupings. This will affect not only the EU-Africa landscape, but also the intra-African landscape and the global environment. If the regional groupings prove to be robust enough to interact meaningfully with the EU then they will seek to interact with each other and the wider global environment, which will be an important
impact. A further important element to note is that changing EU-Africa relations have had implications for other regions of the world that compete with African nations for EU market share.

**EU - Latin America**

**Mapping EU - Latin America Trans/Interregionalism**

**Figure 2-8 EU - Latin America Trans/Interregionalism**

![Diagram of EU-LAC relations]


This section will look at EU - Latin American relations, although this will be analysed in more detail in the next chapter. It will draw out the key interregional elements of relations between the EU and Latin America, and highlight the structures in place to achieve the interregional aims. The table above highlights the extent and nature of trans/interregional activity in Latin America, with one key transregional relationship and four interregional ones. It also shows, as with Asia and Africa, key bilateral relationships, in this case with Mexico, Brazil and Chile. An interesting difference between this and EU relations with
Asia and Africa is that the EU does not have the most advanced bilateral relations in the region with the most influential country, Brazil. In Latin America the most advanced relationship is that with Chile.

It was not until 1994 that the EU decided to address Latin America strategically\(^{47}\) with its 'Basic Document on relations between the EU and Latin America and the Caribbean' which greatly redefined relations (Council 1994c). The EU proposed an original approach towards the region, with a noted emphasis on sub-regions and specific countries such as Mercosur, Mexico and Chile. "In a significant shift of policy, the EU decided to move towards some form of associated status with Mexico, Chile and Mercosur. Hitherto associated status had been reserved for those states that either for historical reasons (ex-colonial states of the Lomé Conventions) or political reasons (the near abroad of East and South Europe) had been considered of top foreign policy priority status for the EU" (Peterson & Sjursen 1998: 161). This move towards associated status with Latin American groups and countries was part of a wider EU drive to deepen many of its external relations around the world, as witnessed in Asia and Africa.

The 1994 document spelt out that relations between the EU and Latin America already took place at three key levels; Sub-continental - Rio Group, Sub-regional – San José and Bilateral – Mexico and Chile (Council 1994c: 3). These distinctions between levels were always present in EU relations with world regions, as seen in Asia and Africa, but they were much more developed in the case of Latin America. An important element of this is that EU relations in Latin America were based on existing regional and sub-regional groups, which was not the case in Asia and Africa. The 1994 report went on to note that "needless to say a Union strategy aimed at strengthening relations with Mercosur, Mexico and other Latin American regions cannot be seen as an alternative to the dialogue with the Rio Group. It should instead be considered as a means of deepening and extending that dialogue, within which the Community's interests demand that it recognise and take account of regional specificities" (1994c: 4). Whilst the EU was

\(^{47}\) The reasons why the EU did not approach Latin America in a strategic fashion until this date will be explained in the historical section of the next chapter
calling for diversification in its relations with Latin America, at this specific point in time the EU was focusing on the Rio Group as the main conduit for relations with the region, acting as an umbrella over all the relations with Rio Group members. The Rio Group had formed in 1986 as a high level political forum to discuss key regional issues in Latin America and the EU started political dialogue with the Rio Group in 1990 through the Declaration of Rome. The basis of relations was an annual ministerial meeting to discuss common issues of interest. Political relations were also active via Interparliamentary meetings, since 1974, and also through the San José dialogue that started in 1984.

In 1995 the Commission published its Communication ‘The European Community and Latin America: The Present Situation and Prospects for Closer Partnership 1996-2000’ (Commission 1995d). Through this document the Commission set out, in much clearer terms, its objectives for relations with Latin America. The document explicitly stated that "the Union must also have a presence in the world’s emerging regions, of which Latin America is one" (Commission 1995d: 4). The timing of this Communication has a close link to the Commission’s ‘New Asia Strategy’, which was published in 1994 (Commission 1994b), reinforcing its attempts to engage the world’s emerging regions. To increase its presence in Latin America the EU dissects the region group by group and country by country to state its objectives and aims for the future, under the title of “a regional and country-based approach to relations between two regions” (Commission 1995b: 9). It then singles out Mercosur (need to sign an interregional agreement), Mexico (more formal contractual relationship) and Chile (broader relations). Under the heading “suggested strategy” the EU then outlines the need for an “approach that is not only tailored to the various regional institutions but consolidates the overall dialogue (Rio Group) and facilitates the subcontinent’s increasing integration” (Commission 1995b: 12). The EU then specifies that this approach will be “regional (Andean countries, Central America, Mercosur) or country-based (Mexico, Chile)” (idem: 12). The priority aims of this flexible new approach were gauged as being: institutional support, democracy, combating poverty, improving international competitiveness and trade cooperation. It is also important to note how the EU was tailoring its approach to the existing institutional structures in place in the region, whilst simultaneously weighting
importance to partners, an approach that shows the full weight of the EU strategy of differentiation.

The EU had already signed a Cooperation Agreement with the Andean Pact in 1983 and with CACM in 1985. It had also negotiated a framework Cooperation Agreement with Chile in 1990 and Mexico in 1991. Cooperation with CACM evolved to a second generation framework cooperation agreement in 1993 and with the Andeans to a third generation framework agreement in 1993. The EU also had an inter-institutional agreement with Mercosur from 1992 and an interregional cooperation framework agreement with them from 1995. These agreements all held a broadly similar structure in that they were based on regular meetings at the highest level, by ministerial meetings and senior officials meetings. The aims of the agreements were for regular political dialogue, closer consultation on multilateral issues, co-ordination in relevant organisations and joint international initiatives. All the agreements also had increasingly important trade aspects.

In essence the EU was emphasizing what it had already started – a differentiated approach to the region, based on and because of, existing entities in the region. As an example the Framework Agreement on Cooperation of 1993\textsuperscript{48} with the Andean Pact noted a “mutual interest in the establishment of cooperation in a number of sectors, and in particular those of economic cooperation, trade cooperation and development cooperation” and also the aim to “consolidate, deepen and diversify relations” (1998: 1). It also highlighted “their mutual wish to encourage the development of regional organisations aimed at promoting economic growth and social progress” (idem.). The first ten Articles of the agreement are comprised of solely commercial and trade issues, before then moving into areas for joint cooperation, within which article 26 concerns “Regional Integration and Cooperation” specifically (1998: 8).

\textsuperscript{48} Due to lengthy ratification procedures the Cooperation Agreement did not come into force until April 1998
In 1999 the Commission published a further strategy document for Latin America entitled ‘A new European Union – Latin America partnership on the eve of the 21st century’ (Commission 1999), which aimed to continue the work of the 1995 document. This later document highlighted the three pillars of relations with Latin America as political/strategic, economic/trade and cooperation. The aims of the EU in these three areas were (respectively) to “establish a mutually advantageous strategic partnership”, “integration...into the global economy” and finally to “maximize the impact of Community resources” (1999: 4). These three pillars were by now standard EU practice in creating comprehensive agreements, and they were employed across all levels of EU relations with Latin America. The 1999 strategy document strengthened the commitment to the three-level approach of the 1995 document by again directly addressing each region and country in turn. Of the “challenges of the 21st century” faced by Latin America the EU highlighted: democracy, distribution of wealth, integration into the world economy and increased regional integration (1999: 7). From the basis of past cooperation and the identified future challenges, the EU outlined its options for the future. It suggested first and foremost a “Strategic Partnership” to “promote the international system founded on the principles of multilateralism” and also to “promote shared values” (1999: 8). To achieve these aims the EU confirmed the intent to interact at three distinct levels – the regional (Rio Group), the subregional (Mercosur, CACM and Andean Community) and the bilateral (Mexico and Chile). The EU outlined the underlying aims of such a strategy; “Internationally the EU has political and economic objectives (peace, security, democracy, sustainable development, market stability etc) that are much easier to attain with partners capable of implementing joint solutions to shared problems...Latin America is such a partner” (1999: 12). In Latin America the EU did not need to create partners, but it recognised the need to help them further their integration to develop into more coherent and solid partners.

In the latest strategy document to address Latin America, ‘A Stronger Partnership between the European Union and Latin America’, published in December 2005, the Commission took its strategy further forward (2005c). The document was expressly intended to “strengthen the partnership between the EU and Latin America” (2005c: 3)
along the lines of the previous strategy documents. The document feels the necessity to explain that “the association with Latin America is not merely a matter of fact but is also vital for the interests of both regions, for both the present and the future” (2005c: 4). The Commission spells out its intentions to continue its path of interacting with all countries in the region, preferably through regional integration bodies. It again reiterated a desire to “have genuine political dialogues which increase the influence of both regions on the international scene” (2005c: 5) which it suggested be on issues of common interest, and specifically in the UN. In many senses the 2005 document was a continuation of the 1995 and 1999 ones in the increasing emphasis it placed on differentiation. New areas such as interaction via sectoral dialogues are complemented by the EU recognition of the South American Community of Nations, going so far as to note “the Commission would like to discuss with the Latin American partners the advisability of a regional integration strategy for the whole of Latin America” (2005c: 14). Whilst adding new areas and new suggestions, the document also showed proof of a re-evaluation and rationalization of the EU’s external relations, particularly in the political field, in which it suggests “conducting a needs-based political dialogue...(on) a restricted number of subjects” (2005c: 9). The change to a needs-based approach for political dialogue is an important step for the EU to have made as it is a break with the past desire to only interact at the regional level. This move is witnessed again in the document, in a novel section entitled “Reflecting the specific role of certain actors in the region” (2005: 17) in which the EU outlined the need, and desire, to strengthen their bilateral dialogue, principally with Brazil, stating; “The Commission proposes setting up specific political dialogues with certain countries in the region which play a particular role, and adjusting its cooperation activities accordingly” (2005: 17). This direction was confirmed in 2007 when the Commission published ‘Towards an EU-Brazil Strategic Partnership’ in which the Commission outlined that “Brazil has become an increasingly significant global player and emerged as a key interlocutor for the EU. However, until recently EU-Brazil dialogue has not been sufficiently exploited and carried out mainly through EU-Mercosur dialogue” (2007: 2). This development is a direct consequence of the inability of the EU and Mercosur to sign an interregional Association Agreement, an issue that will be taken up in more detail in the next chapters.
The 2005 Latin American strategy document addressed trade relations with the usual reference to "consolidating the multilateral trading system" (2005: 11) whilst bolstering existing agreements and looking to conclude more free trade agreements. Drugs, democracy, civil society, aid, sustainable development and cooperation all take on an increasingly important role. The EU signaled its continued support for regional integration in the region through the ongoing dialogues with Mercosur, the Andean Community and the Central American Common Market.

The EU identified the key levels at which it wanted to interact, and stated very specific objectives for these individual relationships. One important element of relations with Latin America that was not foreseen in the earlier strategy documents (but addressed explicitly in the 2005 document) was the transregional development. In 1999, the first Summit between Heads of State and Government between the EU and LAC was initiated in Rio de Janeiro. This latest forum was to show high level support for EU-LAC developments, aiming to "foster political, economic and cultural understanding between the two regions in order to develop a strategic partnership" (http://europa.eu.int/comm/external_relations/la/rio/sum_06_99.htm, accessed 12 February 2006). The specific aims stated at Rio were to "reinforce political dialogue...preserve democracy...strenthen the multilateral system...promote liberalisation of trade" (idem.). It is a high level dialogue that sets overarching objectives and initiatives for the two region's relations. The topics of discussion are those that already form the basis of sub-regional and bilateral dialogue, but through a region-wide forum the EU is trying to further instill these ideas. The Summit has taken place every two years since its inception, whilst the bi-regional group of senior officials has met on a more regular basis to oversee implementation of Summit initiatives. The Summits have become the launch pad for horizontal programs as well as for further initiatives at the sub-regional level, making the EU-LAC transregional process an important element of relations with Latin America.

In its relations with Latin America the EU has had a balanced and relatively linear strategic approach as relations have developed quite clearly over time, the crux of which
has been the EU’s desire to interact with existing regional groups, be they political or regional integration orientated. It has also chosen to interact bilaterally in the case of the two countries not belonging to any sub-regional agreement, Mexico and Chile, and also with Brazil in the political realm, reflecting the lack of progress with Mercosur. The EU has also created an over-arching transregional dialogue to discuss horizontal issues and subjects, having switched from relations with the Rio Group to the wider LAC grouping. Through this differentiated approach the EU has built up a comprehensive set of relations at the interregional level, the main features of which are outlined in the figure below:

**Figure 2-9 Key Elements of EU - Latin America Trans/Interregionalism**

1. Emphasis on diversified relations – especially from mid-1990s
2. Interregional relations always with existing groups – regional integration given heavy support
3. All relationships within rules of multilateralism
4. Increasing inclusion of normative values as aims e.g. democracy, good governance
5. Relations with regional groups axed mostly towards economic liberalisation
6. Created a new transregional partner
7. Transregionalism much wider and broader issue coverage
8. Transregional relationship created after interregional relationships – to serve different needs
9. Use of a three pillar approach – Economic, Political, Cooperation
10. Evolution to notion of balanced relations with a partner
11. All levels driven by Summits, ministerial, ambassadorial and senior official levels
12. Willingness to negotiate/cooperate bilaterally with special partner states when required

Source: Own Creation

**Explaining EU - Latin America Trans/Interregionalism**

The EU has had long-standing relations with Latin America, but its strategy towards the region has only been clearly delineated for just over a decade. This section, like those for
Asia and Africa, will first consider EU motivations and then Latin American motivations in interregional cooperation.

The EU’s main strategic interregional drive in relations with Latin America came in the 1990s as the first strategy document for the region as a whole was issued in 1994. Indeed the choice of that particular year was not without significance, as it was the year in which NAFTA came into effect, and also the year when the Summit of the Americas decided to advance with the Free Trade Area of the Americas (FTAA). It was also the year in which the EU published its ‘New Asia Strategy’ and the year before its publication on ‘Free Trade Areas: An Appraisal’. The EU was aware of the potential of the emerging Latin American economy and also of the activity of its competitors, especially the US, which was made clear in the 1994 document. The events of 1994, mostly the US pressure, provided the EU with a final push to upgrade its relations with Mexico, Chile and Mercosur. At this stage the EU had relations with the three regional groupings in Latin America, as well as with the Rio Group, all of which were enhanced in the 1990s. It was, however, the bilateral relationships that received the initial importance, especially the one with Mexico.

The EU lost significant market share in Mexico after NAFTA came into effect, and as a consequence relations with Mexico became priority. The EU initiated negotiations with Mexico for a FTA that were completed in 2000. In a similar vein negotiations with Chile led to an FTA being signed in 2002 (months before the US signed a FTA with Chile). US activity was clearly the most important motivation for EU action with both Mexico and Chile. These cases highlight the overall EU tendency to be prone to reacting to US strategy in Latin America, mainly so as not to lose strategic ground and market share.

It is not only at the bilateral level that this EU economic balancing and bandwagoning motivation is witnessed, because the fluctuations of negotiations between the FTAA and EU-Mercosur are also closely linked. As FTAA negotiations have speeded up, or slowed down, EU negotiations with Mercosur have followed suit, such that since FTAA talks

49 The EU primarily lost market share to the US
have been derailed EU-Mercosur talks have not been able to capitalize. Whilst US activity in Latin America is the main motivation for the EU action, especially at the bilateral level, there are other motivations.

One key supplementary motivation to the principally economic bandwagoning motivation is that of support for regional integration. Latin America is currently home to three well anchored regional integration initiatives that were born of local circumstances. The EU has advanced relations with all three; Mercosur, CACM and the Andean Community. A major EU strategic drive in these three relationships has always been strong support for regional integration at all levels, be it technical or institutional. Also by interacting, and obliging partner interaction at the interregional level, the EU has been forcing Latin American regional integration vehicles to solidify their positions. In this sense the motivation to spur and foster regional integration in Latin America, through interregional cooperation, has been an important EU driver in its strategic thinking and operations. It is equally important to note that unlike Africa and Asia, Latin America has encouraged the EU strategy on regional integration as it has sought to solidify its own regional integration.

There is also a further important EU motivation, again linked to regional integration, but this time to an internal EU issue. An EU motivation in relations with Latin America was an attempt to produce a coherent policy for an area in which it did not have any overwhelming interests as part of its new global strategy. It is also important to note that Spain and Portugal joined the EU in 1986 and that their influence\(^{50}\) impacted heavily on relations with Latin America. This internal dynamic, demand even, is a clear and important motivation for EU interaction with the region as both Spain and Portugal sought to increase relations with their former colonies. Both countries saw good opportunities to increase their influence within the EU and with the Latin American region through enhanced cooperation. Various commentators have also suggested that the EU stepped up its relations with Latin America in the 1990s in order to consolidate its

\(^{50}\) Spanish and Portuguese influence on EU policy towards Latin America has come almost exclusively through the Council, although over time also through the Commission and Parliament
foreign policy capabilities and produce a more successful example of a unified position (Bessa-Rodrigues 1999, Barahona de Brito 2000).

In terms of Latin America’s motivations for interregional relations with the EU, the rapprochement to the EU has often been reflected as these countries’ “tradition of seeking some external counterweight to the overwhelming presence of their northern neighbour” that Laurence Whitehead (1999: 54) has observed. There is solid logic and economic rationale behind this as the US and the EU are Latin America’s two biggest economic and political partners hence its two most important allies. Interaction with the EU is certainly motivated by a Latin American desire to counter US strength in the region, a motivation that is also present in EU-Asian relations but somewhat lacking in EU-African relations. This idea is best encapsulated in Valladão’s telenovela metaphor: “Two foreign gentlemen court the beautiful Latina (Latin America). One, the European, is an old rich gentleman, cultured, polite and of delicate manners, but a little slow and hesitant. The other, the American, is a young billionaire, brave and adventurous, but lacking in manners, and he can be at times harsh and even brutal in his ways” (1999: 6). Valladão continues that the belle Latina, however, has limited possibilities for manoeuvre and lacks the autonomy and strength to use the US-EU rivalry to her full advantage. She maintains, however, a position that seeks to prolong the triangular relationship, deepening co-operation with each partner but without reaching a situation where it may have to choose between one and the other (1999: 29).

Latin America has thus been manipulating EU interest in the region for its own balancing motivations. It must be said, however, that in trade and investment terms the EU is much more important for Latin America than vice-versa. For Latin American countries, the EU is either their first, or second, trade and investment partner. From a trade perspective one issue is very clear, that Latin America is interested in engaging with the EU to better the access of its main exports into the EU market: agricultural goods. The main export of many Latin American countries, especially the Mercosur countries, is agricultural goods

51 For more detail on the trade and investment relationships between the EU and Latin American countries see http://ec.europa.eu/comm/trade/issues/bilateral/regions/lac/index_en.htm, or Appendix 5
and given that the EU, as one of their major markets, is highly protectionist in this area negotiating with them bilaterally is an inviting possibility.

Latin American motivations in engaging with the EU have been quite clear. Firstly Latin America has sought to off-set US influence in the region to diversify its external relations, and secondly it has sought to maintain, if not increase, its access to the important EU market, especially for agricultural goods. Thus Europe became an important strategic option for Latin America, and as Valladão’s (1999) metaphor captures, an important triangle was created. The US was no longer the assertive hegemonic power in the 1990s, but the EU was not willing to assume its global role and take a lead in the region. The motivation that Doctor ascribes to Mercosur is equally applicable to other regional groups in Latin America; “political actors saw interregionalism as a means of mitigating the impact of market liberalisation, enhancing the potential benefits of integration into global production networks ameliorating intra-regional tensions and supporting consolidation” (2007: 292).

Overall EU-Latin American relations can be summarised as arising from both “a joint EU-Latin American interest in counterbalancing, to some degree, the strong US influence in the region, including the pressure to establish a pan-American free trade area” (Regelsberger & Alecu de Flers 2005: 333) and from an EU interest in interacting with, and strengthening existing regional groupings. As with Asia and Africa EU motivations in Latin America have been couched in a much wider and more ambitious strategy, one that attempts to reproduce all the potential of interregional theory as discussed in chapter one.

Evaluating EU - Latin America Trans/Interregionalism

The implications of interregionalism between Latin America and the EU, as with Africa and Asia, are closely linked to the motivations behind the relationships. In the case of the EU and Latin America the key motivation of both partners is that of economic balancing and bandwagoning, and both to counter US presence. This principal motivation has
meant that interregional relations have remained flexible, witnessed equally through important bilateral agreements being signed with Mexico and Chile due to parallel US negotiations for FTAs.

EU reluctance to take the upper-hand in relations in the region, and hence the pattern of the EU reacting to US strategy has led Torrent to note that there have been "successive tides of agreements" and he feels "this would justify the criticism directed at experts and officials on both sides of the Atlantic for triumphalism in presenting each agreement as "a decisive new step in relations"...As nearly always the excess of political rhetoric only generates frustration" (2001: 8). As a consequence of the flexible and relatively non-committal approach of the EU all interregional agreements lack clear content and precise economic/trade commitments. This leads Torrent to the conclusion that for interregional relations "EU relations with Latin America are practically meaningless" (idem.). Whilst there is some validity in this conclusion, certainly not for the bilateral agreements signed with Chile and Mexico which are concrete FTAs, EU interregionalism in Latin America has had other important implications for the region.

EU interaction with the region increased greatly, especially with the regional bodies which have been very much a special focus of EU strategy, witnessed by the EU holding joint ministerial meetings, from the mid-1990s onwards, on an annual basis with Mercosur and the Andean Community. This interaction has, in both explicit and implicit ways, impacted on Latin American regional integration. The EU has provided funding, support, technical assistance, training, institutional support and advice on regional integration issues for all Latin American initiatives. The ability to interact and negotiate with the EU had thus enhanced regional groups. These same factors have also meant that Latin American countries and groups have had increased leverage in their dealings with the US.

The implications of interregional relations with Latin America for the EU have also been associated to balancing issues. The EU has differentiated its approach over time in relation to its changing internal capacity and resources as well as the external
circumstances, such as US activity in the region. The EU has also gained valuable experience of regional integration through its dealings with Latin American groups, especially given that Mercosur is the most advanced regional group with which the EU has negotiated (Interview 5). The experience that the EU has gained from negotiating with Mercosur in particular has proved to be very beneficial to the EU’s overall experience of negotiating in an interregional capacity and something that has had spillover effects to other EU negotiations (idem.).

Finally, the implications for the global system relate to the fact that bolstered Latin American regional groups have become increasingly active and important world players, notably Mercosur. The two main regional groups, Mercosur and the AC, have both considerably increased their levels of regional integration since they started interacting with the EU, and have both increased their intra and extra-regional links as regional groups. As with Asia and Africa, all agreements signed with Latin American countries and groups have had impacts on relations with other countries in the world as preferences have been eroded or gained.

What has been apparent, endorsing the findings of the analysis of EU relations with Asia and Africa, has been the fact that there have been no impacts and implications of EU interregional strategy in the areas of agenda-setting and rationalising. Equally as sparse has been evidence of institutionalisation, issues that will now be addressed in a comparative evaluation of EU trans/interregionalism.

**Comparative Evaluation of EU Trans/Interregionalism**

The preceding analysis has looked at the three principal regions with which the EU has interregional relations, notably Asia, Africa and Latin America, to assess the aims of, strategies for and mechanisms involved in EU interregionalism. This section will draw together the key elements and most salient points in a comparative analysis. This will be structured such that firstly some general points about interregionalism will be made before strategy, motivations and implications of interregionalism are all addressed in turn.
Firstly, through the preceding analysis, it is possible to expand on the timeframe of EU interregionalism. The historical development of EU interregionalism can be summarized as follows:

**Figure 2.10 Historical Development of EU Trans/Interregionalism**

| Pre-1978 | Early interregionalism – created and existing partners – cooperation agreements – 1<sup>st</sup> generation |
| 1978-1990s | Interregionalism expansion and development – existing partners – cooperation agreements – 2<sup>nd</sup> and 3<sup>rd</sup> generation |
| Mid-1990s | Height of Interregionalism – created and existing partners – interregional framework cooperation agreements/4<sup>th</sup> generation agreements – key term ‘diversification/differentiation’ |
| Mid-1990s | Transregionalism – newly created and existing partners – initiation of new transregional fora |

Source: Own Creation

The first point to highlight is related to the timing of interregionalism, where it is clear that the 1990s were the most active period, the period of so-called ‘differentiation’. The concept of differentiation permeated all EU strategy documents, across all regions. From this point onwards existing relations with regional groups were updated, reinforced, or in the case of Africa, created. The objective of differentiation was to allow the EU to progress at different speeds and different levels with differing partners according to needs and circumstances, but all within one overall framework. Indeed 1994 can be identified as a key year for interregionalism as the EU produced a New Asia Strategy and a first Strategy document for Latin America, both of which were based on diversification and multi-pronged approaches.

The second preliminary observation to make concerns the types of EU interregionalism. Transregionalism evolved after interregionalism and is a wider membership based forum. It has different aims, goals, structures and objectives and it needs to be seen, treated and
analysed as such. It has been noted that in all regions transregionalism plays a complementary role to that of interregionalism, acting as a kind of umbrella for relations with an entire region under which sub-regional and bilateral relations exist. The transregional forum offers a different dialogue between whole regions. Whilst there is a difference in membership and role, transregionalism serves to reinforce interregionalism, by emphasizing the same messages and overseeing developments in the respective regions.

Having addressed these two general remarks about EU trans/interregionalism it is possible to move on to compare the EU’s strategies of interregionalism across regions, as analysed in the first sections of the three regional investigations. The key conclusions that can be drawn from such an analysis are as follows:

**Aims/Objectives** – The aims and objectives of all EU trans/interregional activity have followed a very similar (if not identical) pattern across regions. Early agreements aimed at cooperation in mostly economic areas, since when there has been a progression in the aims of the agreements such that now all agreements have comprehensive aims. The most important development in this field has been the extension into political objectives, as all agreements now aspire to closer political cooperation. This has resulted in agreements covering a wide range of issues such as sustainable development, political, economic, and cultural stability, poverty alleviation, insertion into the world economy, consolidation of democracy, good governance, respect of multilateralism and human rights. In this sense the stated aims of all forms of interregionalism are extremely ambitious and wide-ranging.

As Farrell notes, the EU has inserted what have been termed its “core values” (2005: 264) into all agreements and “since 1995 a human rights clause is standard for all EU treaties with third countries” (2005: 275). Agreements have also moved towards ‘partnerships’ based on reciprocity and mutual understanding and benefit. Aside from this development, the main aims of the agreements have remained focused on trade/economic relations and on enhancing regional integration. The drive of the EU towards economic cooperation is the leitmotif of relations and is seen as such in the agreements. In a similar vein, at the regional level, EU support for regional integration comes to the fore as a prime strategic
aim of relations. The EU, in replicating interregional theory, has also set strategic objectives for agenda-setting, rationalising and institutionalisation.

**Structure/Institutions** – The structural/institutional pattern has been very standard across the EU’s interregional relations as the EU has consistently chosen soft institutions and flexibility. The only heavily institutionalised relationship was with Africa, through the Lomé and Cotonou Agreements, but these are being replaced by the notably more flexible and less institutionalised EPAs and relations with the AU. The EU has preferred a three-tiered approach to managing relations, by having Heads of State meet at least once every two years, ministers more regularly and senior officials even more often. Each relationship has a form of ‘cooperation council’ at ministerial level with oversight of relations. This council is assisted by a Joint Cooperation Council and sub-committees. The structure is made to be flexible and not very institutionalised, which enables relations to slow and speed up on an ad-hoc basis. Whilst emphasizing these key flexible facets it must be noted that the structures are ones that are also designed for long-term dialogue and cooperation, meaning that they are not simply ad-hoc structures. They are also structures that serve political, economic and cooperation needs as and when required. This makes the agreements political channels as well as negotiating channels.

**Agreement Structure/Balance** – The pattern for the structure and balance of agreements has been homogeneous across regions as all interregional agreements have become based on a three-pillar approach, reflecting the comprehensive aims of the agreements. These pillars are political/strategic, economic/trade and cooperation. The three pillars in all agreements across regions have similar aims and objectives, and all show a heavy balance axed towards the economic/trade pillar, both in content and design. The political pillar is very similar in aims and content across agreements, whilst the cooperation pillar differs notably in content depending on the level of development of the partner region. The content of the economic pillar is a key difference as it is negotiated on a partner by partner basis.
Partner Region/Regional Integration – This is without doubt one of the most interesting and important elements of the EU’s trans/interregional approach to international relations. The EU has sought, specifically through interregionalism, to interact not only with existing regional groups but also to create new ones, notably through the African EPAs. Farrell finds that “regional integration has become a major plank of EU external relations policy” (2005: 265) and by this she is referring to the explicit support for, and reference to, regional integration in all the interregional and transregional strategy documents and agreements. Regional integration is unambiguously supported for both hybrid and pure interregional relations. It is logical that if the EU is trying to interact more, as part of its differentiation policy, with sub-regional partners, that it needs to help solidify and support sub-regions to strengthen its partners. The main impediment, in all cases, to more solid and meaningful interregional relations is the EU’s partner regions, so the EU is concentrating on ‘helping’ its partners. Thus all agreements with sub-regional groups across all regions contain explicit reference to regional integration as an aim and priority. Not content with simply aiming for regional integration, the EU strategies and agreements provide for financial, technical and institutional support as the EU offers its resources, services and experience. A further finding of relevance related to regional integration was partner region’s reactions to EU strategy in this area. Latin America was the only region to openly solicit regional integration support, Asia refused regional integration overtures and Africa appears to have accepted EU strategy more through lack of alternatives than free choice. These reactions have obviously impacted on EU interregional strategy and its implications.

Overall these above points have highlighted the key strategic features that are noticeable across EU interregional agreements in terms of their aims, strategy and structures. Having looked at these key strategic features it is now important to comparatively analyse the motivations for interregionalism across regions.

Motivations – The economic balancing and bandwagoning motivation has been very explicit in the specific analyses of the three regions, and by far the most important motivation. It has to varying degrees been a prime, if not the principal, motivation for the
EU as well as for both Asia and Latin America as access to markets, defence of preferential access and competition with key international competitors have all been significant motivations within this economic balancing and bandwagoning. In many senses it is a form of soft balancing that has prevailed as a motivation for both the EU and its partner regions, as both have strived to increase their relative and absolute economic power. Interregionalism is an especially good tool for the EU to leverage its relative economic power which "is particularly evident in the EU’s competition with the USA and Japan" (Söderbaum, Stalgren & Langenhove 2005: 374). The preceding sections highlighted specific EU reaction to US projects such as APEC which spurred ASEM, and the FTAA which spurred closer ties with Mexico and Mercosur. The high economic content of agreements is also testimony to this key motivation. It is interesting to note that in the case of Africa there does not seem to have been a great deal of balancing by either the EU or its partner regions given the predominance of the EU in the region already, and the lack of an Asian or US presence52.

Whilst noting the primacy of the economic balancing motivation on behalf of all actors involved in interregionalism it does not fully explain, in itself, some of the key features identified in the three regional analyses. It is possible to identify further important motivations that transcend both the context and specifics of the region by region developments. The first important motivation reflects the constructivist concept of identity through regional integration. "Interregionalism creates and legitimizes regional actors, including, perhaps most significantly, the EU" (Söderbaum, Stalgren & Langenhove 2005: 373). Given the EU’s own regional nature and global ambitions, it has been supportive of regional integration, of institution building, rules, norms and procedures that it itself is built on as this helps export its own model53. Interregionalism, as a concept, plays to EU strengths, where institutional and commercial power is the key to promoting its own values and institutional forms abroad. The EU has tried to work within the institutional system, as identified by Aggarwal in his analysis of institutional

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52 This statement was valid for Africa when the EU started the EPA process. Recent activity by China, in particular, in the African region has been of a direct competitive nature to which the EU is now responding

53 The EU has been supportive of all of these, but within the confines of multilateralism. The EU has always stated its primary adherence to multilateralism.
games (1998), to better its own position. In a world of increased regionalism, that the EU has inspired and promoted, there is an element of inevitability about the EU pursuing interregionalism. As Regelsberger and Alecu de Flers say of the EU’s interregional dialogues; “the relations of the EU and its member states with other groups of states are not an accidental development. They are a direct result of EU construction proper and Europe’s own posture as a regional organisation. Therefore the logic of inter-regional cooperation derives from the successful European model” (2005: 319). The EU has seen interregionalism as a means of promoting its own version of international relations, an equal partner association model, as a counterpoint to the more direct US commercial/military model. This explains why regional integration is at the very core of EU interregional strategy.

The EU has tried to support and promote regional integration in all three of the regions studied in this chapter, both implicitly and explicitly. This can be seen as a self-serving justification for interregionalism which forms a virtuous circle. Interregionalism is able to feed back on itself, and over time unite regions and spurs them onto further regional measures. This enhances the regionalist theory of a world of regions, a part of the EU’s own world view, along the lines of the EU itself. Manners calls this “meta-regionalism” in which the EU engages “in interregional diplomacy which implicitly and explicitly promotes mimetism (regional replication) in places such as Southeast Asia (ASEAN), southern Africa (SADC) and South America (Mercosur)” (quoted in Aggarwal & Fogarty 2004: 19). The EU seeks to project itself onto the five world continents, putting itself at the forefront of new economic, social and political organisation. This idea also comes under the name of “extra-regional echoing” as coined by Zimmerling (quoted in Hänggi 2000: 2), when the EU prototype of regionalism serves other areas of the world as a model. The values then championed by the EU will filter into other nascent, emerging and developed regional projects, as they are based on the EU model. Such a strategy by the EU could also reflect a search for institutional isomorphism, as Steinberg suggests “imperial powers have attempted to impose – by conquest or coercion – some element of institutional isomorphism on subject territories” (2006: 1). As the EU is seen to be successful in its regional policies there will be an effect of simulation and emulation.
The EU regional integration model has been notably rejected by Asian partners, accepted to an extent by Latin American ones, and is currently being implemented by African ones. This reveals the extent to which partner political and economic power can hinder or restrain EU institutional isomorphism. The importance of the recognised external influence on regionalism, "external cogency" (Nye 1968) or "external federators" (coined by Schwarz H-P in Lehmburch, Von Beyne & Fetscher 1971), is a widely accepted factor in regionalism literature. Seen in these terms the EU is now practicing positive external cogency on regional groupings, which in some cases it has actually set up itself.

It is clear that the EU has used interregionalism to foster and strengthen regionalism, through a solid and coherent strategy. It has sought to build collective identities and reinforce its own identity whilst balancing out international relations. The impact on the EU itself is something that should not be overlooked as Regelsberger and Alecu de Flers conclude: "in principle interregional cooperation has worked towards greater consistency between the various pillars of the EU’s external relations and has improved the EU’s profile as a collective actor" (2005: 339). It is also clear that the EU has sought to reproduce regionalism the world over, based on its model, such that its management of its external relations would be rationalised and simplified. It is important for the EU to be perceived and accepted as a coherent global actor assuming its role in global affairs, and it has had to create a coherent and coordinated foreign policy to better do this. Whilst regional integration represents a clear EU motivation for interregionalism it can not be said to have been as important for the three regions studied in this chapter. The Asian region has in no way solicited support for regional integration which has been an important factor behind EU differentiation towards bilateralism in the region. Africa has had little success with regional integration, but given power asymmetries and indirect gains has had to accept EU regional integration support. Latin America is perhaps the only region to have itself used regional integration as a motivation behind interregionalism as nascent regional groups sought support and help, although the types and forms of regional integration have not replicated the EU model54.

54 The issue of regional integration in Latin America will be taken up in greater detail in Chapter 4
The EU has engaged in an explicit strategic attempt to increase its 'presence', as it is referred to in the strategy documents, which is linked to EU identity and actorness. This has been backed by internal moves to increase actorness in foreign relations through the CFSP, because to maintain a global role the EU has to have the internal powers that allow it to act and interact better. Söderbaum, Stalgren and Langenhove find the Commission, especially, imbued with a "striking self-confidence" with regard to the EU becoming a global actor and exporting regionalism. They go on to add that the EU is exporting the "reality of the EU to a world hungry for its presence" (2005:371). This is echoed by interviews with Commission officials who all take the export of regionalism as a positive and desirable outcome for EU partner regions (Interviews 1 & 5).

The above motivations link directly to a further EU motivation, in that through regional integration and actorness the EU has been seen as trying to enforce its values on other regions. The birth of conditionality, added to the existing relationships as they evolved, to include compliance with democratic and environmental values, is testimony to this trend of exporting values which represents a classical type of Nye soft power. When the EC became the EU there were important changes in its objectives such that 'European values' including human rights, fundamental rights, rule of democracy and law and environmental issues all became cornerstones of foreign policy initiatives. Farrell argues that in Africa "the EU has established the channels through which it can convey its values, priorities and even special interests" (2005: page 270-1), which makes interregionalism as much a means as an end. Interregionalism helps establish EU norms and practices the world over and emphasises the role of the EU as a "normative power" (Manners 2002). All of these new issues and concerns on the EU negotiating table have only served to impede relations with counterpart regions, something noted in particular in relations with Asia (Forster 2001).

One final important comparative finding is that EU interregionalism always has an important political pillar, as one of its three pillars. This is because the EU has been trying to bring its political power and channels into line with its economic power and channels. As this process of realignment has advanced internally within the EU, an
external manifestation has been through interregionalism. Political dialogue has thus been a constant EU motivation across regions, as the EU has made explicit reference to political cooperation with the aim of coordination not only within the relationship but also across other international fora. It is also true that political motivations behind interregionalism have been at play for all EU partner regions due mainly to prestige enhancing effects, but to a much lesser motivational degree than for the EU.

**Implications** – The greatest implications of interregionalism have, at all times, been for partner regions. This is because in all cases the partner region is weaker than the EU and hence more economically and politically dependent. The asymmetrical relationships have thus entailed greater implications for partners. There has been an immediate implication of the partner size, coherence and overall strength in that “the stronger the counterpart, the more concessions are given by the EU” (Söderbaum, Stalgren & Langenhove 2005: 377) which explains many of the differences between the agreements with different regions of the world. From this it is possible to highlight that the impacts of EU interregional strategy have been greatest for Africa, then for Latin America and finally for Asia. This is mostly due to the respective economic power of the three regions and their ability to resist EU interregional strategy.

The implications for partner regions revolve mostly around their need to interact with the EU as a group, and the impact this has on their group identity and level of integration. There is an obvious impact on the partner region as it is forced to make more decisions as a group, something that interaction with the EU requires. The EU also finances and helps with their regional integration so enhancing any potential impact on the groups in question. This implication, whilst primarily one for the group itself is also important for the global arena as certain regions increase their actorness and presence.

The next key implication to address is that of institutionalisation. Due to the dominance of the balancing motivation, interregionalism has tended not to be heavily institutionalised and remain relatively flexible. Noting a lack of institutionalisation and greater flexibility it is possible to go so far as to say that interregionalism has, as yet, had
few concrete implications. The institutions it has created are weak, the agreements incomplete and all the declarations are relatively vacuous and often not followed up. This does not mean that they are not useful, as the continued faith the EU has shown in them testifies. The key is that they hold promise, and as such act as potential springboards.

Having noted the clear EU interest in promoting regional integration it has been mentioned that across the three regions this promotion has been received very differently. In Asia there has not been an uptake of EU ideas, indeed it has spurred the creation of specific ‘Asian values’ in contrast to ‘EU values’. Despite the non-acceptance of the EU model the East Asian region has continued to integrate at its pace and according to its needs, such that “the East Asian regional self acts itself into being” (Gilson 2005: 16).

From the basis of these separate comparative analyses it is now possible to draw overall conclusions about the general class of EU interregionalism

**Conclusion**

In answer to the specific research question asked of EU interregionalism in the introduction; *how has the EU’s strategy of interregionalism manifested itself across the globe?* this chapter has detailed and analysed the widespread use of interregionalism by the EU in its external relations. As Söderbaum, Stalgren and Langenhove conclude “there has been an increasing emphasis on interregionalism as a guiding principle for the EU’s foreign policies and external relations” (2005: 366). Regelsberger and Alecu de Flers conclude that it has “helped the EU and its Member States to pursue their stated objective of becoming a global power in international relations” (2005: 338).

The use of interregionalism is a relatively new phenomenon that has been seen to be an important strategic element of EU external relations, part of its drive to assume a position as a global actor. Its use has been noted to be strongest in Latin America, Africa and Asia. This chapter has also highlighted the fact that interregionalism, as pointed out in chapter one, is only one channel of interaction amongst many others, as the EU has such a variety
of relations with such a variety of actors around the globe. Transregionalism has been shown to have increased in importance and bilateralism has been shown to remain a lowest common denominator, and at times a crucial channel for interaction. It was possible to identify certain stages in EU interregional development, with the mid 1990s being the ignition period for the majority of EU interregional strategy. The clear pattern in the way interregionalism has developed has been one of differentiation, such that interregionalism will continue to offer an avenue for negotiation and discussion, but as one tool amongst others as part of a wider strategy.

Despite the multiplicity of agreements in which the EU is currently involved, and the emphasis placed on differentiation, certain common key characteristics of EU interregionalism can be noted:

**Figure 2-11 Key Characteristics of EU Trans/Interregionalism**

1. The EU has purposefully and forcefully promoted regionalism. It has acted and tries to act as an 'external federator' and incorporates support for regionalism in interregional agreements
2. EU interregional relations are characterised by low level institutionalisation
3. Commercial and trade considerations are almost always the most important
4. Over time all interregional dialogues have expanded to cover more areas, notably areas such as human rights, environmental protection and democracy (though as yet most of this remains paper and theoretical with no enforcement or follow-up procedures)
5. EU interregional relations have over time tended towards a pillar formation with divided areas of activity, commercial, political, aid and development
6. EU interregional relations tend to have the same structures of contact and dialogue
7. The EU uses both transregional and interregional relations but prefers interregional (pure), this latter being more content driven and active than the former

Source: Own Creation
It is useful to take these key characteristics and analyse them against the motivations and implications of interregionalism derived in the last chapter. Doing this reveals two broad categories of conclusion, the first concerning interregionalism as a state of affairs, and the second as a strategy with wider implications.

In the first case EU interregionalism has shown a marked balancing and bandwagoning motivation leading to criticisms of opportunistic behaviour and a general lack of long-term strategy and coherence. The low level of institutionalisation and binding rules in EU interregionalism is a consequence of the primacy of this function. The next most important finding about interregionalism as a state of affairs is that EU interregionalism has actively sought to build collective identities in a form compatible with EU regionalism. This drive, by the EU, has also served to help it define its own self and its own role in international relations. After balancing and bandwagoning collective identity building has been the second most fulfilled function of EU interregionalism.

The agenda widening and pillar structure, even if heavily weighted towards the commercial pillar, has caused increased problems and friction between the EU and partner regions. The need to correctly evaluate counterpart interests and desires in interregional relations has to be balanced by an approach tailored to each region. The reasons for a lack of institutionalisation between the EU and ASEAN are not the same as the reasons for a lack of institutionalisation between the EU and Mercosur. Interregionalism is not a doctrine but a strategy, a flexible tailor made strategy (Söderbaum, Stalgren & Langenhove 2005: 373). The goal is to develop the EU as a global actor – interregionalism is one strategy amongst others to do so. This chapter has highlighted that interregionalism, based on a model of differentiation, co-exists with other levels of relations, notably the transregional and bilateral. Differentiation has led in many senses towards a new model of relations between the EU and a partner region.

In relation to the other motivations and implications of interregionalism outlined in the first chapter this chapter has been unable to come to any firm conclusions. The ability of EU interregional relations to rationalise has been partly witnessed, although the lack of
coherent and strong partners has meant that the EU has been obliged to differentiate and continue relations at all levels, not just the interregional. The multiple interregional relations that the EU currently has certainly provides ample potential for rationalising to occur, but this will depend entirely on partner regions being able to interact as strong single actors. Regelsberger and Alecu de Flers conclude that "while it may help in the definition of collective principles and negotiation positions in international fora, it is less suited to conduct crisis management operations in concrete situations" (2005: 338). Agenda setting likewise has not had sufficient analysis in this chapter to come to the fore. The attempts to set agendas is clear in EU strategy papers as the EU has consistently sought political alignment on shared values in multilateral fora, but there has been scant evidence in practice of this happening. All of these factors will only come to light in a more in-depth analysis of specific interregional relations, which will be undertaken in the next two chapters.

The second broad conclusion concerns the existence of interregionalism as a strategy, as a clear and defined EU external relations strategy. This has arisen as an important finding of the analysis in this chapter. Whilst noting the EU drive towards differentiation, which implies interregionalism tailored to local circumstances, there are certain overriding strategic objectives that underpin all interregionalism. The most important of these is support for regional integration, although the EU has also strategically aimed for rationalising, agenda-setting and institutionalisation. This chapter has revealed that there is a tension between these two sets of conclusions, between interregionalism as an isolated strategy and interregionalism as a state of affairs when implemented within a specific region and context. This has led, for example, to the stark differences in uptake from partner regions of regional integration help from the EU. These tensions between the strategic aims and drive of EU interregionalism and the actual state of affairs of an interregional relationship are key findings about EU interregionalism.

Hans-Dietrich Genscher, in reference to interregionalism, said in 1990 "the path of dialogue and economic cooperation embarked upon by the EC in a spirit of true partnership is proving to be the path of the future" (Edwards & Regelsberger: vii-viii).
Although this vision still holds true today, the path needs to show more consistency between strategy and reality. The overriding view of EU interregional interactions is summarised by Rüland when he says “EU involvement in inter- and transregional fora is marked by balancing” (2002c: 9), which is not a complete reflection of EU strategic aims, but of the actual state of affairs of interregionalism. This importance attached to balancing has meant that interregionalism, in which the EU has been involved, has manifested marked soft institutionalisation with little evidence of other functions, such as rationalising, agenda-setting and crisis management. Rüland goes on to conclude that “dialogues established by the EU definitely have the potential to become important intermediaries of a multilayered system of global governance with global institutions, regional organisations and the nation state as nodal points” (idem.). But, as has been made clear, this will not be possible in their current weakly institutionalised and fragile form because relationships built out of balancing necessity do not have good long-term prospects.

In terms of what sort of interregionalism the EU is pursuing, this chapter has revealed a picture of EU interregionalism that could be termed ‘complex interregionalism’. This term encapsulates the tension between the fact that EU interregionalism is a strategy that is implemented in different regions according to local circumstances, according to a set of core aims and with a standard model in an attempt to achieve similar outcomes. EU interregionalism is applied at different levels and speeds, but simultaneously and according to a broadly similar and evolving model. Given that interregionalism has evolved in a context of differentiation, this has created region by region examples of complex interregionalism whereby interregionalism as a strategy has to be implemented. This means that it has to interact, enhance and remain consistent with transregionalism and bilateralism. The EU emphasis on differentiation, through which it has changed its strategies over time in line with needs and circumstances, is part of a strategy and structure that has been built to be inherently flexible. This chapter, by looking predominantly at interregionalism, has demonstrated a picture of EU complex interregionalism tailored to circumstances and partners, as set out in its own strategies.
From this general level of EU interregionalism it is clear that to fully understand interregionalism there is a need to deepen and enhance the analysis, as certain key questions remain:

**Figure 2-12 Key Questions for Complex Interregionalism**

1. How does EU complex interregionalism work in practice – and how does this fit with other levels of relations?
2. Is EU complex interregionalism coherent and complementary within a given region?
3. How does differentiation, as practiced by the EU, impact on interregionalism?
4. How close is interregionalism to fulfilling its potential functions in the region with the most advanced interregional relations?
5. What are the principal reasons for interregional relations not fulfilling all the theoretic functions ascribed to them?

These key questions aim to take the analysis of interregionalism to a new level in the sense that they seek to situate it within the specific regional context of complex interregionalism, that is to see how strategy operates in practise. To address these questions it will be necessary to study the region with which the EU has the most advanced interregional relations, which is Latin America.

This chapter has shown that EU interregional relations with Latin America are its most advanced, with clearly defined pre-existing sub-regions, an umbrella transregional forum and important strategic bilateral relations. The questions above that have arisen in this chapter, address what sort of interregionalism the EU is pursuing in Latin America as a whole. The concentration in the next chapter will thus be on describing how complex interregionalism works in practice, with a focus on how the EU implements its interregional strategy with all actors in the region so as to understand the tension between the two.
Chapter 3: EU Complex Interregionalism in Latin America

Introduction

The last chapter developed a picture of EU complex interregionalism, an interregional strategy tailored to specific circumstances and partners, as a part of wider strategic policy options. It took the level of macro-regions for analysis, to draw pertinent conclusions about EU interregionalism in general terms. This chapter will take the study of EU interregionalism one step further, by focusing on the analysis of EU complex interregionalism in action in one specific region. The most logical choice of region is that of Latin America because, as chapter two illustrated, it is the region with which the EU has the most advanced interregional relations in terms of depth, coverage, scope, and also potential. It is also the region with which the EU has developed the most sophisticated, and clearest, example of complex interregionalism, with distinct interacting levels. The fact that the EU interacts with Latin America at very distinct levels, via very distinct pre-existing groups and fora, makes it an ideal case-study for the dynamics and processes of interregional strategy in action. Commissioner Mandelson noted in a speech in Brazil in September 2006 that “more fundamentally there is no region in the world with whom we have so much affinity of culture, shared history and commerce” (2006: 6), and it is these shared attributes that in turn translate into a complex and rich array of relations.

Chapter two painted the model of relations that the EU has with Latin America, and outlined the basic details of the relationship. This chapter will take the analysis further by looking at the process and implementation of complex interregionalism. The basis of this will be the questions formed at the end of chapter two, with the priority being in understanding the tension between EU interregional strategy and the actual implementation and state of affairs of interregionalism within the wider context of other relations with the region. This chapter will thus address the research question posed in the
Introduction concerning EU interregionalism with Latin America; 'How does the EU's strategic interregional approach to Latin America work in practice?'

In 2002 the editorial of the periodical America Economia posed the question; "Europa ocupa o espaço?" (2002: 13) in reference to the EU's activities in Latin America in relation to those of the US. This chapter will address how exactly the EU has strategically attempted to 'occupy' this space with complex interregionalism and what the results have been. A further motivation behind analysing complex interregionalism is to frame exactly what it is, what it does, how it does it and what the results of the strategy are. Within this there will be an important element of trying to ascertain the status of rationalising, agenda setting and institutionalisation within complex interregionalism in Latin America, as these were not discerned at the macro-level in chapter two. This chapter will also provide more insight into the roles of balancing, bandwagoning and collective identity building, but again with the focus being on their implications through implementation.

This chapter will address the three key levels at which the EU interacts with Latin America, as identified in the last chapter's analysis of EU strategic documents relating to Latin America; the bilateral, the interregional and the transregional. Whilst the latter two levels have, to date, been the focus of the analysis, it will be important to address bilateral relations in this chapter, which will allow a more thorough and comprehensive understanding of complex interregionalism. To guide this analysis the following key questions will be used:

55 In this thesis ‘bilateral’ is understood as EU – specific individual Latin American country
The outcome of this chapter will describe how complex interregionalism works in practice, with a focus on the dynamics and processes that implement the outlined and stated strategies. It will detail and analyse the exact forms, structures, contents, processes, negotiations, management structures, institutions and outputs of the various levels and relationships between the EU and Latin America, which will in turn allow for further key questions of interregionalism to be directly addressed to EU-Mercosur in the next chapter.

The last chapter outlined the map of EU relations with Latin America\(^{56}\), as a static snapshot of relations in 2006. To be more meaningful it needs to be placed historically and have the overall multi-level context and interactions explained. Each of the key component relationships within each of the three levels will be analysed to help form specific conclusions on each level of relations, which will in turn help an understanding of how the levels interact and coincide. Before addressing the three principal levels of interaction between the EU and Latin America in such detail, the chapter will firstly trace relations from pre-1957 to the modern day. This will advance chronologically and focus

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\(^{56}\) Figure 2-8
on the EU strategic approach to Latin America as an entity in itself. This section will synthesize the key elements in the relationship as it has progressed and evolved towards a more interregional emphasis, setting the important historical context for a more detailed analysis.

Context and History

To fully understand, and situate, the complex interregionalism that now exists between the EU and Latin America it is important to trace the evolution of their relationship from its beginnings. The story of relations between Latin America and Europe is that of the so-called 'discovery' of Latin America by Europeans followed by subsequent periods of colonization, prosperity, dependence and independence, nationalism, democracy, alliance and finally strategic partnership. This long road has seen over five centuries of political, cultural and trade links, which equates to one of the world's oldest bi-regional relationships. The fluctuations in the relationship have been enormous depending on the times, circumstances and interests involved, creating an ever-changing partnership (Rubiolo 2002). Reference to this shared history is a constant feature of current day EU – Latin American relations, something that frequently leads to their qualification as being 'natural allies' or 'partners'. As EU External Relations Commissioner Ferrero-Waldner noted; "our relations are based on long-standing historical and cultural ties and shared values...In short, Europe and Latin America are natural partners" (2005: 1). The focus of this thesis is on EU, not European, relations with Latin America and as such a detailed analysis starts at the inception of the European project in 1957. This choice obviously cuts out over four and a half centuries of relations between Europe and Latin America, those in which the two continents forged their close relations. Whilst a longer analysis of these relations is outside the remit of this work, a short section is still needed to sketch the context.

57 A more detailed historical analysis is available by Bulmer-Thomas (1994), on Latin American History, or by Rubiolo (2002), on EU-Latin American relations
The advent of relations was when Spain arrived in Latin America in 1492, soon to be followed by Portugal. From this point onward important European roots were planted in the region, ones that prevail today. European penetration was not just by the Spanish and Portuguese, who were politically dominant in the region, as the British became important in economic and trading terms (Rubiolo 2002: 2-3). The next major phase in European–Latin American relations was that of the struggles for independence between 1820 and 1850, after which the first major rapprochement of the two regions took place, mostly in the deepening of economic ties. European political, economic, cultural and social domination in the region gradually waned and from the end of World War I (WWI) the US arose as the undisputed hegemonic power in the Americas, and the main source of finance and investment. The Cold War, more than ever before, brought US political, ideological, military and economic influence into the region, which became very much the US’s own 'backyard' over which it granted itself special rights (Rubiolo 2002: 19).

The role of the US in Latin America is now a crucial factor in EU relations with the region, a factor that this chapter will evaluate.

**Relations: EC – Latin America from 1957**

A major event that had a significant impact on European relations with Latin America was the formation of the European Economic Community (EC) in 1957. The nascent EC had to deal with a diverse Latin American region which had strong historical links with Europe, but that was firmly within the economic and political grip of the US. This event was to signal the start of a new era in relations, which up until 1957 had been on a country-to-country bilateral basis. At inception the EC’s principal external focus was on Africa, Greece and Turkey. From this situation, as Mower explains, the relationship with Latin America had “to bear a burden of neglect, frustrations, and missed opportunities” (1982: 37). Between 1958 and 1963 the EC issued a ‘Memo of Intention’ to Latin American governments wherein the EC declared itself to be seeking “close relations and cooperation with Latin America” (Mower 1982: 37). Latin American governments were not convinced by these actions on behalf of the Europeans and issued statements that

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58 Also termed 'discovered' (Rubiolo: 6)
revealed that it felt the EC was launching a "near war on Latin American export perspectives" (Mower 1982: 38). It is no stretch of the imagination to understand that 'export perspectives' referred to agricultural products, which is indeed still an issue in relations today.

In the period between 1963 and 1967 the EC moved to enhance its relations with Africa, which further disadvantaged, and frustrated, Latin America. Due to this rising frustration two sets of talks were held between the EC and Latin America, which led to the EC requesting that Latin America submit a list of all exports that it felt were being disadvantaged. Thus the 'Latin American Memorandum of 1966' was issued, setting forward a wide-range of objectives, proposing a comprehensive interregional economic policy with a joint commission to oversee activities. The EC Council did not act on the Memorandum and relations sank to a low-ebb between 1967 and 1970. Whilst this joint commission idea was rejected, Mower suggests that "the establishment of effective institutional links between the two regions has been made difficult by the hybrid nature of the Latin American side" (1982: 55). Again it was Latin America that acted in the face of the tension, issuing the Buenos Aires Declaration, which called for renewed contacts between the two regions. This time the EC was responsive and in June 1971 issued a statement highlighting the importance it attached to relations with Latin America, proposing semi-annual talks at the ambassadorial level. Relations also advanced economically with the signing of non-preferential trade agreements between the EC and Argentina in 1971, Uruguay in 1973, Brazil in 1973 and Mexico in 1975.

In the 1970s relations increased in different areas, but nonetheless remained dominated by trade considerations. In addition to the non-preferential agreements it signed, the EC also initiated sectoral agreements on textiles, handicrafts, silk and cotton. The rise of the EC market for Latin America drew the Economic Commission for Latin America and the Caribbean (ECLAC) to conclude, in 1977, that "the Community has played the most important role in balancing and diversifying Latin America's trade relations" (Mower 1982: 39). Despite the dynamism of the relationship in trade terms it is interesting to note the low place Latin America held in terms of access to EU markets. Between 1958 and
1978 the Latin American share of EC markets declined from 11% to 5% (Mower 1982: 39). Whilst EC regional interests, and the Generalised System of Preferences (GSP) that the EC developed in the 1970s, did not seem favourable for Latin America, the EC did increase its aid flows to the region through this decade. In 1976-7 seven EC states also joined the Inter-American Development Bank (IADB) which was greeted by the IADB as "explicit recognition of EC's growing desire to become a participant in Latin American development and of its recognition of Latin America's 1) growing importance as a factor in the world economy, 2) growing influence in the decision-making councils of the global economic system and 3) great value as a market of the exports of Europe" (Mower 1982: 46).

Relations between Latin American and the EC at the end of the 1970s were a patchwork of links and agreements spanning bilateral, regional and sub-continental frameworks. This period relates to the first of three phases in EC – Latin American relations as identified by Barahona de Brito (1999: 1-2). This phase was brought about essentially through the interplay of EC external priorities that focused mostly on ex-colonies and the near neighbourhood, and Latin America's disparate and changing circumstances. Importantly, in 1975, Latin America initiated its first attempt at regional integration through the Latin American Economic System (SELA). Amongst the aims of SELA was that of providing a mechanism to negotiate with third countries. The EC responded to this development by "emphasising the Community's preference for an interorganizational approach to the management of relations with Latin America" (Mower 1982: 56). Alongside the semi-annual dialogue started in 1971, Parliamentary cooperation also started between the European Parliament and Latin American legislatures in 1979. Aside from these two institutional frameworks relations were conducted via official visits and regular bilateral contacts. Trade agreements entailed the creation of Joint Committees, such as the one created with Brazil in their 1973 agreement.

59 This initiative was at the regional level and not the sub-regional level, which had already seen regional integration schemes initiated
60 For more information see: http://www.sela.org/
Democratisation in Latin America was a key factor in external relations, as a precondition to entry into the multilateral world. The peace process began in South America in the 1980s as Peru returned to democracy in 1980, Argentina in 1983, Uruguay in 1984, Brazil in 1985, Paraguay in 1989 and Chile in 1990. In the 1980s political dialogue was the most important facet of relations, as increasingly they were based on a shared respect of, and vision for, democracy with most of Latin America using Europe as their ideal. Since the militarised 1970s the pre-cursor to the European Parliament was vociferous in its condemnation of military rule in Latin America. The first Europe-Latin American Parliamentary conference was held in 1974, and every two years subsequently, and has remained an important main channel for political dialogue. Support for democracy became very important to Latin America at this time, and has subsequently remained important to relations between the two regions. The support given by the EC in the 1970s and 1980s was a building block for the future. It is interesting to note that, given the political instability and lack of democracy in the 1970s, the focus of relations had shifted from states to political parties - mostly, as Rubiolo notes, the Social Democrats (2002: 24).

The Latin American debt crisis of the 1980s was an important turning point in the history of the region. One of the key consequences of the changes brought about in Latin America in the 1980s, for this thesis, was a total reorientation of Latin American external relations. Until that point its development and focus had all been internal, but the debt crisis forced a huge change of policy. Import substitution (IS) was simply no longer viable as a long term policy in an international and multilateral world, so policy orientations started to move slowly towards more open and liberal regimes with expansive views of external relations. Modifying their development strategies indirectly altered their foreign policy and hence bi-regional relations. Through these turbulent times internal conditions in Latin America changed drastically making relations with the EC entirely different. The effort to externalise meant that regional and sub-regional initiatives also started to reorganise and gain in coherence, and new-found democratic consolidation gave stability and a common denominator to relations.
The so-called ‘first’ wave of regionalism in LA had started in the 1960s using the IS model, but as the model stagnated so too did these early regional groupings. As Latin America opened up to the external world a ‘second’ wave of regionalism spread through the region as the Latin American Integration Association (ALADI) replaced the Latin American Free Trade Association (LAFTA) in 1980-1, the Andean Group restructured in 1987 with the Quito Protocol and Mercosur was created in 1991. This new geopolitical situation is the basis on which current EU-LA relations are built, and on which current relations started to take shape. At this time multilateralism was flourishing and under the ALADI umbrella many partial scope agreements were signed within LA. There was a sudden consciousness of the need to formulate and build external relations. Given prior EC misgivings about the “hybrid nature” (Mower 1982: 55) of Latin America and having already emphasised an EC preference for more rational interregional relations, developments in LA were ripe for the EC to capitalise on.

Whilst EC responsiveness to the challenges, opportunities and requests of a changing Latin America had been, at best, relatively slow a further key development was to heavily influence EC-LA relations. The incorporation of Spain and Portugal into the EC in 1986 was a major event for relations between the two regions. Latin America initially feared this move, but it proved to be positive for them in many ways (Rubiolo 2002: 29). Crucially, awareness of Latin America was raised as both European countries expressed the desire to deepen ties with LA. In 1986 a Spanish proposal at the European Council, at The Hague, to strengthen relations with Latin America and support the peace initiative of the Contadora Group, was accepted. Already due to Spanish backing, prior to their EC membership, the Central American peace process had been supported in 1984 in Costa Rica at the first San José conference (Rubiolo 2002: 29).

Spain had quickly become aware of the possibility of using Latin America as an instrument to improve its own position within the EC, essentially because it had a special

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61 For more information see: www.aladi.org/
62 The start ofthe second of Barahona de Brito’s phases in EC – Latin American relations (2000)
63 The Contadora Group was an initiative launched by Colombia, Mexico, Panama and Venezuela, in 1983, to deal with the military conflicts in El Salvador, Nicaragua and Guatemala that were, at that time, threatening to destabilise the whole region.
cultural and lingual affinity with Latin America that took its foreign policy beyond mere commercial and trade considerations. On this basis it proposed the idea of an Ibero-American forum, which resulted in the first Ibero-American Summit in Guadalajara, Mexico, in 1991 (Rubiolo 2002: 30). The Ibero-American Summit is principally a forum for political harmonisation on matters concerning the Latin American region, and for discussion of regional issues. The Summit has been held every year since it started in Mexico in 1991\footnote{Thereafter in Spain (1992), Brazil (1993), Colombia (1994), Argentina (1995), Chile (1996), Venezuela (1997), Portugal (1998), Cuba (1999), Panama (2000), Peru (2001), Dominican Republic (2002), Bolivia (2003), Costa Rica (2004), Spain (2005) and Uruguay (2006)}. It must be noted that whilst there were positive benefits for Latin America from Iberian EC membership, their inclusion was not viewed as positive by all commentators, with Grabendorff suggesting “Latin America’s previous experience of the Community’s geographical enlargement has not been wholly positive. The adhesion of Spain and Portugal did win the region a favourable and direct voice......but on a practical level it spelled a loss of Latin America exports to the EC...as the CAP was extended to Iberia” (1992: 220). The issue of the CAP and Latin America is one that continues to overshadow relations almost twenty years later, and will be dealt with in greater detail when addressing EU-Mercosur relations and their attempts to negotiate agriculture. Another important creation of the 1980s, in Latin America, was that of the Rio Group, in 1986, as a genuinely regional forum for high-level political dialogue. The EC was not slow in seeing the potential to use this group as a partner for discussion and relations, hence Rio Group - EC dialogue started in 1990.

This move towards more political dialogue represented a change of emphasis that was to continue through the 1990s and beyond. As important as this change was, the main emphasis of relations was no longer on political cooperation but on trade and economic issues. Grabendorff concluded that in the 1990s “the EC has made great efforts to improve the biregional economic agenda in all its facets. However, trade links remain the most important aspect of EC-Latin American economic relations” (1992: 225). Latin America was a much more interesting economic prospect to the EC in the 1960s than it was in the 1970s and 1980s due to the combination of military regimes and IS models. The EC remained the main source of ODA while the US and Japan reduced their aid to
the region (Rubiolo 2002: 42). Latin America needed differentiated cooperation as its regions had different needs. European resources in LA changed drastically from 1990 onwards as several specific and directed programs, under the economic cooperation banner, were started: AL-INVEST in 1994 aiming to protect EU FDI in the region and promote technology transfer, strategic alliances and joint-ventures between EU-LA. Eurocentres were also created in LA to increase contacts between regions. ALURE was started in 1996, to provide support for energy system modernisation and to promote regional energy integration. SYNERGY was created to support environmentally friendly energy policies, in essence to compliment ALURE. ALFA was started in 1994, to aid cooperation and exchanges in scientific, academic and technological sectors through academic exchanges. Finally URB-AL was established to create permanent networks between European and LA cities (www.ec.europa.eu, accessed 27 May 2007).

In the mid-1990s the EU overtook the US as the main investor of FDI in the region, prompting B. Jones to comment that “five hundred years after the conquistadors stomped through Latin America, the Spanish are back, this time looking for legitimate profit instead of plunder, and they are snapping up major stakes in local corporations and grabbing market share” (www.eurunion.org, accessed 12 January 2005). Growth in Latin America in the 1990s coupled with a variety of other factors such as enhanced stability and security in the region and the large-scale deregulation and privatisation offered prime incentives for trade and investment in the region. EU (the EC had by now become the EU) investment in the region represented 15% of its total FDI outflows, with Spain at the forefront (idem.). Whilst the EU does not have direct powers over investment it was through this investment drive that a large business voice mobilised for a more secure trading relationship.

It was in the midst of the 1990s that EU relations with Latin America really took shape, and for the first time in an explicit strategy document, the 1994 ‘Basic Document on relations between the EU and Latin America and the Caribbean’. This document greatly redefined relations between the EU and Latin America as a whole. The Commission proposed, and the Council endorsed, an original approach towards the region, with a
noted emphasis on sub-regions and specific countries such as Mexico, Chile, and Mercosur. “In a significant shift of policy, the EU decided to move towards some form of associated status with Mexico, Chile and Mercosur. Hitherto associated status had been reserved for those states that either for historical reasons (ex-colonial states of the Lomé Conventions) or political reasons (the near abroad of East and South Europe) had been considered of top foreign policy priority status for the EU” (Peterson & Sjursen: 161).

The potential of the emerging Latin American economies and competition with the United States provided a final impetus for the EU to upgrade its relations with Mexico, Chile and Mercosur. The timing of the EU’s strategic document is not without significance as discussed in the last chapter. 1994 was in many senses the start of complex interregionalism between the EU and Latin America. As Matthews notes; “the existence of so many regional organisations with overlapping objectives has created a complex web of initiatives and institutions, which makes it difficult for the region to speak with a unified voice…the proliferation of regional organisations has had an impact on the EU’s approach, resulting in different types of relationships with different countries or groups of countries” (2006: 2). This is specific reference to what chapter two termed complex interregionalism.

It is important to briefly highlight the trade aspect of relations between the two partner regions, something that has been mentioned in the preceding analysis, and something that will be important for the forthcoming analysis. In LA Brazil is the EU’s main economic partner, but in global terms Brazil is the EU’s 14th most important trading partner. Put together Mercosur is the EU’s 11th largest trading partner and the Andean Community the 29th. In LA relations with the EU have a much more solid and enticing foundation as the EU is their first ranked investor and their second ranked trading partner, as well as the main provider of development assistance in the region (www.trade.ec.europa.eu, accessed 31 July 2007).

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65 For more detail see Appendix 5: EU – Latin America Trade Statistics
66 It is the first ranked for South America, notably for Mercosur
Overall it is clear that there is substantial potential for relations between the two regions, based not only on a shared history and culture, but also on the economic and political aspirations of both partners. Both the EU and LA see the relationship as important for advancing many facets of their international and global agendas. This section, on the history and context of the Europe/EC/EU - LA relationship has highlighted the important contextual elements that will be needed to better understand, and analyse, current EU complex interregionalism with the region. They have revealed the historical, economic, political and wider strategic context within which current relations take place, complementing the analysis of EU-Latin America in Chapter two. The key elements can be summarised as follows:

**Figure 3-2 EU - Latin America Key Historical Elements**

1. The EU and Latin America have a long common history – mainly through Spain and Portugal, hence the importance of their incorporation into the EC in 1986

2. Latin America has never been a priority relationship for the EU – leading to a certain lethargy and lack of innovation in relations

3. The EU has always been quick to support regional and sub-regional developments

4. The US, since WWII, has been the main external power in the region

5. In trade terms relations are asymmetrical and much more important for Latin America than for the EU

Source: Own Creation

From the context and history the chapter will now turn to the first of the three levels to be analysed, bilateralism.
Bilateralism

The first level of relations between the EU and Latin America to be analysed is that of bilateral relations. The reason for taking this level first is that it is the oldest form of relations, the one from which all relations have essentially evolved, as well as being the one that continues to co-exist alongside all other levels of relations. Indeed the majority of international relations still occur on a bilateral level, and such agreements are the first tier of the trade policy pyramid, and an obvious channel through which to interact with a partner. This bilateral strategy, or policy option, is a key economic and political tool that is comparatively simple to use and negotiate. Chapter two revealed that bilateralism was an important level of relations in all three regions studied, so further analysis in Latin America will help address the need to understand how bilateralism and interregionalism compete and co-exist.

In their discussion of EU trade policy options Glania and Matthes consider that “the EU has a certain incentive to conclude bilateral agreements” (2005: 76) based on tariff, non-tariff, trade-diverting and political economy motivations. They note that this is particularly the case where there are trade-diverting implications from other countries trade agreements, and also in areas where the EU can bilaterally advance further than WTO obligations. Bilateralism is also the level of relations that underpins all others, as Euractiv.com noted on the 13 September 2006; “after the suspension of the WTO Doha negotiations, the Commission looks ready to refocus its commercial strategy on bilateral free trade agreements so as to catch up with the US and Japan” (www.euractiv.com, accessed 13 September 2006). This is a strategy that is echoed by BusinessEurope, who has urged the EU to develop its bilateral agenda, saying “whenever a trading rival signs a deal it puts European Business at a disadvantage. We cannot allow that to happen” (idem.). This relative economic motivation behind bilateralism is in keeping with the analysis of the motivations of interregionalism. In essence the motivation is the same, but the entity with which the EU is interacting is different. It is obviously easier to interact with an individual state than with a regional grouping, but what is important is that the EU has a stated preference to deal with groups.
An analysis of any potential friction between these two core factors, the economic balancing rationale that might lead to bilateralism and the EU desire to interact with groups, will underpin this section on EU bilateral interactions in Latin America. The EU does have key bilateral relations within the region, and as with all its bilateral agreements the world over, they are all nested within the umbrella of international rules and regimes\(^{67}\). It will be important to understand how, when and why bilateralism is used in Latin America and how this meshes with both interregional strategy and interregional practice in the region.

Within Latin America there has been a proliferation of bilateral agreements, although to a certain extent this has only been a reflection of the simultaneous worldwide phenomenon of FTAs in the 1990s. All countries in LA are party to at least one comprehensive bilateral agreement\(^{68}\), with most being party to many more. The main objectives of such agreements are mostly market access and liberalisation, although some cover other issues (www.sice.oas.org/trade/, accessed 20 December 2006). Bilateral relations and agreements are crucial trade policy options for Latin American countries, representing a fundamental economic reality\(^{69}\). The two non-regionally aligned countries, Chile and Mexico, are the most prolific bilateral agreement proponents in the region, and the only two with bilateral agreements in force with the EU.

The lack of bilateral agreements that the EU has with Latin American countries is because there have not been sufficient balancing, trading or political incentives and because the EU has favoured the sub-regional approach. Whilst not as developed as relations with Chile and Mexico the EU does have several developed institutional bilateral relationships with Latin American countries, as can be seen in the table below;  

\(^{67}\) Most importantly within the confines of the WTO
\(^{68}\) The term ‘Bilateral Agreement’ covers a vast number of differing instruments, differing in aims, forms, structures, content etc.
\(^{69}\) For an Indicative List of FTAs in force in Latin America see Appendix 4
### Figure 3-3 EU Bilateral Relations with Latin American Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Agreement Description</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>Strategic Partnership Framework Co-operation Agreement</td>
<td>2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1992</td>
</tr>
<tr>
<td>Argentina</td>
<td>Framework Trade and Economic Co-operation Agreement</td>
<td>1990</td>
</tr>
<tr>
<td>Paraguay</td>
<td>Framework Co-operation Agreement</td>
<td>1991</td>
</tr>
<tr>
<td>Uruguay</td>
<td>Framework Co-operation Agreement</td>
<td>1992</td>
</tr>
<tr>
<td>Chile</td>
<td>Association Agreement</td>
<td>2002</td>
</tr>
<tr>
<td>Colombia</td>
<td>Regional levels / GSP</td>
<td></td>
</tr>
<tr>
<td>Ecuador</td>
<td>Regional levels / GSP</td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>Regional levels / GSP</td>
<td></td>
</tr>
<tr>
<td>Venezuela</td>
<td>Regional levels / GSP</td>
<td></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Regional levels / GSP</td>
<td></td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Regional levels / GSP</td>
<td></td>
</tr>
<tr>
<td>El Salvador</td>
<td>Regional levels / GSP</td>
<td></td>
</tr>
<tr>
<td>Guatemala</td>
<td>Regional levels / GSP</td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td>Regional levels / GSP</td>
<td></td>
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<tr>
<td>Nicaragua</td>
<td>Regional levels / GSP</td>
<td></td>
</tr>
<tr>
<td>Panama</td>
<td>Framework Agreement on Financial, Technical and Economic Co-operation Regional levels GSP</td>
<td>1999</td>
</tr>
<tr>
<td>Mexico</td>
<td>Economic Partnership, Political Co-operation and Co-operation Agreement</td>
<td>1997</td>
</tr>
</tbody>
</table>


This table highlights a number of important points. The key finding is that the EU predominantly deals with Latin American countries at the regional level, and only in specific circumstances does it interact bilaterally. The two most advanced bilateral
relationships are with Mexico and Chile, as these two countries do not belong to any regional grouping, effectively putting them at the top of the EU preferential pyramid within the region. The fact that they head the EU hierarchy in the region would suggest that they are the two most important partners for the EU, something that trade statistics and political reality contradict. A further important element to highlight is the submission by the Commission, in 2007, of a proposed Strategic Partnership with Brazil. The EU is trying to redress a perceived political weakness in its relations with the region through an enhanced dialogue with Brazil, and not advance towards relations such as those that it has with Mexico and Chile. It does again reveal the lowest common denominator role of bilateral relations, as the EU had tried to conduct political relations with Brazil through Mercosur.

After EC inception in 1957 LA did not rank highly on its foreign policy radar, despite their attempts to increase their visibility collectively and individually (Mower 1982). The internal economic and political problems that the region was experiencing were such that bilateral relations were not a plausible and enticing option for the EC. It is also the case that from an early date the EC had a preference to deal with regions and sub-regions, as opposed to individual countries, something that would always weigh against the EC initiating bilateral relations within the Latin American region. This is seen through the EC signing third generation co-operation agreements with Argentina in 1990, Uruguay in 1991 and with Brazil and Paraguay in 1992, none of which have been updated since due to EU – Mercosur negotiations for an Interregional Association Agreement. Whilst these individual agreements have not been updated it does not mean relations have not continued bilaterally, as there are still Joint Committee meetings for cooperation and other issues of mutual interest.

70 The Strategic Partnership is an updated relationship but with a purely political focus, and not a global bilateral approach. The Strategic Partnership Communication from the Commission states that “Brazil is central to the success of the EU-Mercosur negotiations, an EU priority strategic objective...the EU remains committed to consolidating a solid political and economic relation with Mercosur as a block” (2007: 2)
This section will now analyse in detail the three key bilateral relationships that the EU has with Latin America. Firstly it will consider the two non-regionally aligned countries, Mexico and Chile, because they both have extensive bilateral Association Agreements with the EU. These relations take on extra significance because the agreements form important precursors for what the EU is trying to achieve interregionally in Latin America, as Dominguez notes; “both agreements are significant for the EU-Latin American relationship due to two chief reasons: a) they are the first comprehensive – political, economic and co-operation – 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” (2006: 1). The final bilateral relationship to be given special attention will be that with Brazil. It will be important to analyse bilateral relations between the EU and the largest country in the region in light of the fact that the main vehicle for relations between the EU and Brazil has been Mercosur. The Commission Communication of May 2007 has altered this balance, and it will be important to assess this development. The very reasons for the EU to feel the need to specifically update its relations with Brazil outside of the Mercosur forum are obviously important for interregionalism. Understanding what exactly this strategic partnership entails, why the Commission deems it necessary and what its impact on the interregional level of relations will be, are all vital questions. The main thrust of this section on bilateralism will be to understand how it fits within complex interregionalism.

**EU – Mexico**

As already noted Mexico is not part of any Latin American regional integration project, although it does have observer status within certain fora. Mexico comes second only to Chile in the region for the number of FTAs it has signed, as it also chose to take the FTA path to global economic insertion. Without a doubt the most important of all these is the one signed with the US and Canada in 1994; NAFTA. The US is Mexico’s most important trading and political partner; Mexico is currently the fourth largest trading partner of the US (http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113418.pdf) and
Mexico has also signed important FTAs with Colombia and Venezuela (1990), Bolivia (1994), Chile (1998), Israel (2000), Japan (2004), Brazil (2002) and Panama (1985) (http://ctc.sica.oas.org/Agreements.ASP, accessed 31 July 2007). Mexico signed an Association Agreement, the ‘Global Agreement’, with the EU in 1997, and in so doing became the first Latin American country to sign a bilateral Association Agreement with the EU.

The EU and Mexico have had institutionalised relations since 1978 when they signed a co-operation agreement. This was replaced by a further agreement in 1991 and ultimately by the Global Agreement that was signed in Brussels on 8 December 1997, and which came into force on 1 October 2001. Bilateral relations with Mexico have always been, and remain, the most important level at which the two partners interact. Current relations are hence governed by the 1997 Agreement, the main aspects of which will be outlined in this section. The figure below illustrates the map of relations that the EU currently has with Mexico:
The Global Agreement is the lynchpin of relations as it covers the three key pillars of economic, political and co-operation relations. The Agreement sets out a flexible but nonetheless institutionalised structure to manage relations. The highest level meetings are the EU-Mexico summits for Heads of State that are held every two years, in the margins of the EU-LAC Summits. These meetings give high-level political guidance and impetus
to relations. The key decision-making body is the Joint Council which is at ministerial level. This Council meets as and when one or both partners indicate a willingness, which allows flexibility and an ad-hoc nature. The preparatory work of the Council is performed by the Joint Committee, which is made up of Senior Civil Servants. The Committee is itself structured with specific sub-committees to analyse key areas, and it meets on a rotating annual basis (Interview 13). Finally there is a Joint Parliamentary Committee that, like the EU-Mexico Summit meets every two years in the margins of the EU-LAC Summits. The overall structure combines the annual meetings of Senior Civil Servants, the ad-hoc ministerial meetings and the two-yearly meetings of Heads of States and Parliamentarians. On a day-to-day functional basis there is frequent interaction between EU and Mexican civil servants dealing with more immediate issues and questions. On the EU side there is an EU-Mexico Trade Coordinator within DG Trade who oversees relations as a whole in the trade field (Interview 13).

The reasons why Mexico was the first country in the Western hemisphere with who the EU signed a comprehensive FTA are relatively straightforward from both the Mexican and EU perspectives. The EU, in its own literature, notes that the Agreement “testifies to the closeness and maturity of relations between the EU and Mexico. It reflects not only the country’s rise to prominence on the international scene but the existence of common interests and shared values, particularly as regards democracy and human rights” (Commission 2005d: 48). A more conventional analysis indicates that the main motivation for the EU was economic bandwagoning, and for Mexico economic balancing. The EU and Mexico were driven by trade considerations, both linked to the US. In 1994 the EU made clear its intentions to differentiate its approach towards Latin America, with special provisions for deepening relations with Mexico. This was because in 1994 NAFTA came into effect and EU market share started to suffer in Mexico\(^1\), as well as being the year in which the Summit of the Americas decided to advance with FTAA talks. Not only was the EU losing trade to the US in Mexico as a direct consequence of

\(^1\) It must be noted that relatively speaking Mexico was not a major trading partner of the EU in the 1990s with on average 0.3% EU trade directed there, and with the EU representing about 15% of Mexican trade before NAFTA took effect (Commission 1999: 17)
NAFTA but it was also facing the prospect of deepening FTAA discussions. EU motivation was pure economic bandwagoning on the back of US strategy in the region.

For Mexico an agreement with the EU offered the opportunity of diversifying its external trade away from a heavy reliance on the US, and also a further opportunity to deepen its own economic and trade modernisation. It is worth noting that Mexico was able to negotiate with the EU from a position of relative strength given that NAFTA had already come into effect, underlining the main Mexican motivation of economic balancing.

The Global Agreement is a wide-ranging three pillar agreement that governs all aspects of relations between the EU and Mexico. In the trade pillar the agreement covers the bulk of their interactions and also provides a specific dispute-settlement mechanism. Issues, questions or disputes all have strong institutional channels and contacts to go through, making bilateral trade relations robust. Between 2001 and 2006 trade between Mexico and the EU grew by 40%, EU exports to Mexico increased 30% and Mexican exports to the EU increased by 19% (Dominguez 2006). In the political field the Agreement provides for structured and ad-hoc high-level dialogue on issues of common interest and concern. The democratic clause and the European Initiative on Democracy and Human Rights have been important political elements that the Agreement has brought (Interview 13). As Mexico also belongs to the two transregional EU - Latin American groups, the Rio Group and the EU-LAC Summits there is further opportunity to address common political concerns through these regional fora. Finally the co-operation pillar complements the interactions that the EU and Mexico have through the EU’s horizontal LAC programmes and country strategy papers. The Agreement has helped foster increased cooperation in a number of fields, notably in the environmental area, with a financial envelope of €56.2m for the period 2002-6 (http://ec.europa.eu/external_relations/mexico/intro/index.htm, accessed 31 July 2007).

Overall the agreement covers the main areas of their interaction in a comprehensive and flexible structure.
Chile is the second, and most recent, country in Latin America to have signed a comprehensive Association Agreement with the EU, and as such represents the most advanced relationship that the EU has with any Latin American entity. Like Mexico, Chile adopted an FTA approach to global insertion as opposed to a regional approach, and also underwent accelerated free market reforms making it open and amenable to free trade agreements with external countries. Chile has the most extensive web of FTAs of any Latin American country, indeed of almost any country in the world.

The EU signed a third generation agreement with Chile in 1990, which marked the official restart of bilateral relations between the two countries as military rule ended that same year. This first agreement was replaced in 1996 by an agreement strengthening cooperation in all areas, and above all providing for the establishment of a political and economic Association Agreement involving the complete liberalisation of trade. These negotiations began in April 2000 and were completed in November 2002 after ten formal negotiation rounds, resulting in a 1437 page Association Agreement that is extremely comprehensive, covering political, trade and cooperation relations and which came into force in March 2005. The current institutional structure of relations is summarised in the table below;
Institutionally EU relations with Chile are essentially the same, but more robust, than those the EU has with Mexico. The EU-Chile Summit for Heads of State provides high-

level political guidance and support every two years, meeting in the wings of the EU-LAC Summits. The Association Council, at ministerial level, is the highest decision making body and it meets on an ad-hoc, needs defined, basis. The Association Committee is the preparatory body for the Association Council and is staffed by Senior Civil Servants, meeting once a year on a rotating basis. This Committee is aided by sub-committees in specific fields. There is also an Association Parliamentary Committee and a Joint Consultative Committee, the latter of which is an important innovation from the Agreement with Mexico. It is a channel for dialogue between the Economic and Social Committee of the EU and its Chilean counterparts, hence a greater avenue for civil society engagement.

The motivation for such a comprehensive agreement between two geographically and economically distant entities is relatively straightforward. Chile's association ties with Mercosur were the initial factor propelling negotiations, because it was assumed that Chile would join Mercosur and hence partake in an EU – Mercosur agreement. Once it became clear that Chile was not going to join Mercosur as a full-member the option of signing a similar agreement, given that the Commission had the mandate from Council, was open. This option of concluding an agreement with Chile was pursued, and proved to be comparatively easier than negotiations with Mercosur given its liberal open economy, foreign investor friendly regime, non-traditional agriculture and less developed industrial base (Grugel 2002a: 10). Business in the EU did not actively lobby for a FTA specifically with Chile. The priority for them was in actively pursuing the interlinked negotiation of a FTA with Mercosur through the Mercosur-Europe Business Forum (MEBF), to which Chile was originally linked (Interviews 3 & 4).

Of the EU Member States Spain, Italy, Germany and Portugal were the most interested given their direct business links to Chile (Interview 15). The only major risk to the Agreement came from the UK's threat to veto the Commission's negotiating mandate in retaliation for the EU's ban on British beef as a consequence of the BSE crisis. There was also one Chilean export sector that was in strong competition with EU production: wines.
This issue was resolved when Chile agreed to drop 'reserva' and 'chateau' descriptions from its wines, and to sell them as 'New World wines' (Grugel 2002a: 11).

Overall the trade provisions are very liberalisation orientated, especially in sectors such as services and investment where the Agreement is firmly WTO+. EU motivation seems to have been mostly the desire to use its negotiating mandate as issued by the Council, knowing that negotiations could be concluded relatively painlessly and quickly. It is also possible to cite one further reason for EU interest in Chile, that being the fact that the creation of NAFTA, and the resulting 64 percent rise in Mexico-US trade to the detriment of exchanges with the EU (Fazio 2001: 91) served as a 'wake-up call' to the EU of the dangers of not adopting a Latin American strategy, especially in the light of potential Chilean membership of NAFTA and plans for the creation of a FTAA (Barahona de Brito: 5). EU motivation in signing an agreement with Chile was thus through a mixture of internal dynamics in using an existing mandate and economic bandwagoning, albeit of a slightly pre-emptive nature.

For Chile the signing of an Agreement with the EU was an opportunity to establish a preferential agreement with its main trading partner and leading foreign investor (Interview 15), which fitted with Chile's open and liberal approach to global insertion. Signing an agreement with such a global political and economic heavyweight was an important economic and political lock-in tool. It also offered Chile an advantageous position towards the EU vis-à-vis the rest of Latin America. In political terms the Agreement offered important security for Chile through the 'democracy clause', which for a country that only exited military rule in 1990, was an essential element of stability.

Overall the Agreement with Chile, with its sections on economic, political and co-operation issues created the primary conduit for relations. From a trade perspective Chile’s imports to the EU have been diversified and no longer rely as much on copper, and EU exports to Chile have also risen, with new business opportunities being created as a result (Interviews 3 & 4). The Commission reports satisfaction amongst its Business stakeholders with the Agreement, although many complain that it should be better
publicized and that Business should be given more information about the possibilities it creates (Interviews 3 & 4). The trade section is indeed very innovative and ambitious as it involves the progressive and reciprocal liberalisation of trade in goods over a maximum ten year period. The Agreement also provides for a free trade area in services and for the liberalisation of investment. Government procurement is to be reciprocally opened and there is provision for intellectual property right protection. Despite the bulk of the provisions being economic, the political aspects are very important as they encourage coordination of positions in the UN and other international fora. The Agreement "provides for strengthening of the political dialogue between the EU and Chile through increased coordination of positions...cooperation in the fight against terrorism...and the dialogue is enhanced by increased consultation and involvement of civil society" (Commission 2005d: 52). The Commission goes on to cite the topics that have been high on the joint political agenda in the last few years; "political, economic and social situation in Latin America, Chile's role in the UN Security Council and Security Council reform, and Chile's involvement in a number of peace keeping missions under the auspices of the United Nations and the EU" (idem.). Despite this being a desired outcome there is little concrete evidence of increased coordination actually having taken place (Interview 13).

In the cooperation field the Agreement is a crucial cornerstone of support for Chile, and its drive for sustainable development. Since 2000 twenty two projects have been committed, at a total cost of €7.8m. The bulk of this (87%) has been committed to NGO projects and the majority of the rest to the European Initiative for Democracy and Human Rights (Dominguez 2006: 8). Of the €34.4m that the 2002-2006 Country Strategy Paper allocated to cooperation, practically all has now been allotted (http://ec.europa.eu/external_relations/chile/intro/index.htm, accessed 31 July 2007).

Whilst it is too early to assess with any certainty the benefits of the EU-Chile Agreement, it is clear that given the depth of trade and investment liberalisation and the overall wide coverage, there should be solid gains for both parties. The Agreement has already started to help Chile in its attempts to diversify away from primary product exports. Testimony
to the success and depth of the relationship is the fact that the EU and Chile have embarked on auxiliary dialogue in diverse areas as they seek to further enhance their relations. In March 2005 the partners met to start discussions on education policy, in September 2005 they met to discuss social policies and employment, and in October 2005 they signed an air transport agreement for the first time. This shows how an Association Agreement with a flexible institutional structure and solid economic and political provisions can provide a springboard for a solid and dynamic relationship.

**EU – Brazil**

Whereas it was noted that both Chile and Mexico chose the FTA path towards insertion in the global economy, Brazil chose a quite different path. Brazil chose the regional integration option, through Mercosur, to try and insert itself in the world economy, a fundamentally different choice from that of its two fellow Latin American countries. This drive towards regional integration has meant that Brazil’s relations with the EU have been split between bilateralism and interregionalism.

The relationship between the EU and Brazil is very important for both partners. The EU is Brazil’s largest trading, investment and cooperation partner and Brazil is the EU’s largest partner in Latin America in trade and political terms (http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113359.pdf, accessed 31 July 2007). Both partners thus have a strong vested interest in their relationship. Institutionalised relations between the two countries started with a Cooperation Agreement in 1982, which was replaced by a new agreement in 1992. In addition to these agreements there have been important auxiliary agreements concluded on manioc imports in 1982 and 1986, trade in textiles in 1986, oilseeds in 1994 and science and technology in 2003. Other agreements nearing conclusion concern the nuclear sector and the areas of veterinary medicine and plant health which have an impact on trade (Interview 16). The EU moved to strengthen political relations with Brazil by proposing a Strategic

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72 For a short comparison of this different choice see Guedes de Oliveira 2006a  
73 Brazil is the EU’s 11th most important partner in global terms
Partnership in 2007, although this has yet to be finalised and signed. Bilateral relations currently resemble the following:

**Figure 3-6 Structure of EU - Brazil Relations**

**EU - Brazil**

- **Trade/Economic**
  - **Political**
  - **Co-operation**
    - **Horizontal Programmes**
    - **Country Strategy Paper**

**EC - Brazil Co-operation Agreement 1982**

**EC - Brazil Framework Co-operation Agreement 1992**

- Scope:
  - bilateral co-operation
  - trade issues
  - environment
  - science/technology

**Joint Committee**
- Ministerial level
- Annual

**Sub-Committees**

- 9th Apr 2005
- 8th May 2002
- 7th May 2000


The figure above immediately reveals a sharp contrast to those for Mexico and Chile. The majority of relations, certainly the most important parts, are dealt with under the auspices of the Mercosur negotiations, reducing bilateral relations, in the main, to co-operation issues. Whilst the new Strategic Partnership, once signed and implemented will increase
political relations it will still leave trade relations with Brazil to be dealt with through Mercosur. The 2007 Strategic Partnership, which aims to enhance political relations, is an interesting development because previously political issues were exclusively dealt with through Mercosur. This potential failing of Mercosur, and of EU political dialogue with Mercosur, will be discussed in the Mercosur section of this chapter and in the next chapter in more detail. The core of bilateral activity revolves around development and co-operation issues, as well as the auxiliary dialogues.

The main conduit for EU-Brazil relations is the 1992 Framework Co-operation Agreement. This agreement enhanced the 1982 Cooperation Agreement and retained the structure for relations. The Joint Committee is the core decision making body that meets on an ad-hoc basis at ministerial level. There are two key sub-committees, one on Science and Technology and one on Industrial Cooperation. At the 8th Joint Committee meeting in 2002 both sides “emphasized their wish to consolidate the Joint Committee as the main institutional mechanism for dialogue and co-operation on topics of mutual interest” (http://ec.europa.eu/external_relations/brazil/intro/index.htm, accessed 31 July 2007). The 1992 Agreement contains little more than vague references to ways in which the two parties wish to enhance economic cooperation through meetings, dialogue and other such events. At the 9th Joint Committee meeting, held in Brussels in April 2005, there were discussions on a wide range of topics concerning bilateral relations. The meeting identified the priorities for future dialogue as social issues, air transport, maritime transport and nuclear cooperation. The main output of relations is indeed sectoral or specific bilateral agreements, such as the ones listed earlier. There is a strong bilateral focus on co-operation, where the EU provides significant support. There is currently €180m invested by the EU in ongoing projects, with the environment representing the single largest sector recipient. The Brazil Country Strategy Paper 2007-2013 sets two key priorities for cooperation; enhancing bilateral relations and the environmental dimension of sustainable development, for which it has allotted €61m (http://ec.europa.eu/external_relations/brazil/intro/index.htm, accessed 31 July 2007).
The main vehicle for economic relations with Brazil is Mercosur, whereas sectoral issues and cooperation aid are pure bilateral matters for relations with Brazil. The only grey area concerns political relations, which will now be discussed with both Mercosur and Brazil. In the 2007 document the Commission acknowledged that “the rapidly expanding EU-Brazil relationship is currently based on the 1992 Framework Co-operation agreement, and the 1995 EU-Mercosur Framework Co-operation Agreement. This inevitably restricts the scope and depth of our dialogue” (2007: 14). The Commission also goes to great length to stress that the EU – Brazil dialogue will not detract from EU – Mercosur relations, so at the rhetorical level there is clear deference to the interregional level of relations. It is likely that once signed and implemented the reality of political relations will be very heavily weighted towards the bilateral EU – Brazil relationship.

From a political and trading perspective the fact that the EU has signed bilateral trade agreements with Chile and Mexico, and not Brazil, is curious. European Business is more interested in trading with Brazil than with any other country in Latin America as it is the largest and most developed market in the region (Eurochambres 2002: 7). There are, however, two important mitigating circumstances, firstly Brazil has not signed an agreement with the US, nor is one imminent, and secondly trade negotiations are solely the remit of interregional relations with Mercosur. The EU has prioritised the regional level of relations above trade considerations in this case, where no balancing or bandwagoning needs have arisen.

The weak bilateral relationship with Brazil had become somewhat of an oddity before the recent attempt to upgrade political relations, given the importance the EU attaches to it. In a speech in Brazil, in September 2006, Commissioner Mandelson made direct comparisons between India, China and Brazil, alluding to the importance that the EU attaches to Brazil as a developing economy partner: “we look to Brazil, like China and India, to meet us, if not half way, then at least somewhere down the path to shared responsibility for, and shared contribution to, the global system we all need to sustain” (2006g: 7). In the same speech he outlined the key changes in the role of Brazil in world affairs, “openness, engagement, self-confidence and interdependence have been the
external expression of this change. The creation of Mercosur and its ambitious liberalisation negotiations with the EU testify to this at a regional level; as does Brazil’s leading role in the G20 Group in the WTO Doha negotiation at the global level” (2006g: 3). These quotes highlight an important forum in which the EU and Brazil do have a crucial bilateral relationship; the WTO. The EU and Brazil are two of the key players in the current round of WTO negotiations, ensuring their close contacts on trade issues. The WTO forum is the most important one for their bilateral trade relations given that it is attempting to address the issue of agriculture which is crucial for both partners. Aside from the auspices of the WTO the EU attaches importance to Brazil through Mercosur, as the Commission’s Brazil Country Strategy Paper 2001-06 outlines very succinctly; “Brazil is a very special partner for the European Union, reflected by the on-going EU-Mercosur association negotiations aimed at establishing a strategic partnership between the two regions” (2002c: 3). All of these quotes show that the EU attaches great importance to Brazil, but principally through Mercosur.

After little progress in interregional relations in recent years, the EU had started to indicate that their bilateral relations were not quite robust enough, something confirmed in the regional strategy document for Latin America of 2005, ‘A Stronger Partnership between the European Union and Latin America’, in which a section is entitled ‘Reflecting the specific role of certain actors in the region’ (2005c: 17). Within this section it states “this is particularly the case for Brazil, with which the EU has only the bare bones of bilateral dialogue with no political dimension. This situation is no longer in keeping with Brazil’s rapid development as a global economic and political player. Brazil can take a lead role in regional integration: this remains the prime objective of the EU’s strategy towards Mercosur” (2005c: 17-18). The EU recognised that its bilateral relationship with Brazil was weak given the preference for relations with Mercosur, and that this situation needed to change. In light of the role that the EU attributes to Brazil, and of the perceived weaknesses in bilateral relations, the Commission issued its Strategic Partnership Communication in May 2007. The Commission noted that “until recently EU-Brazil dialogue has not been sufficiently exploited and carried out mainly through EU-Mercosur dialogue...The time has come to look at Brazil as a strategic
partner” (Commission 2007: 2). Whilst the Commission is careful to try and place this development within the EU-Mercosur environment, and stress that it is “committed to consolidating a solid political and economic relation with Mercosur as a block” (idem.) there is no concealing the significance of the Communication. The Commission then sets out a series of areas for further consolidated cooperation between the ‘strategic’ partners such as strengthening multilateralism in the WTO and UN, promoting Millennium Development Goals, protecting the environment, cooperating on energy, enhancing stability and prosperity in Latin America and reinforcing their trade and economic relations (Commission 2007). Through this document the EU foresees a much more robust bilateral relationship with Brazil, elevating it to the level of the bilateral relations it has with Chile and Mexico in both political and developmental areas.

Bilateralism – Conclusions

Latin American countries followed very diverse paths to insertion in the global economy. Mexico and Chile both chose the bilateral option which has involved signing FTAs with all their major trading and political partners. Both countries are bilaterally linked to their regional partners through FTAs as well as to extra-regional partners such as the EU and US, amongst others. Both countries distinctive positions in the region, with such widespread economic and political links, put them at the cutting edge of bilateral FTAs. It is this strategic choice that has led, in both cases, to their signing extensive bilateral Agreements with the EU. The Agreements are not testimony to an EU strategic choice, but to the specific circumstances that have confronted the EU in each case, both of which have been related, to varying degrees, to the US.

Brazil, on the other hand, chose a regional integration path to global insertion which the EU, given its strong support for regional integration, chose to prioritise. Whilst the 2007 Communication from the Commission on upgrading bilateral relations with Brazil reveals a shift in EU priorities it does not broach the important trade negotiations pillar which remains interregional. The EU is finally addressing the anomalous situation of its main trade, political and cooperation partner in the region having one of the weakest bilateral
relationships, albeit simultaneously damaging its commitment to interregionalism. EU bilateral relations with Brazil will be a robust political, development and cooperation mechanism that will match, even supersede, the equivalent relations it has with Chile and Mexico, given Brazil’s dominant position in the region. Importantly, however, as long as the interregional level does not deliver on trade negotiations, relations with Brazil will continue to lag those of Chile and Mexico, who find themselves in a relatively advantageous position vis-à-vis their neighbour.

The analysis of bilateral relations has revealed the following points:

**Figure 3-7 EU Bilateralism in Latin America**

1. Bilateral relations are built on comprehensive EU defined and created 3-pillar agreements. The economic pillar is the most important pillar.

2. The EU uses the same institutional structure for bilateral relations: EU-Partner Summit (Heads of State, 2-years), Council (Ministers, ad-hoc), Committee (Senior Civil Servants, 1-year), Sub-Committees, Parliamentary Forum (ad-hoc).

3. The EU’s desire to promote regionalism around the globe is so strong that it has deferred trade relations with its most important partner in the region to the interregional level.

4. If the country is a member of a regional grouping then bilateral relations will only concern cooperation, political and development issues.

5. The main motivation for the EU, and partners, has been economic balancing and bandwagoning.

6. The May 2007 decision from the Commission to form a ‘strategic’ bilateral relationship with Brazil whilst a logical upgrade to the outdated 1992 bilateral agreement is a simultaneous blow to EU relations with Mercosur and EU interregional strategy.

Source: Own Creation

The first two points relate to the comprehensive nature, content and structure of the Agreements that the EU has signed with Mexico and Chile. Both are ambitious and
advanced three-pillar Agreements with similar structures. The structure, whilst institutionalised, retains a certain degree of flexibility as to when to meet, at what level, what to discuss and how to move forward. The most important body at an implementation and oversight level is the Committee level of Senior Civil Servants. Whilst they only officially meet once a year their level of contact is much higher, as they deal with issues on an informal ad-hoc basis (Interview 13). Chile has the most advanced and proactive institutional structure with the EU, which encompasses a wider remit of issues and actors. It is an example of how the flexible EU structure can be used positively. It is also interesting to note that this structure is the same as the ones outlined for interregionalism in the last chapter, showing that the EU employs the same structure at bilateral and interregional levels.

The EU desire to promote regional integration around the world has led to their bilateral relationship with Brazil being very weak. This weakness coupled with slow, or stalled, Mercosur negotiations revealed a large inadequacy in EU strategy towards the region as EU-Brazil relations only dealt with cooperation issues. For this reason the EU, in May 2007, decided to upgrade its bilateral relations with Brazil. This logical move now poses some important questions of interregionalism and of EU relations with Mercosur.

The EU has had strategic choices to make with regard to bilateral relations in Latin America. The motivations for signing agreements with Chile and Mexico were strong relative economic positioning ones, both in relation to the US. Mexico was a case of economic bandwagoning in relation to NAFTA, and Chile was slightly different in that negotiations had commenced in the framework of relations with Mercosur, and were relatively easy to complete, albeit under in the shadow of US-Chile negotiations. Dominguez in his conclusion to his analysis of the two most advanced bilateral relations that the EU has with Latin America suggests that "the fact that both agreements portray an unquestionable relevance for Latin America does not mean that they represent a solution for Latin America. Instead...they complement the political and economic reforms...and their impacts are moderate" (2006: 1). EU support for Latin American
regional integration is also put into question by the bilateral agreements with Mexico and Chile, as Freres and Sanahuja note;

"The signing of the agreements with Chile and Mexico has also added to the confusion. It is perceived that the European Union has awarded the most advantageous Association Agreements, which include free trade, to the countries that reject integration and which have instead opted for the United States hemispherical project. This perception may be either incorrect or biased, as it does not take into account that the signing of agreements with those countries is easier as it does not pose the technical problems raised in biregional agreements such as the one being negotiated between the EU and Mercosur. However, this perception exists and it leads to the idea that the European Union's strategy in Latin America is "reactive" vis-à-vis US initiatives, and that its primary motivation is the defence of EU economic operators' interests. In the end, this affects the credibility of the EU's integrationist discourse" (2005: 46-7).

The idea of the EU's regional integration rhetoric being called into question by perceived economic balancing motivations is an important issue. This section has shown that bilateralism is a very important, predominantly economic balancing and bandwagoning, strategic tool for the EU, albeit one that runs counter to supposedly overarching EU regional integration strategy. Whilst the EU favours dealing with regional groups, and will do so if possible, the recent move to strengthen bilateral relations with Brazil signals a shift towards bilateralism in the EU's relations with Latin America. It appears that if the interregional approach is not proving fruitful then the EU will consider a bilateral approach, although the EU will only consider the bilateral option when there are pressing relative economic concerns, such as the countries in question signing agreements with the EU's competitors. As Sanahuja and Freres suggest (2005: 46-7), this gives the EU the tag of being both inconsistent and reactive to US policy.

Bilateralism plays an important part in complex interregionalism by completing relations with countries in a region that do not belong to regional groups. Bilateralism with countries in a region that belong to regional groups is usually weak and deals only with
cooperation, sectoral and mutual interest issues. In this sense bilateralism has deferred to the interregional level in complex interregionalism, although recent developments with Brazil show that bilateralism is the lowest common denominator in EU external relations. It has also become clear that EU motivations behind, objectives for and the structure to implement bilateral relations are very similar to those identified for interregionalism in the last chapter. EU developments with Brazil have been perceived as an inconsistency, or failure, of the EU to see through its interregional ambitions with Mercosur. Such a move by the EU to upgrade its bilateral relations with Brazil would conform to the pattern of relations noted in both Asia and Africa where the key countries are all singled out bilaterally. The EU still has open trade negotiations with Mercosur, which remain vitally important for both partners, something the next section will address.

Interregionalism

The second level of complex interregional relations to be analysed is that of interregionalism, the lynchpin of complex interregionalism and the level into which the EU invests the most effort and time. This section will analyse the role that interregionalism plays within complex interregionalism, having already noted that bilateralism, where possible defers to interregionalism.

In Latin America a number of regional integration developments have come to the fore in the 1990s, some new and some rejuvenated 1960s vehicles. As the last section identified, the majority of Latin American countries embraced regionalism as a means to global insertion. The second wave brought to the fore a number of regional initiatives in Latin America, the key ones of which are outlined below:
This table shows the three main regional groups that exist in LA today, each of which will be addressed in turn in this section. From the EU’s perspective the very emergence of these regional groups created a series of challenges and opportunities, to which interregionalism has been the main response. As was noted in the last section, the countries that are involved in these regional groups do not have comprehensive bilateral relations with the EU as their relations are dealt with at the regional level 74. All three Latin American groups are CUs 75 therefore they have the potential to have solid partnerships with the EU.

The European Commission reiterated its support for regional integration in Latin America in its 2005 Latin America strategy document, noting that “the EU supports the subregional integration processes with the aim of concluding association and free-trade agreements with Mercosur and opening negotiations on such agreements with the Andean Community and Central America” (2005c: 15). The role of the EU as an

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74 Reference to Figure 3-3 clarifies the principal level at which the EU deals with Latin American countries
75 All three are CUs in theory and on paper. Reality is often somewhat more complicated
‘external federator’ was investigated in the last chapter, but is reinforced in relation to Latin America as Freres and Sanahuja quote an unnamed Commission source as saying, “on several occasions we placed big hopes on the strong emergence in the worldwide scene of what could be termed a ‘Distant West’” (2005: 54). It is this attempt by the EU to create a ‘Distant West’ that will be the focus of this section. It will analyse the relations of each of the three regional groups with the EU, to assess their structures, content and output. This exercise will allow comparisons with the bilateral level, which as already noted in the last section, appears in certain cases to undermine the EU’s stated support for regional integration and hence interregionalism.

**EU – Central American Common Market (CACM)**

CACM became the first regional initiative in Latin America when the General Treaty on Central American Economic Integration was signed in 1960. This initial treaty aimed for the creation of a common market, to be achieved within five years of signing (http://www.sice.oas.org/trade/camertoc.asp, accessed 31 July 2007). Whilst this was not achieved and the project lapsed, CACM was the most creditworthy of the regional integration initiatives in Latin America in the 1960s. CACM aims to reunite the isthmus of Central America under one structure, and as such language, geography, culture and history favour such a manoeuvre given the region’s close ties.

The project was revived in 1991 and 1993 through the Tegucigalpa Protocol and the Guatemala Protocol. These protocols revised the project and laid the new foundations for the creation of a common market through the Central American Integration System, based on gradualism, progressivity and flexibility (Inter-American Development Bank 2002: 28). Importantly the Tegucigalpa Protocol created a new judicial and institutional framework for the integration process. Following from this the Guatemala Protocol restated the aims, goals and objectives of the integration process. The main new objective to arise from this exercise was the stated aim of attaining an economic union, albeit at different speeds.

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76 For basic statistics on CACM see Appendix 6
CACM is currently a customs union with most intra-regional trade tariff free\textsuperscript{77}. El Salvador, Guatemala and Honduras have joint customs facilities and there has been significant progress in NTB control and elimination to make trade easier and smoother. The common external tariff is a four tier tariff schedule\textsuperscript{78}. Intra-regional trade flows relatively freely under the agreements through a variety of mechanisms, although some barriers persist. Costa Rica, due to its own open economic policies had stood aloof of the customs union until it decided to join in 2002 through the Grenada Declaration, hence creating a customs union with the other members. Once the dispute settlement mechanism and the Trade and Investments Agreement are ratified the customs union will be largely complete.

The meeting of the Central American Presidents is the main organ of the Integration System. There is one annual fixed meeting and the capacity for unlimited extraordinary meetings. There is a six-month rotating presidency in conjunction with SICA and the integration system is run via the Council of Ministers whereby decisions on the running and implementation of Presidential Meetings are ensured. There is also a Central American Parliament and a Central American Court of Justice which is a permanent institution that guarantees the judicial security of the integration process. The daily task of running the integration system falls to the General Secretariat of the Central American Integration System (SICA) and also to the Permanent Secretariat of the General Treaty of the Central American Economic Integration (SIECA) (http://www.sice.oas.org/Trade/sica/PDF/TegProtODECA91_e.pdf, accessed 27 July 2007).

The renewed vigor and determination shown by CACM in the 1990s and the renovation of the existing architecture spread to the neighbouring countries in 1997 as Panama and Belize signed framework agreements. CACM has signed FTAs with the Dominican...

\textsuperscript{77} With the notable exceptions of wheat flour, roasted coffee, sugar, ethyl alcohol and distilled alcoholic beverages (IADB: 28, www.sice.oas.org, accessed 27 July 2007)

\textsuperscript{78} 0\% on capital goods and raw materials, 5\% on raw materials produced in Central America, 10\% on intermediate goods produced in the sub region and 15\% on goods for final consumption, with the exceptions of clothing, footwear, tyres and agricultural products with some sectoral and national exceptions allowed (IADB: 28)
Republic, in 1998, Chile in 1999 and Panama in 2002 (http://www.sice.oas.org/agreements_e.asp, accessed 27 July 2007). It is important to note that with the membership of Panama and Belize the entire isthmus is now covered by CACM, an important regional milestone. With the isthmus covered by CACM and the Andean Community and Mercosur covering the rest of Latin America, except Chile, the EU was faced with a neat tri-polar region.

The EU has a long-standing dialogue with the Central Americans through the San José dialogue that was set up in 1984. The dialogue was set up to address the severe political crisis that was threatening the region, and has subsequently been used as a high-level dialogue to address political stability, democracy and economic issues. On the basis of the success of the dialogue and establishment of peace and security in the region the EU signed a cooperation agreement with Central America in 1993, which it replaced with a Political Dialogue and Cooperation Agreement in 2003. The EU announced, in December 2006, that it would open Association Agreement negotiations with Central America in 2007. Relations with the region thus currently resemble the following figure:
Figure 3-9 Structure of EU - CACM Relations

EU – Central American Common Market (CACM)

**Trade/Economic**
- GSP – Drugs Regime
  - New GSP+ Regime from 2005-8

**Political**
- San Jose Dialogue 1984-present
- Horizontal Programmes

**Co-operation**
- Country Strategy Paper
- Framework Cooperation Agreement 1993
- Political Dialogue and Co-operation Agreement 2003

**Heads of State**
- Ad-hoc

**Ministerial**
- Annual

**Joint Committee**
- Senior Civil Servant level
- Annually/Rotating

**Sub-Committee on Trade Co-operation**
- To explore potential

**Sub-Committee for Cooperation**

This figure shows that the EU and CACM enjoy a comprehensive relationship, especially in the political field, as well as a favourable trade regime. The current trade regime is a GSP regime and not a FTA, although this could change through negotiations for an Association Agreement. In the political dialogue pillar the regional level is the most important one for all members of CACM, and this is governed by the 2003 Agreement. In this area the relationship is structured in much the same way as bilateral relations between the EU and Mexico and Chile, with ad-hoc Heads of State meetings, annual Ministerial meetings and a Joint Committee of Senior Civil Servants overseeing relations through rotating annual meetings. The Ministerial level is of particular interest because it is the longest standing relationship between the EU and Latin America, institutionalised from the San José dialogue in 1984 (Interview 2). The EU is the main provider of ODA to the region, although as noted in the last section, this is mostly done on a bilateral basis to address local projects. The EU does, however, provide significant aid to CACM as an entity, to fund regional projects (http://ec.europa.eu/external_relations/ca/rsp/07_13_en.pdf, accessed 27 July 2007).

The original EU motivation for relations with CACM was political, as Santander observes; “the armed conflicts in Central America...encouraged the EU to play a major political role as an international broker” (2005: 290). Through this the EU established regular and institutionalised dialogue, mostly at ministerial level. The relationship, from this political beginning, evolved into one principally based on cooperation, as Grabendorff notes “the driving force behind the dialogue remained rooted in the political dimension of cooperation – as emphasised by the EC – while its economic aspect – of greater interest to the Central Americans – clearly came only second” (1990: 85).

Coupled to this is the fact that the EU has always preferred promoting regional solutions for Central America, providing aid to this end. As the Commission website notes “the sub-region has traditionally received the largest share in both absolute and per capita terms of European Commission co-operation with the Latin American region. An average of €145 million per annum has been granted over the period from 1995-2001” (http://ec.europa.eu/external_relations/ca/index.htm, accessed 27 July 2007). Indeed the 2002-2006 Regional Strategy Paper from the Commission allocated €655m for
cooperation programmes in the region, although this was mostly attributed on an individual country basis (idem.). Strict cooperation aid for CACM itself was only a fraction of the figure above, but remained an important sum. The cooperation and political aspects of the relationship are very closely connected as the EU has tried to ensure stability in the region.

From a trade perspective the EU is Central America’s second most important trade and investment partner after the US, with 12% and 46% trade respectively, whereas Central America represents a mere 0.4% of EU external trade (http://ec.europa.eu/external_relations/ca/index.htm, accessed 27 July 2007). This is an important reason why, for the EU, the political and cooperation mechanisms between CACM and the EU are so strong and that trade relations are not a priority. It is interesting to note that Grabendorff, in analysing why the EU was so heavily engaged in such a distant region of the world, concluded that “members with a special interest in a more independent European role in world affairs were the most enthusiastic advocates of engagement in Central America” and that “the European Commission...has played a prominent role throughout the dialogue not only with regard to its economic dimension, but also as a participant with a clear cut political standpoint” (1990: 89). Both of these themes, EU global identity and the drive of the Commission will be addressed in more detail in the conclusions to both this section and the chapter.

Overall this section has demonstrated that the EU has a longstanding, structured and institutionalised relationship with Central America that reflects the needs of the region. The relationship was borne out of political crisis and hence political relations are now a cornerstone of relations with the EU. From this a strong EU commitment to help stabilise the region in the aftermath of their crisis has arisen, hence strong cooperation funding and channels. There has been notably less incentive from an EU perspective for enhancing trade relations, although after pressure from the Central Americans the EU has proposed negotiations for a full Association Agreement which would encompass a FTA. In terms of substance there have been concrete achievements in both the political and cooperation fields, although more recent relations have tended to yield much more in terms of
cooperation. Whilst this section has painted a generally positive picture of CACM regional integration it must be noted that there are a multitude of outstanding issues surrounding the process, which has been far from linear. The importance of Presidential will and political drive remains the motor of integration at all levels, making the process inherently unstable. The EU has attempted to address this through aid, training, finances, the mere act of deepening relations and political support, but CACM’s problems remain and it is far from being a coherent counterpart region.

EU – Andean Community (AC)79

Europe’s first relations with a sub-regional group in Latin America came with the Cooperation agreement with the Andean Group in 1983. The Andean Community is itself the most institutionalised regional project in LA, with internal free trade applied to all products in all sectors, supranational institutions and developed external links and relationships. It is now the second biggest regional grouping in Latin America, covering the north-western corner of the sub-continent and it is economically interlinked, politically cooperative and institutionally rich.

The Andean Pact was created by the Cartagena Agreement in May 1969, as an import substitution vehicle envisaging a customs union as a step towards a Latin American common market. Despite early promise and enthusiasm the Andean project lapsed, like many Latin American regional initiatives in the 1970s/80s. Rejuvenation started through the Quito Protocol of 1987 as the Andeans injected flexibility by loosening some of the obligations and commitments that threatened the very essence of integration (Inter-American Development Bank 2002: 28). This process of integration gathered pace in the 1990s through the creation of the Andean Presidential Council, which held meetings every six months, adding political will and energy. A free trade area was created in 1992 from the 1991 Barchona Act, and in 1996 the Andean Community was borne of the Trujillo Protocol, which founded a new institutional structure and aimed at a common

79 For basic statistics on the AC see Appendix 6
market by 2005 (Inter-American Development Bank 2002: 28). The structure is as follows:

**Figure 3-10 Andean Integration System**

**CHART 9
ANDEAN INTEGRATION SYSTEM**

The internal changes made in the 1990s created stronger, more flexible institutions, based on an EU type system where hierarchies were defined, all agencies were coordinated as well as the Andean Presidential Council being incorporated into the institutional structure. The structure created is the most ambitious LA has seen to date. It is a system whereby the highest political authority is the member state which is in turn incorporated into the Andean System of Integration, Andean Presidential Council and the Andean Council of Foreign Affairs. The hierarchical schema is as follows: Andean Presidential Council, Andean Council of Ministers of External Affairs, Andean Community Commission and
Secretary General of Andean Community, Tribunal of Justice and Andean Parliament. The similarities with the EU are clear in this all encompassing structure. The most distinguishing feature of the Andean Community is its supranationality, something no other Latin American regional initiative is even close to attaining. Its supranationality comes through “Direct Applicability” in that procedures do not need to be ratified at the national level as they become valid once officially published (http://ctr.c.sice.oas.org/Andean/bkgrd_e.asp, accessed 29 July 2007). Through supranational law the Community possesses an effective legal system of administrative and judicial courts.

Whilst in theory a very robust structure the AC remains subject to integration worries. The theory of the AC has not been entirely translated into reality and national political will, usually presidential, still retains heavy influence over the process, making it subject to domestic political change in the member states. The customs union is also not 100% functional and internal dispute settlement is not optimal. The flawed customs union is a very important Achilles heel to further development, and to the AC defining itself as a single coherent actor. Peru is consistently an exception in trade matters, all of which has spawned a complicated maze of tariffs between members and their exception lists (Interview 7). Andean external relations are a further area of complication as members continue to negotiate bilaterally. Whilst the Andean Community speaks as a bloc in WTO, FTAA and EU negotiations, members have negotiated bilaterally, for example Bolivia–Mexico in 1994, Peru-Mexico which is on-going, Peru-Chile in 1998 and Colombia-CARICOM in 1994. A final important development to address is that Bolivia and Peru are associate members of Mercosur and Venezuela formally left the AC to join Mercosur in 2006. This links to recent developments in South America concerning the idea of a South American Community of Nations (SACN), which would essentially involve the fusion of Mercosur and the AC into one entity.

The EU has maintained regular contact with Andean countries since 1969, although it was not until 1983 that it first concluded a cooperation agreement. This remains the legal
basis for relations between the two partners, supplemented by the Regional Framework Agreement for Cooperation signed in 1993. The 1993 agreement expanded cooperation to economic, trade and development areas. It was also in the 1990s that the EU and the Andeans increased their political dialogue, cemented by the 1996 Declaration of Rome, which provides for ad-hoc presidential and ministerial meetings. The political and cooperation aspects of the relationship were institutionalised into one structure in 2003 when the Political Dialogue and Cooperation Agreement between the EU and the Andean Community was signed. Relations between the EU and the Andean Community currently resemble the following figure:
Whilst this picture appears slightly more complex than that of relations with CACM, the institutional structure is very similar. The EU and AC have very strong political and
cooperation mechanisms and a favourable trade regime. Like CACM the current GSP trade regime could become a FTA through the Association Agreement negotiations started in 2007. In the political pillar the regional level is the most important and is structured in exactly the same way as relations with Mexico, Chile and CACM, with ad-hoc Heads of State meetings, annual Ministerial meetings and a Joint Committee of Senior Civil Servants overseeing relations through rotating annual meetings. The Cooperation pillar, as with CACM, concentrates on development cooperation with the AC as an entity, and in helping regional integration and projects. This also results in the bulk of the aid channeled to the AC going through bilateral relations.

A key aspect of relations that needs to be highlighted is the role of the fight against drugs. AC is already on a GSP Drugs regime, granting them preferential access to the EU, as well as benefiting from intensified political dialogue on this issue, as indicated by the presence of a tailored EU-AC High Level Specialised Dialogue on Drugs, created in 1995. This is an annual meeting where both partners address practical issues and discuss how they can jointly tackle them. In the cooperation pillar the EU devotes an important portion of its resources into tackling drugs related issues, all of which makes drugs an integral, and idiosyncratic, element of the relationship.

In trade terms the Andeans represent 0.8% of EU external trade, while the EU represents 15.5% of Andean external trade, making it the AC’s second most important partner after the US (http://ec.europa.eu/external_relations/andean/intro/index.htm, accessed 28 July 2007). Trade has not been a priority issue for the EU, except in relation to drugs. The potential Association Agreement would alter the trade pillar of relations, although under the current GSP Drugs regime the Andeans already have duty free access to over 90% of the EU market (idem.).

In terms of cooperation the EU is the region’s main development assistance provider. For the period 2000-2006 the EU pledged €408m to the Andean region and it has adopted programming for a further €713m in the 2007-2013 period (http://ec.europa.eu/external_relations/andean/intro/index.htm, accessed 28 July 2007).
Of the 2000-2006 figure only €27m was attributed directly to the Andean Community as an organisation, with the remaining amount dealt with on a bilateral basis. The cooperation pillar of interregional relations only deals with strictly interregional issues.

Overall the conclusion for EU-Andean Community relations is very similar to that for the EU's relations with CACM, in that there is a longstanding, institutionalised and structured relationship. The specific focus of relations has been on the political and cooperation pillars, notably surrounding the issue of drugs. The prospect of an Association Agreement will bring the trade pillar into line with the other two pillars, and offer a single Agreement to house all relations between the two partners. As with CACM a major EU worry is related to AC regional integration, notably the essential counterpart quality of having a solid customs union (Interview 5).

EU–Mercosur

The final EU-Latin American interregional relationship to be analysed is the last one that the EU initiated within the region, and the one that is now the most advanced and prominent, EU-Mercosur. Mercosur is the single most important and powerful Latin American regional initiative, representing the world's third largest regional integration agreement area and acting as the economic and political hub for the entire region. Through its negotiations with the Andean Community and their vision of a SACN, and its own geo-political positioning, Mercosur has become an important global player.

Mercosur has important regional historical precedent, dating back to a 1940 Customs Union between Argentina and Brazil. This idea was reinitiated in 1985 through the Programa de Integração e Cooperação Brazil-Argentina (PICAB), which was a large step towards regional reconciliation and peace. In 1988 further consolidation took place with the Tratado de Integração Brazil-Argentina, creating the concrete foundations of Mercosur (de Oliveira 1998: 10-14). The importance of these precedents is not without

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80 For basic statistics on Mercosur see Appendix 6
significance in establishing harmony between two previously hostile neighbours, allowing peaceful and constructive dialogue to be built.

Mercosur was created in March 1991 by Argentina, Brazil, Paraguay and Uruguay with the signing of the Treaty of Asunción. It had a very ambitious initial programme borne of political desire that included the creation of a free trade area by 1994, a customs union by 1995, and eventually a common market (http://www.sice.oas.org/trade/mrcsr/mrcsrtoc.asp, accessed 12 December 2005). Whilst Mercosur has still not achieved the status of a common market it has made significant progress over its short life-span. In 1994 the Treaty of Ouro Preto created the institutional structure that Mercosur still uses, providing a framework for the expansion of the enterprise (http://www.sice.oas.org/trade/mrcsr/ourop/index.asp, accessed 12 December 2005). On 1 January 1995 a customs union was formally put into place, and in 1996 Association Agreements were signed with Chile and Bolivia establishing free trade areas. In 1998 ‘Political Mercosur’ was created as a formal mechanism for political consultation, in an attempt to address the political necessities that Mercosur’s advancement required. The potential for the expansion of Mercosur to become what its name suggests, the Common Market of the South, has always been an underlying objective, as Article 20 of the Asunción Treaty provides for the adhesion of other countries, principally members of ALADI, in a system based on open regionalism. This underlying theme of unifying South America has recently taken the shape of SACN discussions.

The two main institutions within Mercosur are inter-governmental; the Common Market Council (CMC) and the Common Market Group (CMG). The Council is composed of Ministers for Foreign and Economic Affairs. The Common Market Group is the same members plus representatives of central banks. They meet whenever necessary but at least once a year, with a six-month rotating presidency system. The Common Market Group has the task of enforcing the treaty and monitoring compliance, making it in effect the executive organ. Aside from the basic inter-governmental structure, there are two collegiate consultative bodies, the Joint Parliamentary Commission and the Economic and Social Consultative Forum. The former is a representative organ of the parliaments of
member countries which is composed of an equal number of representatives from each Mercosur country designated by their respective parliaments. Mercosur has no notion of supranationality, and the highest body, the CMC, makes its decisions by consensus with all four partners present (http://www.sice.oas.org/trade/mrcsr/ourop/ourop_e.asp, accessed 12 December 2005).

Mercosur functions on an intergovernmental basis with an administrative secretariat based in Montevideo which is entrusted a purely documentation and coordinating function. Strictly speaking the secretariat is the only permanent common body of Mercosur. This manner of driving the Mercosur enterprise implies that there is strong leadership by Heads of State and that domestic political will is a pre-requisite to advance. This issue, of ‘Presidential Mercosur’, as analysed in detail by Malamud (2001, 2003b and 2005a), will be addressed in the next chapter.

The EU has been a strong supporter of Mercosur from the very outset, signing an Interinstitutional Cooperation Agreement with Mercosur to provide technical and institutional support just one year after its inception. The EU then signed an Interregional Framework Cooperation Agreement with Mercosur on the 15 December 1995, which came into force on 1 July 1999. In 1999 the EU and Mercosur agreed to start negotiations for an Association Agreement. Meeting in Portugal in February 2000 it was agreed that these negotiations should be global and cover all the areas of their political, economic and trade relations and all the areas of cooperation (http://ec.europa.eu/external_relations/mercosur/intro/index.htm, accessed 28 July 2007).

In the space of only eight years relations between the EU and Mercosur had advanced at a very rapid pace, to the point of signing an Association Agreement. Such an Agreement would create the world’s largest FTA and the most comprehensive example of interregionalism to date, hence the widespread interest in the negotiations. As Peter Mandelson recently noted, “the EU-Mercosur negotiations are about more than creating the first free trade agreement in the world connecting two regions. Obviously, we support the consolidation of Mercosur for its own sake, because we believe regional integration
is good for economic development – and a trade deal would reinforce this.” (2006g: 6). Specific negotiations have been taking place since 2000 to establish such an Association Agreement, but talks have been deadlocked since late in 2004. EU – Mercosur relations currently resemble the following;
Figure 3-12 Structure of EU - Mercosur Relations

EU – Mercosur

Trade/Economic

Political

Co-operation

Horizontal Programmes

Regional Strategy Paper

EU – Mercosur Summit

GSP

Interinstitutional Co-operation Agreement 1992

Interregional Association Agreement Negotiations launched 1999

Ministerials

High-Level Officials

Rounds

Interregional Framework Co-operation Agreement 1995

Political Dialogue and Co-operation Agreement 2003

Joint Committee

- Senior Civil Servant level
- Annually/Rotating

Cooperation Council

This figure paints a more complex and intense picture than any of the other bilateral or interregional relationships, although the core structures remain the same given the presence of the three pillar structure. The only major difference is in relation to Political relations, where there is notably no institutionalised Heads of State level of relations. The EU-Mercosur Summit is not the same as it is for other relationships, in that it is not uniquely for Heads of State. At the EU-Mercosur Summit held in Austria on the 13 May 2006 there were no Heads of State present, indeed it was more like a Ministerial. This apparent confusion of who meets in which forum is a common feature of EU – Mercosur relations. The presence of lengthy ongoing Association Agreement negotiations has meant that there have been a large number of meetings between ministers and officials, many of which have served double purposes given that the participants are often the same people who look after different areas of the relationship (Interviews 2 & 7).

Relations are currently governed by the 1995 Interregional Framework Cooperation Agreement with the Joint Committee being the entity with responsibility for overseeing interaction. The Joint Committee has met formally on fourteen occasions (Interview 16). The main thrust and activity in relations since 1999 has, however, been in the negotiation of the Association Agreement, and specifically in the negotiation of the trade and economic pillar of this agreement. There have been thirteen formal negotiation rounds between 2000 and 2004 which have not led to an agreement being formalised, and the bulk of these have been concerned with the economic and trade pillar. Interviews with DG External Relations have revealed that both the cooperation and political pillars are based on the EU-Chile Association Agreement, and whilst there is some disagreement on certain issues both pillars were essentially 90% agreed very quickly in negotiations (Interview 1). Within the current structure it is important to note that the political pillar was particularly important as the EU had insisted on only dealing with Mercosur at the regional level. This situation changed in 2007 with the publication by the Commission of its intention to create a ‘Strategic Partnership’ with Brazil, mainly to address their lack of political relations.
In trade terms the EU is Mercosur’s main trading partner with almost 23% of its external trade, as well as being its main investor. Mercosur represents 2.8% of total EU imports and 1.8% of total EU exports, making it an important developing market for the EU (http://ec.europa.eu/external_relations/mercosur/intro/index.htm, accessed 29 July 2007). These trade statistics provide one reason why the EU has been faster to engage Mercosur in Association Agreement negotiations than either CACM or the AC. As it currently stands, until Association Agreement negotiations are complete, the EU grants Mercosur countries GSP status, which is far less advantageous than the status both Chile and Mexico enjoy.

The cooperation pillar of the relationship is very strong as the EU and Mercosur have many common areas in which to cooperate, as defined by the 1995 Interinstitutional Agreement. For cooperation projects financial assistance only pertains to Mercosur and not the individual countries, as cooperation aid is dealt with on a bilateral basis. The EU attributed €48m in the period 2000-2006 to Mercosur as a regional project, which compares to the €64m it attributed to Brazil bilaterally for the same period (http://ec.europa.eu/external_relations/mercosur/intro/index.htm, accessed 29 July 2007). The €48m was pledged to support Mercosur’s institutions, to help Mercosur complete its internal market and also to stimulate civil society participation in the Mercosur project. It is worthy of note that EU cooperation aid to Mercosur is almost the same as that to Mercosur members in the 2000-2006 period: Argentina €65.7m, Paraguay €51.7m and Uruguay €18.6m (idem.). The EU is the largest single provider of aid to Mercosur as an entity in its own right.

Politically the EU and Mercosur have established regular dialogue which aims, as stated in the 1995 Interinstitutional Agreement, to “consolidate closer relations between the EU and Mercosur” (1995: 3). The importance of political dialogue has increased given the role that Mercosur is currently playing in other global fora such as the UN and WTO. The EU and Mercosur have many common issues in global political terms although it is not clear to what extent their increased dialogue has facilitated any agenda-setting through

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81 Statistics for 2003
joint actions or positions. Joint Communiqués from EU-Mercosur meetings, be they senior officials or ministers, highlight many issues that both partners have a vested interest in, but proffer little evidence of joint action.

Overall the EU and Mercosur have a close and active relationship which has progressed quickly since Mercosur was created in 1991. They have a formal institutional structure that allows regular contact at all levels, and they interact even more on an informal basis (Interview 1). The structure is flexible, allowing for the ebbs and flows that the relationship have endured. The EU has supported Mercosur as a regional integration project from its very inception, and regional integration remains high on the agenda of all meetings between the two partners. In political terms the main dialogue that the EU had with all Mercosur members was through the interregional level, which added greater importance and weight to the Mercosur project. This position is now somewhat unclear in the light of bilateral developments between the EU and Brazil. The main thrust of relations at the moment is on negotiations for a free trade area, which have been underway since 2000. By choosing to prioritise the interregional level for trade negotiations the EU again placed special significance in Mercosur as a regional integration partner, something that could be in jeopardy if negotiations do not bear fruit in the future. Relations have in effect been gridlocked since 2004 due to stalled trade negotiations within the overall Association Agreement negotiation, something that the next chapter will address in detail.

**Interregionalism – Conclusions**

This section has shown that the EU has advanced relations with the three main regional groupings in Latin America, covering almost the entire region at an interregional level. As of 1999 for Mercosur, and 2007, for the Andean Community and CACM, the EU has been negotiating Association Agreements. The accomplishment of these three negotiations would bring interregional relations to the same level as the bilateral relations with Mexico and Chile. As it currently stands, however, the following conclusions can be drawn from the analysis for interregionalism:
### Figure 3-13 EU Interregionalism in Latin America

| 1. | Interregional relations are comprehensive EU designed 3-pillar agreements. The strongest pillar is that of political dialogue, and the weakest pillar the trade one. |
| 2. | The EU uses the same structure for all interregional relations: EU-Partner Summit (Heads of State, 2-years), Council (Ministers, ad-hoc), Joint Committee (Senior Civil Servants, 1-year) and Sub-Committees. This structure is the same as that for bilateral relations. |
| 3. | The EU directly promotes regional integration by pledging important levels of financial, technical and educational support. The EU also indirectly promotes regional integration by interacting with regional groups. |
| 4. | The main motivations for the EU are promoting regional integration, and in the case of Mercosur, economic and trade related. |
| 5. | The main motivations for the three Latin American regional groups are a mix of political, economic and cooperation factors. |

Source: Own Creation

This table highlights that the structure and content of relations at the interregional level is the same as that of the two advanced bilateral relationships. There are three pillars and a hierarchy of institutionalised and ad-hoc meetings. It must be noted that the meetings that are represented in the figures, as much for interregional as for bilateral, are only the tip of an iceberg. For instance the negotiating rounds associated with the EU-Mercosur Association Agreement are all preceded by negotiating coordinators meetings and other senior level meetings, none of which are covered in the figures (Interview 16). Add to this the informal contacts that occur weekly, if not daily and this shows that institutional contact is denser than it appears. From a structural and content basis the relationships are formed in the same ways, to discuss a similar spectrum of issues.

Within the interregional level the strongest pillar is the political one, although for differing reasons. In the case of CACM the political pillar was the foundation of the relationship as it was created as a channel for the EU to act as a political broker in
helping address the pressing needs of the region. In this sense the importance of the political pillar addresses the specific needs of the relationship. It is the case that strong political dialogue is needed in all three relationships as all three regional groups are fledgling political entities, so strong dialogue with the EU legitimises and strengthens them. In this sense the political dimension of interregional relations is different from the needs at a bilateral level. The structure of political relations at the interregional level is the same as for advanced bilateral relations, and allows for regular dialogue and discussion.

The thrust of the cooperation pillar is tilted towards regional integration and the regional body, given that specific country cooperation is dealt with at the bilateral level. This regional integration cooperation aspect is important, as the EU, through the Commission, has given all three regional groups a great deal of technical assistance related to regional integration. It has offered, and given, help with training, information technology, documentation and networks (Interview 1). From this very basic level of infrastructure the Commission has also pledged support and funds to help more theoretical levels of regional integration through seminars, exchanges and conferences. The EU has also sent missions to Latin America to help with specific issues, one such example being the EU mission sent to Mercosur to help train customs officers in their dealings with a common customs system (Interview 16). As Santander suggests, all of this has "enabled the EU to export its regional governance model and increase its reputation as an international actor" (2005: 292). The importance of this technical assistance should not be understated, and when added to the political and institutional support already given by the EU, it forms a powerful set of regional backing.

In stark contrast to the two most advanced bilateral relationships that the EU has in Latin America the weakest pillar of all three interregional relations is the economic/trade pillar. All three groups only benefit from GSP regimes in their trade relations with the EU. This is due to a combination of factors that are slightly different in the case of the AC and CACM from that of Mercosur. The major difference is that the first two groups are not major trading partners of the EU and thus the incentive from an EU perspective for trade
relations has been relatively small. In the case of Mercosur the motivation for trade relations has been evident from the inception of relations, but a solution to negotiations has proved elusive. A further complication has arisen from the levels of regional integration needed to negotiate a FTA with the EU. Whilst all three regional groups are at different levels of integration, and all have the formal aim of constituting common markets, none are as yet solid customs unions. All three are currently at the theoretical stage of a customs union, but in reality all three are far from perfect customs unions. Their common external tariffs are either in development (CACM), reformulation (AC) or have serious perforations and exceptions (Mercosur) (Interview 16). For the three groups to represent solid, coherent and equal partners for the EU to negotiate with both their overall integration and their economic integration need to be advanced. The trade pillar, despite being the strongest pillar in the strategy, is in all cases the weakest pillar in action, which is a reflection of both the economic motivations and the implications of regional integration on trade negotiations. Regional integration also explains why the political pillar is the strongest pillar and that the cooperation pillar is primarily concerned with helping the regional initiative.

These three groups have all taken the regional route to global insertion, but not as it would be understood in the EU. Freres and Sanahuja call it "light and selective regionalism" that they suggest "does not have the necessary social support and is not very effective in terms of ensuring an agreed upon strategy" (2005: 8). They continue their criticism adding that "government agendas and trade negotiations pursue different goals which on occasion belie the declared commitment to regional integration...perceptions on the future of integration are very different" (idem). This relates to the fact that the EU and the three regional groups in Latin America are inherently different, as Malamud expresses in relation to Mercosur "the reality of Mercosur is still far from that of the European Union" (2005b: 64). This is a key reason why interregional relations lag bilateral relations, especially in the trade domain. This issue of the divergence in regional integration between the EU and Latin America will be taken up in greater detail in the next chapter. The lack of progress in interregional relations in recent years, especially in negotiations between the EU and Mercosur,
coupled with the issues that surround their respective levels of regional integration, has led Freres and Sanahuja to summarise that:

"This situation has led to some players pointing out that the European Union ought to change its strategy: once and for all it should certify the "end" of Latin American integration, leaving the regional institutions to their own devices, and back a new policy where trade is concerned referring to the WTO framework; and on the political front, it should be committed to a bilateral relationship in which the "anchor countries" are given priority, privileging them with a more favourable treatment in terms of policy dialogue, and giving legitimacy to their respective subregional leaderships. This strategy, however, does not solve the problem and would have considerable costs, in view of the fact that it delegitimises the previous actions of the European Community in this field, causing the other countries to reject it, and it has been explicitly rejected by such players as the European Parliament" (2005: 47).

This quote is symptomatic of a wider questioning of the effectiveness, and value-added, of interregionalism based on the criticism of regional integration. This leads to questions as to whether the recent 'Strategic Partnership' with Brazil is not a move towards a more Asia/Africa model in Latin America, promoting key strategic bilateral relations with the region's leading country. Institutionally and structurally interregional relations resemble advanced bilateral relations hence they have an adequate framework. The key issue does not appear to be the strategy, nor the mechanism for implementation, but the nature of the local 'partners' for the EU, or their ability to live up to this status. Analysis of their founding treaties and aims suggests that they are coherent 'partners' for the EU, but in reality their ability to formulate agreed actions and implement them causes problems in all three pillars of relations. Many of the summaries of interregional meetings between the EU and their three partners only provide statements such as 'reaffirmed cooperation', 'highlighting the importance', 'reiterating support', 'underlining the importance of', none of which adds anything concrete to relations. Bland and vague Joint Communiqués point towards partners either not willing, or not able, to bind themselves into any new concrete commitments, something the next chapter will look at in more detail.
Transregionalism

The third and final level of complex interregionalism is that of transregionalism, the most recent level of relations to materialise between the EU and Latin America. Transregionalism is not as well documented as interregionalism, leading Rüland to observe that; "similarly unclear is the role of recently convened Summits such as...the EU-Latin America Summit" (2002a: 1). As noted in the last chapter EU transregionalism is an umbrella mechanism that the EU operates in three world regions; Africa, Asia and Latin America. This level of relations was first created in Asia in 1994 before then being exported to relations with Latin America in 1999. As already noted in the first two chapters the transregional level of relations is in no way comparable to bilateral and interregional relations. It is important to reiterate that transregionalism is a summit driven relationship that deals only in dialogue, making it fundamentally different from the previous two levels. Nonetheless it is important to analyse the role of this umbrella relationship in Latin America, and this section will address the two principal transregional fora that exist in EU – Latin American relations:

Figure 3- 14 EU - Latin America Transregionalism

<table>
<thead>
<tr>
<th>EU – Latin America Transregionalism</th>
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</thead>
<tbody>
<tr>
<td>EU – Rio Group (1990)</td>
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<tr>
<td>Europe - Latin America &amp; Carribean Heads of State Summit (1999)</td>
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The EU – Rio Group relationship does not belong to the later wave of transregionalism mentioned in the last paragraph, as it was a precursor transregional forum that existed between the EU and Latin America since 1990. It will be considered along with the EU-LAC Summit that was initiated in 1999 that has now been held four times, most recently in 2006 in Vienna, Austria.
The analysis of bilateralism and interregionalism in Latin America has revealed a relatively complete framework of relations across the three pillars of trade, politics and cooperation. It is now important to analyse the complementary role that transregionalism plays in the overall picture of complex interregionalism.

**EU – Rio Group**

The first of the two transregional fora to be analysed is the Rio Group as it was the first to come into being. The Rio Group was created in 1986 by the fusion of the Contadora Group and the Support Group, which equated to a membership of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Venezuela, Uruguay and Caricom (http://www.mre.gov.br/cdbrasil/itamaraty/web/ingles/relex/mre/orgreg/gruporio/apresent.htm, accessed 1 August 2007). The group was created to act as a counterweight to the Organisation of American States (OAS), given OAS dominance by the US (Interview 5). In 2000 Costa Rica, the Dominican Republic, El Salvador, Honduras and Nicaragua all joined. It became the principal mechanism for political consultation at the regional level. The Group participates actively in discussions of an international nature hence it is recognized as a legitimate entity by other actors, including Canada, Japan and India who all have relations with the Rio Group.

The original name of the group was that of ‘Permanent Mechanism of Political Consultation and Coordination’ (http://www.mre.gov.br/cdbrasil/itamaraty/web/ingles/relex/mre/orgreg/gruporio/apresent.htm, accessed 1 August 2007). The Group discusses regional political issues and international issues that concern the Latin American region, providing a unique forum for Latin America to meet, consult, discuss and draw up common positions and actions. The major objectives of the Rio Group were established in the Declaration of Rio de Janeiro in 1986, and were wide-ranging in their scope; expand and systematize political cooperation, coordinate common positions, present appropriate solutions to the issues and conflicts affecting the region and provide momentum, through dialogue and cooperation,
to the initiatives and actions undertaken to improve inter-American relations (idem.). It is a loosely structured Group with no permanent institutional structure, having only a rotating pro-tempore secretariat that passes to the country presiding over the group on a six-monthly basis. Each MS has permanent representatives to the Group and there are regular ministerial meetings. Overall the Group relies heavily on the annual summits of Heads of State to provide input and direction. As Matthews concludes: “GRIO is composed of 19 member countries from across Latin America and the Caribbean and, although it is not an institutionalised body, its annual summits provide a productive regional political forum” (2006: 2).

Relations between the EU and the Rio Group were institutionalised by a declaration made in Rome on 20 December 1990. The two sides met for the first time in Luxembourg on 26 and 27 April 1991, and since then meetings have been held annually in Europe or Latin America. Relations resemble the following:
The Rio Group was used by the EU as a forum to interact politically with Latin America as it was the only regional forum already available. This was made clear by the Commission in its 1995 publication ‘The European Community and Latin America: The Present Situation and Prospects for Closer Partnership 1996-2000’ when it noted that relations with Latin America took place at three key levels (1995d: 3): Sub-continental – Rio Group as of 1990, Sub-regional – San José since 1984 and Bilateral. These three
levels refer clearly to the three levels under investigation in this chapter on complex interregionalism. The reference to the Rio Group being the key sub-continental group was an accurate reflection at the time of its being the only sub-continental political forum. The Commission document went on to note that “Needless to say a Union strategy aimed at strengthening relations with Mercosur, Mexico and other Latin American regions cannot be seen as an alternative to the dialogue with the Rio Group. It should instead be considered as a means of deepening and extending that dialogue, within which the Community’s interests demand that it recognise and take account of regional specificities” (1995d: 4). At this specific point in time the EU was focusing on the Rio Group as the primary conduit for relations with Latin America.

Despite this stated focus on the Rio Group it was relations at the sub-regional level that were increasingly active and important in the mid-1990s. Existing integration mechanisms were updated and institutionalised and new channels for political dialogue were created. The San José Dialogue, the oldest political forum, was renewed in Florence in 1996, with a Common Solemn Declaration that outlined an agreement to ministerial meetings every two years with intermediate meetings between SICA and the EU Council troika. AC - EU political dialogue was formally initiated in 1994 following a Framework Agreement of the same year. This was followed shortly afterwards, in 1995, by the Interinstitutional Cooperation Agreement with Mercosur, which also updated its political pillar.

Despite all these sub-regional initiatives the Rio Group retained relevance as the only sub-continental forum for discussion. Throughout the 1990s a series of problems struck the EU – Rio Group relationship, the main one of which was that it was intended to be a platform for EU-LA relations encompassing the whole continent, but not all Latin American countries were members of the Rio Group (Interview 2). The Group also had a wide set of aims and objectives which led to little concrete action in real terms, reducing its usefulness as a forum for action. The Group’s desire to tackle and solve problems and coordinate positions, be that for regional issues or international fora, proved illusive, a further failure to capitalise on potential agenda setting abilities. As a forum for discussion
it remains an invaluable strategic option for meeting and forging relations, as well as for the formation of a regional consciousness. These reasons have effectively ensured that the EU – Rio Group relationship continues to exist, but the EU had a growing incentive to create another forum, as the next section will show.

EU – LAC Heads of State Summit

The EU – LAC Summit links the thirty three Latin American and Caribbean states with the twenty seven Member States of the EU in one single transregional relationship. The Summit forms an umbrella relationship with the entire sub-continent, making it a wider forum than relations with the Rio Group. The Caribbean region is involved in the EU-LAC Summit, although it has its own individual relationships with the EU. In many senses the EU-LAC Summit is more Latin America orientated and was constructed more with this in mind (Interview 2). The event came about due to a French-Spanish initiative – President Aznar having suggested the idea at the 4th Ibero-American Summit in 1996, an idea that President Chirac took up in 1997 when in the Latin American region (Interview 1). He stated that Latin America - EU relations should not take place within the narrow framework of north-south relations, but that they should form a closer partnership. The first Summit was thus hosted in Rio de Janeiro in 1999, after which there have been three further Summits as the figure below shows:
Figure 3-16 Structure of EU-LAC Summits

EU - Latin America and Caribbean Heads of State Summit

<table>
<thead>
<tr>
<th>Trade/Economic</th>
<th>Political</th>
<th>Co-operation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EU-LAC Summits</strong> - Heads of State – 2 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bi-Regional Ministerials</strong> – ad-hoc</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bi-Regional Group of High Officials</strong> – ad-hoc</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1st June 1999 - Rio de Janeiro
- To strengthen political, economic and cultural understanding
- Encourage strategic partnership

2nd May 2002 - Madrid
- Assess progress from Rio
- Discuss three key pillars: political, economic co-operation
- Proposals to strengthen relations

3rd May 2004 - Guadalajara
- Attempt to find common policy lines for all participants
- Concrete commitments in three key areas: social cohesion, multilateralism, regional integration

4th May 2006 - Vienna
- Assess progress in strategic relationship
- Launch negotiations for Association Agreement with CACM

Summits take place every two years on a rotating basis and aim to hold dialogue and discussion on the key issues of mutual interest between the two regions. The figure above highlights the basic structure and the main activities of each of the four Summits to date. The first Summit in Rio de Janeiro in 1999 adopted a Declaration that expressed the aspiration to strengthen relations of all kinds between the two regions in order to help redress the balance of prosperity and power in the world. The aim was to implement a ‘strategic partnership’ entailing in particular a political dialogue to strengthen democracy, the rule of law and to protect human rights; a balanced liberalisation of economic and financial trade and cooperation in the areas of culture, science and education (http://ec.europa.eu/world/lac/docs/rio/rio_1999.pdl, accessed 31 July 2007).

These three core aims respond to the three pillars of the Agreements that the EU has signed, and is negotiating, with Latin American entities, all of which were included in the Rio Action Plan. The Rio Summit also established the institutional structure of the transregional relationship, of which the key driving force was the two-year rotating Summits, after which there was an EU-LAC Ministerial level which meets on an ad-hoc basis to discuss specific issues such as cooperation, higher education and science and technology. The EU-LAC Ministerial forum addresses cooperation issues in the main, although its mandate does not specify that this has to be the case. Finally there is a Bi-Regional Group of senior officials who meet on an ad-hoc basis to ensure both follow up from past Summits and the content of future Summits. For example the Bi-Regional Group met later in 1999, after the Rio Summit, in Tuusula Finland, to address the priorities that had been formulated (Interviews 1 & 2). It is very interesting to note the fact that ‘strategic partnership’ was mentioned several times in the Rio Declaration, testimony to the overriding objective of the EU. The Rio Action Plan and Summit Conclusions set out the structure for future relations as well as identifying the objectives and parameters of dialogue.

The second Summit, in Madrid, assessed progress in the EU-LAC relationship in the three years since Rio, noting advances in relations with Mexico, Chile, Mercosur, the Andeans and CACM. In many senses it echoed the sentiments and desires of the first
Summit in terms of the subjects that were discussed. The first Summit having laid the groundwork for the relationship, the second Summit was able to go into more detailed discussion. The outcomes of the second Summit were a Political Declaration, Summit Conclusions, an Assessment report and an EU-LAC Common Values and Positions Declaration. This latter document is of particular interest, given that it lists eighty three points that relate to areas and fora in which the two regions are cooperating and coordinating. It states that “our bi-regional strategic partnership is being reinforced by deepening and widening our dialogue in international fora, particularly through political consultations in the United Nations fora” (www.ec.europa.eu, accessed 12 December 2006). It goes on to list the two regions’ common values, principally democracy, the rule of law and the primacy of multilateralism. It then states the shared common positions in fora such as UN bodies on terrorism, fundamental rights, racism, arms control, drugs and the WTO (idem).

The Assessment report issued in Madrid lists the concrete actions that have taken place between the EU and LAC since the Rio Summit, noting all the discussions, conferences and meetings that have taken relations forward in specific areas. In its final comments it makes the following conclusions; “one area with enormous potential is the strengthening of the political dialogue in international fora”, and “projects presented in relation to the priorities defined in Rio and Tuusula should have a preferential bi-regional nature as defined in paragraph 12. Such projects should, in addition, have a real impact on the economic and social situation in Latin America and in the Caribbean. This should not, moreover, prevent progress from being achieved in sub-regional or even bilateral projects” (www.ec.europa.eu, accessed 12 December 2006). These conclusions show that there is a clear focus on demonstrating the value-added of the transregional level of relations, whilst simultaneously helping sub-regional relations and providing the EU with more partners for coordination in international fora.

The third Summit in Guadalajara moved on from the three pillar approach, which was by then well anchored in EU-LAC relations. The third Summit addressed, as priorities, the areas of social cohesion, multilateralism and regional integration, with the aim of
providing concrete commitments and common policies (www.ec.europa.eu, accessed 12 December 2006). The outcome of Guadalajara was a single Declaration that drew out the key messages in the three priority areas of discussion, none of which were substantive in nature. The Declaration was a far cry from the conclusions issued in Madrid, and was much less tangible in every sense. The fourth, and latest, Summit was held in Vienna in 2006 and it continued work on the three priorities outlined in Guadalajara as well as advancing discussions on the environment, addressing the latest EU-LAC Strategy Paper and launching Association Agreement negotiations with CACM. The fourth Summit was very much in the same vein as the third in Mexico in terms of content and outcome (http://ec.europa.eu/world/lac/index.htm, accessed 27 July 2007).

The EU-LAC Summit process has become a regular feature on the international agenda of the two regions and the next Summit is scheduled to take place in Peru in 2008. A very important feature of the Summits is that they provide a meeting place for a plethora of other EU-LA meetings, ministerial meetings, Heads of State Summits and joint activities. The EU-LAC Summits are almost as important for these ‘fringe’ activities as they are for their actual discussions. The Summits are now also the principal forum for political discussion at the bi-regional level, and as such they perform an important role. Overall the Summits are a discussion forum, sounding board for new ideas, launch pad for new projects, and gathering point for many other relationships that exist between the two regions – confirmation of the umbrella status for EU-LAC relations.

Transregionalism – Conclusions

In the 1990s the EU was looking for a new forum through which to engage Latin America as a region, having become frustrated with the framework of its relations with the Rio Group (Interview 2). At this time Latin America was reacting to dynamic global changes as well as undergoing severe internal reorganisations, as it tried to insert itself politically and economically into the globalising world. The EU-LAC Summit was created to address the needs of the two partners and is the relationship through which the EU offers LA a solid and balanced counter-weight to US dominance in the region, by
increasing the region’s global prestige, credibility and weight. It is very important to highlight that fact that the EU-LAC Summit is by far the most visible meeting between the two regions.

Transregionalism is primarily a forum for political dialogue, but it deals increasingly with other issues that are of joint interest to the two partner regions, mostly cooperation in areas of mutual interest. The main objectives of the Summits are to strengthen bi-regional relations, to foster common action on global political and economic issues and to allow for an institutionalised bi-regional dialogue on all issues of mutual interest. As IRELA stated after the first Summit in 1999;

"Essentially the Rio Summit was a form of demonstrative diplomacy, a public display of alliance-building at the highest political level, driven by the need felt by the two regions to respond to world-wide political and economic trends. The main point was to demonstrate the basic coincidence of their political and economic interests and concerns, as a means of reinforcing their own position in the international system" (1999a: 3).

The process operates using the same three tier structure as the EU uses for all its relations in Latin America, Summit-Ministerial-Senior Official. The Summits are institutionalised and take place every two years, but the two lower levels are ad-hoc. The Ministerial level has become increasingly used in recent years, addressing specific areas of mutual interest such as education and social equality (Interview 1). Through this process there has been much greater information sharing, cooperation, discussion and common ground building. The relationship represents a common attempt to better equip and position both regions in the emerging global system, through joint cooperation. The relationship has shown the ability to state common goals and aims as well as standards whilst simultaneously differentiating by sub-region according to differing needs. Activity around Summits has also increased greatly such that in the wings of the main event there are a plethora of conferences and workshops discussing issues of crucial interest to the relationship. In Vienna in 2006 there was the first EU-LAC Business Summit which was warmly welcomed (Interview 17). Also of importance, in relation to the activity around Summits,
is the fact that they are used to host a series of bilateral and sub-regional Summits and Ministerials. A large number of sub-regional and bilateral relationships advance in the wings of the EU-LAC Summit, because it provides a convenient opportunity to meet. It is also the case that Summits are used as launch pads for advances in bilateral and sub-regional relations. In the past announcements have been made in relation to all of the EU’s relations in Latin America. In this sense the Summits really have developed into a focal point of the overall EU-LAC relationship.

The main area of contention and criticism surrounding the Summits concerns their follow-up and impact. An EPC paper on the 2006 Vienna Summit highlights this main criticism of the Summit process when it quotes Pablo Garrido Arauz, the Panamanian Ambassador to the EU, as being “cautious about whether it would bring tangible benefits to the Latin American people, stressing the importance of follow-up mechanisms to ensure it brought long-term benefits” (Matthews: 1). Freres further outlines a criticism of the process when he notes that the Rio Summit of 1999 set out a strong commitment by the EU towards Latin America, but only on a “superficial level” (2000: 81). He notes that this was seen in 2000 at the first post-Rio meeting, an EU-Rio Group meeting, where only a handful of European foreign ministers showed up. This was a “signal that the EU...does not have much special to offer...confirming the view that the EU is not a serious power at all, but more of a mirage” (idem.). This calls into question the notion of ‘strategic partnership’ at the transregional level, or at least begs questions about what type of ‘strategic partnership’ is being sought.

The forum with the most potential to ensure Summit follow-up, the Bi-Regional Group of High Officials that met to address follow-up to the Rio Summit, has fallen into disuse, which is something of a statement in itself (Interview 1). A further issue with the EU-LAC Summits is that whilst the aim is to highlight, emphasise and build on the bi-regional partnership, it actually reveals that the regions are not equal partners. For LA the Summits are an opportunity to get an indication from the EU as to what its future intentions for relations are. This has created an expectations problem from the very outset.
of the Summit process, and reveals the relative strength of the ‘partners’, and the power
dynamic of their relationship.

The Summit process is criticised for a lack of concrete action and impact. There is no
doubting that as a forum for dialogue the Summit provides an excellent opportunity for
the two regions to discuss their mutual bi-regional interests. The Summit also provides
the opportunity, in the fringes, for the two partners to engage in their bilateral and sub-
regional relations. Overall the Summit operates as an umbrella mechanism for EU-LAC
relations, performing two-yearly health checks. The main, and grounded, criticism is that
all of these meetings and discussions do not lead to concrete impacts or outcomes – they
do not tangibly contribute to relations. As Freres and Sanahuja conclude, “the series of
Summits and the 'Strategic Association' project...are not being backed by the necessary
resources, which in turn undermines the EU’s credibility and its political commitment to
this project” (2005: 51).

Irrespective of these criticisms transregionalism is firmly embedded in complex
interregionalism with an oversight and strategic coordinating function. It has been seen to
not overlap or clash with either interregionalism or bilateralism, as it complements them
both. In this sense transregionalism is very different from interregionalism and
bilateralism as it is not a competing framework for relations, rather a simple adjunct to
both or either.

**Conclusion**

Commissioner Patten stated that “Latin America is a crucial trading partner and political
ally for all of Europe. Every single EU state would count Latin America among its closest
international partners” (2000: 1). If this quote from Commissioner Patten were accurate
then this chapter would have revealed a coherent interregional strategy smoothly
implemented and fully operational in action. This chapter, through addressing the key
research questions set in the last chapter, has revealed a much more nuanced picture of
complex interregionalism. An analysis of the three key levels at which the EU interacts
directly with Latin America, has revealed the intricacy of complex interregionalism and that interregional strategy is not being translated into action. The result is a complex relationship that is unique in the world today, an interesting development in the global system with such a broad agenda encompassing economic, political, cultural, social, security and cooperation issues. To respond to the research questions posed of complex interregionalism in the last chapter this conclusion will follow the structure developed in this thesis. It will thus evaluate the motivations of both the EU and its Latin American partners in formulating a common interregional strategy, before then looking at the mechanisms for implementation and finally the impacts of the attempts to put the strategy into action. This will lead to a clear set of conclusions on complex interregionalism and simultaneously develop a set of key questions to take forward to an analysis of EU-Mercosur relations.

As Commissioner Patten suggests Latin America is in many senses a natural partner for the EU, sharing a historical, cultural and linguistic heritage that has led to a convergence of views on key issues such as multilateralism and regionalism. On this basis it is quite normal that the EU and LA should share a close relationship, but as Klom succinctly states, “Latin America drew the attention of the EC quite late in the day” (2000: 5). Klom explains this as being due to the EC having other issues to focus on from the 1950s to the 1980s. He specifically highlights the incorporation of Spain and Portugal into the EC as the key turning point for EC policy towards the region. In effect the entry of Spain and Portugal into the EC in 1986 elevated the interest in Latin America for the EC as a whole. The Spanish EC Commissioner Marin was instrumental in developing relations with Latin America during his tenure (Interview 13). The 1995 Communication from the EU on Latin America came under the Spanish Presidency of the EU, the EU-LAC Summits were a Spanish initiative and Madrid hosted the second Summit, a year later than the two-year rotation would have dictated. The role of Spain is also hidden by the fact that this chapter has concentrated on EU relations with the region, as in many cases Spain makes up the bulk of the EU statistics on trade, aid and finance to the region. Spanish firms have been the most active in the region of all EU member states and the political support given by Spain is crucial. Grugel calls the relationship between Spain
and Latin America the "special relationship" which he feels "serves as a cement for the relationship between Europe, as a whole, and Latin America" (2002a: 1). A key motivation behind the EU formulation of an interregional strategy is the drive of Spain. Aside from this internal motivation the EU has been motivated by economic balancing and bandwagoning considerations in both its strategy formulation and implementation. The EU has used interregionalism predominantly as a flexible strategy framework to respond to US activity in the region. EU relations with Latin America are frequently seen to be based on a reactive strategy vis-à-vis US economic relations in the region, witnessed most clearly by the Association Agreement with Mexico, but also present in relation to the pressure that FTAA talks have exerted on both Chile and Mercosur negotiations (Interview 13). The US prefers to deal bilaterally with Latin American states, often to the detriment of regional groupings, which it is happy to split in negotiations (Interview 13). This chapter has also noted that for most Latin American states, or regions, the main motivation in advancing relations with the EU is to counterbalance those with the US, so the US is a prime motivation for both partners. The EU is a natural alternative to the US, as in most cases it is the second largest trading and investment partner. As Whitehead has remarked, Latin America’s rapprochement to the EU reflects these countries’ "tradition of seeking some external counterweight to the overwhelming presence of their northern neighbour" (1999: 54). It is without question that the US has the policy and strategy lead in Latin America, and that the EU operates predominantly in its wake.

Whilst the EU reacts to US activity in the region it frequently claims that it offers a different partnership from the one offered by the US, as Barahona de Brito notes when she says that "the EU has always claimed...that it tempers its pursuit of free trade by a concern with social equity and solidarity" (2000: 3). Given the predominance of the trade pillar in Association Agreements and the fact that negotiations for these agreements are more than 95% trade related, the EU’s claim can be questioned. Indeed Freres and Sanahuja observe that their Latin American interviewees find that "the idea that the agreements with the EU are different in their design and contents to those proposed by the US is not widely accepted" (2005: 55). The EU offers a three pillar approach
incorporating cooperation and political dialogue as well as a number of normative EU values. The main difference between EU and US strategy in Latin America has been the EU support for regional integration. The importance of regional integration in EU interregional strategy, and in complex interregionalism in action, has come to the fore in this chapter, and merits special attention in the conclusion. EU incorporation of regional integration in interregional strategy has been clear and consistent. EU support for regional integration has occurred at many different levels, principally through; EU-LAC Summits, Sub-regional developments with all three regional integration vehicles, financial aid for institutions, customs unions, technical aid for institutions, training and education for customs unions, by the EU interacting with partners and finally by the EU using the incentive of Association Agreements. The EU has made regional integration a central plank of its interregional strategy through a desire to increase the coherence and cohesion of its counterparts.

Mechanisms

EU complex interregional strategy towards LA has been a reflection of the motivations of both the EU and its LA partners. The first interesting mechanism to deliver a more targeted strategy was the notion of differentiation that was developed by the EU in the 1990s to address more specific countries and regions within the macro-region of LA. Differentiation effectively developed into complex interregionalism in Latin America when economic circumstances drove the EU to sign Association Agreements with both Mexico and Chile, despite its interregional rhetoric. The strategy of complex interregionalism was recognition, as this chapter has revealed, that LA needs to be treated in a differentiated manner. Whilst making the interregional level of relations the lynchpin of relations with the region the EU proved willing to negotiate bilaterally with non-regionally aligned countries when circumstances necessitated. The strategy for complex interregionalism, or the mechanism through which the EU wanted to put its motivations into action, is a result of a mixture of a defined strategy for regional integration and a form of pragmatic realism on behalf of the EU. The first point to note about this is that it does not always generate coherence and consistency in strategy or action. Complex
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interregional strategy has revealed several inconsistencies over time, most recently with the move towards a Strategic Partnership with Brazil that poses important questions for the future of interregionalism if trade negotiations cannot succeed with Mercosur. Whilst the EU might have clear motivations and a coherent interregional strategy, this has not always been translated into coherent complex interregionalism in action because the EU is subject to economic and political pragmatism. The mechanism to obtain complex interregionalism in action has resulted in the table below that highlights key aspects of all the relationships to have been considered in this chapter;

**Figure 3.17 Comparative Analysis of EU Relations with Latin America**

<table>
<thead>
<tr>
<th>Agreement</th>
<th>EU Mexico</th>
<th>EU Chile</th>
<th>EU Brazil</th>
<th>EU CACM</th>
<th>EU AC</th>
<th>EU Mercosur</th>
<th>EU Rio Group</th>
<th>EU LAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>Yes</td>
<td>Yes</td>
<td>GSP</td>
<td>GSP</td>
<td>GSP</td>
<td>GSP</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Economic</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Political</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>


The table above deals with the three principal pillars and two key functions of all relationships that the EU has within LA. It shows clear and significant differences between the three levels of relations. The bilateral level of relations splits into two

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82 Once the Strategic Partnership has been signed and implemented the EU and Brazil will have bilateral political dialogue
categories, firstly for countries in Latin America not belonging to a regional integration group, and secondly for those within a group. In the former category the Association Agreements with Chile and Mexico are the most advanced that the EU has with any entity in Latin America, covering all three pillars as well as the two functions, and additionally enjoying a three-tier institutional structure with Parliamentary and other joint fora. For Brazil it is quite different, although in reality once the Strategic Partnership is implemented the only differences will relate to the trade and institutional aspects of the relationship. All three interregional relationships are at the same stage of development, based on the same structures, and with the same aims. Finally the transregional level is an overarching political umbrella for relations with the region as a whole.

The manner in which these three levels interact is quite distinct, with only the case of Brazil as a slight exception. Due to EU insistence the interaction between the three levels is also quite rigid, something that has led to the anomalous situation of Brazil not having the strongest relations with the EU within the region. Complex interregional strategy in Latin America can be resumed in the table below:
The previous figure shows that complex interregional strategy generates patterns of interaction that can be summarised very simply. If a country is not regionally aligned, and there are pressing economic reasons to do so, the EU has proved willing to negotiate a comprehensive bilateral three pillar agreement. If the country is regionally aligned then the EU will defer political, in all cases except Brazil, and trade relations to the regional level leaving just cooperation relations and aid at the bilateral level. The picture for cooperation aid is complex at the bilateral level, and this thesis has only considered the aid given by the EU as an entity to its Latin American partners. Cooperation aid at the bilateral level is a completely separate issue that bears no relevance to interregionalism, because, as Freres and Sanahuja conclude, “in spite of a lot of rhetoric and some relatively intermittent initiatives the European Union does not exist as such in cooperation with this region; there are 26 donors with very little practice in working together in Latin America” (2005: 27). Finally the transregional level operates as a forum
for dialogue on region to region political issues, as well as on horizontal and sectoral issues of mutual interest. The EU strategy is seen to be relatively straightforward, based on the circumstances of the region and its own motivations. It is also the same structured strategy that the EU uses in bilateral relations, the only genuine difference being counterpart coherence.

Impacts

Complex interregional strategy and the mechanism to deliver it are relatively coherent and straightforward. But despite the clear-cut strategy and the investment that the EU has made in its complex interregional strategy in Latin America Matthews still feels that "the Union appears to lack the political will to go further. Although Latin America is a top priority for some EU Member States (most notably Portugal and Spain), it hardly features at all on the foreign policy agendas of many others. As a result there is insufficient interest in developing adequate policies that could deliver concrete results" (2006: 4). From this Matthews notes that, "questions remain over whether all the rhetoric about creating a stronger partnership can be matched with adequate deeds" (idem.). Matthews is effectively questioning whether the EU has been willing to implement its own strategy in the region, something that this chapter has noted. The fact that the Commission elaborates the strategy and the Council oversees its implementation is a potential point of friction in the system – something that the next chapter will address in more detail.

The EU and Latin America share many common values such as human rights, support for an open multilateral economic system, the protection of individual rights, regional integration, democracy and social solidarity. Add to this the elements of shared culture, history and language and it becomes clear that the two regions do share much in common on which to base their relations. This is one reason why the EU puts such emphasis on a strategic partnership, something that Crawley emphasises when he notes that the "EU's stress on interdependence and mutual benefit in its relations with Latin America contrasts with what has been perceived as Washington's exclusive pursuit of national
interest” (2000: 13). The importance of this potential partnership should not be underestimated as the Working Group on European Union – Mercosur Negotiations in Paris emphasises, “there is no other partner than Latin America that has such a high degree of political convergence with the EU” (www.chairemercosur.sciences-po.fr, accessed 12 January 2007). Despite the constantly stated common values and positions there has been little visible coordination between the partners in multilateral fora, a fact that casts some doubt on the extent of their synergy. Whilst both partners seem to aspire to elements of their common strategy it has not been overtly visible in complex interregionalism in action, be that at the bilateral or interregional level.

EU complex interregionalism in action in Latin America has come in for strong criticism, predominantly because for all the rhetoric and good will there is marked lack of concrete initiatives, something that has made Latin America sceptical about EU commitment to the region (Interview 1). Quite simply EU interregional strategy in the region has not been translated into action through a mixture of EU inability (Council versus Commission), lack of pressing economic or political circumstances, and counterpart coherence. It has been seen that Latin American entities have more interest in economic and commercial ties than the EU does, which creates expectations gaps. As noted in the section on transregionalism, in relation to the Summits of Rio, Madrid, Guadalajara and Vienna, the EU needs to move beyond rhetoric to substance to convince Latin America. This relates to a wider criticism of the EU and its global role that it has, at times, been reluctant to assume.

It is also possible to consider closer cooperation as an attempt by the EU to reinforce its commercial presence by developing a more stable regulatory environment. Global Europe 2020 Seminar concluded that “the EU must live up to its declarations. If it wants to turn Latin America into a strategic partner on a global level, it must pay the price” (2004: 3). Freres and Sanahuja agree with this analysis when they note that “the European Union has to define an enlarged integration strategy, which is able to recognise the multidimensional nature of Latin American regionalism and the different players involved, and one that is not dependent upon and subject to the way in which the
commercial commitments evolve in each subregional scheme. That strategy ought to envisage both the regional and subregional level, through a frank dialogue with Latin American governments and through being more demanding with regard to the scope of the Union's commitments" (2005: 47).

The presence of the Andean Community, the Central American Common Market and Mercosur in the region made the pursuit of pure interregionalism a central element of relations, especially as both regions share the overall ideology that regional integration is the best means to global insertion and global governance. Regional integration has been the main long-term strategic element of EU complex interregionalism with Latin America and also the key element that differentiates the EU approach from the US approach. It has been the subject of discussion at all four EU-LAC Summits and is at the heart of all three regional Association Agreement negotiations that the EU is currently involved in with Latin America. Overall, in terms of the number of countries involved as well as in terms of resources, time and energy, the most significant interaction that the EU has with Latin America is at the interregional level. Grabendorff concluded his analysis of relations between the EU and Latin America in the 1990s by saying that they "may drift together for the simple reason that they have chosen similar paths to economic and political integration" (1992: 2). The EU has provided constant support, at every level from technical to financial, for all Latin American regional projects. The Global Europe 2020 Seminar concluded that "one thing seems clear already: if the EU intends to develop a strong and sustainable relation with Latin America, based namely on the reinforcement of its regional integration serving its own vision of a global architecture founded on regional unities, it should on the one hand take care of diversifying its range of interlocutors (beyond elites of European origin, towards partnerships with populations of native origin in particular), and on the other hand it should set up processes (policies and programmes) aimed at including Latin-American elites in the partnership with Europe, as well as in the good-governance of their countries" (2004: 2). To improve its interregional offering the "the EU must prove the utility of the partnership it offers (beyond the immediate cultural attraction) and the specific added-value that it can bring (in comparison to the United States for instance)" (idem.) because as Freres and
Sanahuja conclude “the European Union has neither the weight nor the influence it could have in Latin America. For many observers, this is due to: the EU’s lack of a clear and coherent strategy; the perception, except in trade issues, that the EU does not speak with a single voice” (2005: 50). This relates to the comment made at the start of the conclusions about complex interregionalism, as an outcome of differentiation, being a mixture of an overall strategy that is overridden by pragmatic realism when economic circumstances require it. The strategy of complex interregionalism has simply not delivered, despite the Commission’s persistent and consistent support.

The pursuit of pure interregionalism is critical to the EU’s strategic policy in Latin America, as it is the central plank around which all other relations hang, and one in which the EU has invested significant money, time and effort. Looking in greater detail at the role of regional integration in the EU’s relations with Latin America it is clearly important for complex interregionalism in action. This role of regional integration in action in Latin America can be addressed by looking in more detail at EU – Mercosur relations, given that the EU has advanced furthest with Mercosur as a regional partner. Not only are they the most important interregional relations that the EU has in the region, but they have also been negotiating an Association Agreement for over seven years. A deeper analysis of their relationship and of the reasons why the Association Agreement remains unsigned are crucial to the overall analysis of EU complex interregionalism in action.

From these conclusions and criticisms it is worth remembering the comments of Mower in the context and history section of this chapter. Writing in 1982 about EC–LA relations Mower concluded that they were not institutionalised, had agriculture as an Achilles heel and that they were made difficult by the constantly changing nature of the Latin American region. The conclusions to this chapter make Mower appear prescient as the same criticisms exist some twenty five years on. Further on in the history and context section reference was made to changes in LA offering the EU an opportunity to capitalise on the situation, reflected in the 1994 strategy document which prioritised diversified relations with Mexico, Chile and Mercosur. Since that was written, fourteen years ago,
relations with Mexico and Chile have advanced to Association Agreement status, but those with Mercosur have not. This fact alone underscores the importance of Latin American regional integration.

The main criticisms that have been levelled at complex interregionalism pertain to all levels, but especially interregionalism and transregionalism. This chapter has revealed that the EU has used the same structure for bilateral relations and interregional relations. This fact becomes particularly interesting when considering the negotiation of Association Agreements because the only difference in negotiations has been the nature of the EU partner: a region or a country. The fact that Mexico and Chile have both signed their Agreements and that EU-Mercosur negotiations have stalled is something that needs further investigation in the next chapter. The EU continues to engage in relations with Latin America's three regional integration vehicles, testimony in part to circumstances which have allowed the EU to continue this path without external (US) pressure, and also to the EU pursuit of pure interregionalism. EU support for regional integration and its continued strategy of dealing only with the three regions has remained a constant of its strategy. The 2007 admission that political relations with Brazil would have to be conducted on a bilateral basis is the only slight to this record, albeit an important one. The most important interregional relationship that the EU has in Latin America is the one with Mercosur, and to further an understanding of complex interregionalism it will form the subject of investigation of the next chapter. On the basis of the analysis in this chapter the following key questions will need to be addressed:
Figure 3-19 Key Questions for EU-Mercosur Relations

1. How has the EU pursued pure interregionalism?
2. To what extent does pure interregionalism depend on counterpart coherence?
3. Why have the EU and Mercosur not concluded Association Agreement negotiations, and what does this tell us about pure interregionalism?
4. How does EU-Mercosur pure interregionalism relate to other parts of complex interregionalism, notably bilateralism with Brazil?
5. To what extent is the pursuit of pure interregionalism hindered by internal EU divisions and external forces?

This chapter has highlighted that the EU has strategically pursued a policy aiming at pure interregional relations with all three regional vehicles in Latin America, but notably with Mercosur. To fully understand complex interregionalism in action it will be necessary to answer the key questions above about the reasons why EU-Mercosur negotiations have stalled where bilateral negotiations succeeded and whether this is down to counterpart coherence or EU internal inability to execute its own strategy. Finally it is important to understand how pure interregionalism copes with the presence of the most important country in the region; Brazil.

This chapter has looked at the phenomenon of complex interregionalism in detail across the Latin American region, identifying certain tensions inherent in its transmission from strategy to action. Answers to the key questions outlined above are essential for a complete understanding of complex interregionalism in Latin America, as well as for the future of interregionalism within and outside of the region. These are the questions that will be addressed in the next chapter on EU - Mercosur relations.
Chapter 4: EU – Mercosur: Complex Interregional Strategy in Action

Introduction

The EU relationship with Mercosur is very much the lynchpin of EU interregional strategy in Latin America as well as the closest relationship in the world to a pure interregional one. The last chapter highlighted the importance of the EU-Mercosur relationship, an importance which means that it represents a litmus test of not only EU interregional strategy, but also for complex interregionalism in action. It is for these reasons that the EU-Mercosur relationship has been seen as a blueprint for the future of interregionalism and why this chapter will deal with it in detail. This chapter will address interregionalism through a deeper analysis of EU-Mercosur relations, as a case-study of complex interregionalism in action to analyse the latent tensions that the last chapter highlighted between interregionalism as a strategy and interregionalism in action.

Aggarwal & Fogarty note that the EU-Mercosur relationship “is the only instance in which two relatively coherent, self-defined and highly institutionalised regional blocs have been negotiating a commercial agreement on a one-to-one basis” (2004: 211). This agreement is the first proposed between two customs unions, the EU being a customs union since 1965, and Mercosur since 1995, which is the very basis for its special status in international relations. Of all the relationships that the EU has with Latin America it is the one with Mercosur in which it has invested the most.

The last chapter sketched out the basic details of Mercosur, as well as the structure of current relations with the EU. This chapter will take this foundation and deepen the analysis of the relationship, with a focus on understanding the differences between EU strategy and interregionalism in action. As Faust notes “shedding some light on the political economy of relations between two of the most ambitious integration mechanisms
of the 1990s should deepen our understanding of the forces shaping the growing importance of transregional and interregional trade relations” (2002: 1), a sentiment that echoes the objectives of this chapter. A further drive of the chapter is to address the specific research question posed in the Introduction, ‘Are there any tensions between the EU interregional strategy for Mercosur and EU - Mercosur interregionalism in action?’ In addition the chapter will also seek to address the set of questions that arose from chapter three, outlined in Figure 3-19. Behind the research question and these questions there remains the underlying tripartite structure of this thesis, based on motivations, mechanisms and impacts, which will again be used in this chapter. Further important elements to be carried over from chapter three also include the multi-level, multi-causal approach that will be necessary to answer the questions this chapter seeks to clarify.

The EU-Mercosur interregional relationship is very much a model for how the EU has intended to interact with Latin America, and indeed other regions and entities around the world (Interview 5). Whilst it is important to emphasise the idiosyncratic nature of the relationship, as Faust notes, “the development of institutional linkages with Mercosur has led to a unique form of interregional institutionalisation” (2004: 44), it is not only the specifics of EU-Mercosur interregionalism that this chapter will address, as it hopes to derive pertinent conclusions for interregionalism in general. This idea is encapsulated in the words of Giordano, who says; “the Inter-regional Association Agreement is an instrument suited for the worldwide diffusion of a model of deep regional integration that may lay the foundations of a multipolar global governance system” (2002: 7). This is indeed a position echoed in the words of the European Commission itself: “The European Union encourages the countries of the world to forge strong ties with their neighbours and to organise themselves in regional organisations with institutions...because of its own history and its integration process, the EU has real added value to contribute. It wishes to help its partners to benefit from the substantial benefits of regional integration: facilitating economic growth and investment, providing a solid base for political stability and conflict prevention; strengthening their influence on the international scene” (2005d: 27). As the last chapter identified, the issue of regional integration needs to be examined in more detail as it is a fundamental part of EU-
Mercosur interregionalism and of any pursuit of pure interregionalism. "Arguably, the Common Market of the South (Mercosur) is the regional integration project that has reached the greatest level of accomplishment after the EU" (Malamud and Schmitter 2006: 1), making it the most suited partner to analyse in terms of regional integration and how effective the EU interregional and regional integration strategy has been.

This chapter will thus not be limited to a simple analysis of EU-Mercosur interregionalism as an isolated relationship, but will broaden its scope to take into account the wider implications and strategic objectives of this level of international relations. In doing this the chapter will have to address one major issue in detail, that of why the EU and Mercosur have not yet managed to sign their Association Agreement. Whilst the short answer to this question would be that the impasse in relations is due to the trade negotiations, which have proved to be very difficult to finalise, it needs more investigation. By analysing the negotiations in more detail the chapter will have to deal with the difficult issues of the EU-Mercosur trade relationship, agriculture, the WTO and relations with the US, all of which have had, and continue to have, an important bearing on progress. As EU Trade Commissioner Lamy commented in 2004, the EU-Mercosur agreement is not contrary to multilateral aims, nor is it an attempt to split the G-20, but it is "a perfect example of our trade policy strategy...building on the multilateral trading system, we seek a WTO+ agreement characterised by a high level of ambition" (2004: 3).

The interactions between the US, the EU and the WTO have implications for relations with Mercosur and interregionalism that will be important to understand. A further issue that will arise from an analysis of trade relations will be the state of Mercosur regional integration, especially their customs union. This issue relates back to one of the stated objectives of the EU in its relations with Mercosur; to advance its regional integration.

This chapter will be structured into distinct sections to address the different elements that this introduction has highlighted. The first section will define the context of EU-Mercosur interregionalism and the build up of relations between the EU and Mercosur from the inception of Mercosur in 1991. This will cover EU technical assistance, the EMIFCA process and EU internal discussions to obtain a negotiating mandate. This
corresponds to the first three, of five, stages of EU-Mercosur relations as highlighted by Faust (2002: 8). The next section will be dedicated to the actual negotiations of the interregional agreement as of September 1999, which corresponds to the final two stages of Faust's schema of relations (idem.). A key element of this section will be to isolate the factors that have led to an Association Agreement remaining unsigned, which will allow an analysis of not only the functioning of the negotiation mechanisms foreseen by the EU and Mercosur in their Framework Agreement, but also of the key issues in the on-going negotiations. This separation into two sections of the build-up of relations and the subsequent negotiation of an agreement is to clearly delineate the difference between the EU's interregional strategy as defined in discussions with Mercosur, and laid down in the Framework Interregional Agreement, and the ensuing negotiation of these aims. The third section in the chapter will be an analysis of the main elements that have held negotiations between the EU and Mercosur back and ultimately to addressing the question of why the EU and Mercosur have still not signed an interregional agreement. The conclusion will analyse the impacts that the EU interregional strategy has had, allowing for an assessment of the EU pursuit of pure interregionalism in the context of complex interregionalism which will lead into the general conclusions to the thesis.

EU-Mercosur: Towards Pure Interregionalism?

To better situate and understand the current state of the EU-Mercosur interregional relationship it is necessary to shed light on the context and history of the relationship. Chapter three gave a detailed history of EU-Mercosur relations, both within the context of Latin America, and also in its own right, but this section will go into further detail. It will concentrate on the first three phases of the EU-Mercosur relationship as identified by Faust (2002: 8), from the early technical assistance the EU provided to Mercosur from 1992 onwards, through the signing of the EMIFCA, to the internal discussions in the EU to obtain a negotiating mandate for the Commission. This section will proceed through

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83 Doctor stresses four key stages; 1995-1999 political bargaining in EU for negotiating mandate, 1999-
2001 formal launch of interregional negotiations, 2001-2004 substantive bargaining and 2004-ongoing
efforts to conclude an agreement (2007: 283)
the phases in relations in chronological order, thus setting up the negotiations section that
follows.

**EU-Mercosur: Interinstitutional Agreement**

Mercosur has had support from the EU since its inception in 1991, as witnessed by the
Inter-institutional Agreement signed merely a year after it was created. This first
agreement was only to provide Mercosur with technical and institutional support, but it
was the beginning of a long relationship of cooperation and interaction. Santander
contends that "the EU capitalized on the interest expressed by Mercosur members to sign
an agreement for inter-institutional cooperation" (2005: 291), going on to explain that
the main aim of this agreement was for "Mercosur to benefit from European experience
in regional integration, so Mercosur could eventually become the Community’s main
partner" (idem). The early focus on regional integration is something that the Chaire
Mercosur also picked up, suggesting that "perhaps the most striking feature of the trans-
Atlantic relations during the 1990s was the marked European preference for supporting
regional integration" (2002: 10). It is from these regional integration motivated
beginnings that the EU-Mercosur relationship started to take shape, as Faust notes from
this inconspicuous beginning there has since been a "process that has been progressive
in the sense that an evolution from non-trade cooperation to serious and formalized
bargaining is observable" (2002: 8). The EU had moved swiftly to enhance its relations
with Mercosur, and offer regional integration assistance because it was quick to
understand that a deeper relationship with Mercosur depended on its level of regional
integration. This early help is summarised by Sanchez-Bajo who highlights three main
aspects; the EU as a roadmap for Mercosur, the EU recognizing and supporting Mercosur
as an international entity and the emergence of a commercial network between the two

These three elements cover the initial drive of cooperation, given that the Inter-
Institutional Agreement was only a basic institutional support mechanism, a fact that
should not be overlooked at such a crucial time in Mercosur’s formation. Mercosur
needed the support, recognition and incentive to move forward with its ambitious agenda, and the EU was well placed to give this help. This sentiment is confirmed by the Commission, who noted that: "since Mercosur was launched in 1991, the EU has been supporting the regional integration process, and it continues to do so today with the goal of establishing a close and deep-rooted partnership" (Commission 2005d: 29). The 1992 agreement set in motion a process of EU support for Mercosur regional integration that is ongoing to this very day. Commenting on this aspect of regional integration Santander is somewhat more explicit in his analysis as he notes that "the European objective is, of course, to conquer new markets, but also to export the EU's model of regional integration and governance and to create new alliances in order to shape a less asymmetric world" (2002: 495). It is in this light that Santander remarks that the EU sees Mercosur as a pillar of this new world order, one that will develop along EU lines providing the EU a solid counterpart with whom to shape the multilateral environment. It is to this end that the EU has always been on hand to provide political, technical, logistical and financial support for regional integration in Mercosur. EU strategy towards Mercosur was a clear reflection of these early motivations, all of which depended on Mercosur regional integration advancing.

From 1992 onwards the EU provided technical, financial and rhetorical support to the nascent Mercosur project. The Inter-Institutional Cooperation Agreement had pledged ECU200 million for assistance on technical norms, agriculture, social cohesion and support for the fledgling Administrative Secretariat and the rotating Presidency of the Mercosur Council (Sanchez-Bajo 1999: 933). In 1993 the EU established the Centro de Formacion para la Integracion Regional (CEFIR) in Montevideo (Sanchez-Bajo 1999: 935). The centre is still operating as a specialised training centre for regional integration in Latin America. Santander also describes how the EU provided the Secretariat with assistance in training, computer networks, documentation and archives, as well as supporting conferences, seminars and networking (Santander 2005: 291). All of these activities of support from the Commission have continued since inception, indeed they have been increased. The EU subsequently helped with the Mercosur customs code by

84 For more information see www.cefir.org.uy

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sending European experts on missions to Mercosur countries, and gave help from the European Standardisation Committee (CEN) in technical and quality standards issues (Interview 3).

With all of this EU help, and in its attempts to keep to its original ambitious timetable Mercosur progressed from 1991 onwards. As already noted the original Mercosur treaty does not deal with institutions and social actors, but only with economic and commercial issues. To advance it thus became necessary to have a major treaty revision, an event that heralded a new phase in relations with the EU, towards the signing of the EMIFCA.

**EU-Mercosur: EMIFCA**

The idea of a free trade area, or Association Agreement of sorts, was first discussed by ministers of foreign affairs in April 1994 in São Paulo, prompted by an EU suggestion (Sanchez-Bajo 1999: 933). From this date onwards the relationship moved from being predominantly technical and political towards being more economic. It is also from about this time that the EU started to make its preference to deal only with Mercosur as a group increasingly explicit. The EU wanted Mercosur to act with one voice, in essence to be one partner for the EU, a reflection of the support the EU had given to its regional integration.

The Mercosur Presidential Summit of August 1994 decided to go ahead with the Customs Union project, even on the basis of there being derogations and imperfections (Sanchez-Bajo 1999: 934). This was the beginning of the necessary changes that Mercosur needed to undertake to become a more coherent EU partner and allow progress in their relationship. On the EU side, at the EU Heads of State Summit in Essen in December 1994 it was declared that the aim was "to establish a new, comprehensive partnership between the two regions. It urges the Council and the Commission, working on the basis of the Council report, to create as quickly as possible the conditions for an early opening of negotiations with the Mercosur" (Council 1994c: 10). The 'conditions' to which the EU Council conclusions refer are clearly those of greater institutionalisation of Mercosur
and also that their partner implement a customs union, something it had just recently agreed to start. Mercosur’s reply was almost immediate, as it signed the Treaty of Ouro Preto on the 17 December 1994, which essentially fulfilled the EU’s two key 'conditions' of institutionalisation and a customs union. Whilst not claiming that Mercosur signed the Ouro Preto protocol in direct response to the EU, there is clear linkage, as expressed by Sanchez-Bajo; “the exogenous variable of the EU-Mercosur relationship interacted with endogenous Mercosur variables in an open, non-predetermined outcome” (1999: 934).

The Protocol of Ouro Preto, signed in 1994, put an end to Mercosur’s transitional phase by adding an institutional structure to the process. It also gave Mercosur an international legal personality and established a concrete plan for a customs union (Malamud and Schmitter 2006: 15). Indeed the Protocol of Ouro Preto was signed to give Mercosur the necessary institutional structure with which it could flourish. It was effectively the date of a new type of relationship between the members and also the starting point for the important transition towards a common market, which was to be phased in between 1995 and 2001.

In accordance with the Treaty of Asunción, on 1 January 1995, a customs union was formally put into place. Also on this date Mercosur officially gained legal personality, enabling it to negotiate international treaties as one single coherent legal entity. The Cannes European Council of June 1995 gave the Commission the mandate to complete negotiations for an Interregional Framework Agreement (Santander 2005: 293). On the Mercosur side the Presidents met in Asunción in August 1995 to confirm their mandate for negotiations with EU. Progress between the EU and Mercosur was relatively quick, only requiring two negotiating rounds, and in December 1995 at the Madrid European Council the two partners signed their Interregional Framework Agreement, known as EMIFCA. All the preconditions had been dealt with by Mercosur in a very short and encouraging period of time, enabling relations to advance at a rapid pace. Santander observes that these facts presented “confirmation of the theory that the EU has a role as an external federator for new regional experiences, through its interregionalist projects” (2005: 294). Again the speed with which the EU acted is important to note, as the
signature of the Interregional Framework Agreement, signed in Madrid on the 15 December 1995, came on the very day that the Ouro Preto Protocol came into force. Sanchez-Bajo feels that the speed on behalf of the EU was to lock in “Mercosur’s option for a customs union” (1999: 931). EMIFCA was not without criticism, although more in the sense that it did not go far enough, as the Committee on External Economic Relations of the European Parliament commented specifically on the lack of a precise timetable for progress, saying; “if the EU wishes to maintain its leading role in the trade policies of this region, and to prevent the entire South American continent from falling into the political and economic spheres of influence of the US, then the necessity of establishing a middle-term strategy towards the Mercosur is undeniable” (Muller-Brandeck-Bocquet 2000: 569).

Because EMIFCA was such a wide framework, covering not only trade in goods but also investment, services, property rights and several political provisions, it had to be ratified by the European Parliament as well as Member State Parliaments. It was not until July 1999 that this formal process came to an end. It was through EMIFCA that the EU introduced the structure for the relationship and the 3-pillar approach; institutionalised regular political dialogue for bi-regional consultation and coordination of positions for international bodies; cooperation in areas such as war on drugs, culture, information, communication and regional integration; economic and commercial cooperation (http://ec.europa.eu/external_relations/mercosur/background_doc/fca96.htm, accessed 12 January 2007). EMIFCA led Grugel to comment that “the EU has singled out the Southern Cone for a novel form of cooperation, initially outlined in Framework Cooperation documents in 1995 and 1996” (2002a: 1). EMIFCA signified the end of the disinterested and benevolent EU providing regional integration help, as the main motivation in the new Framework was the trade aspect. This, in itself, was the first official manifestation of EU intent in this area, and as such marked the start of a new period in relations between the two partners. The economic and investment nature of the Framework Agreement was self-evident, and quite a change from the past. “Indeed it is hardly an exaggeration to say that the opportunity to expand investment in the Southern Cone represents the principal economic draw for the EU” (Grugel 2002a: 4). EMIFCA
effectively added to pre-existing technical and financial cooperation and political dialogue by stating intent to liberalise trade as well. In this sense it was also a far-reaching and ambitious document as it embraced more than trade in goods, covering services, IPR and property as well as some aspects of purely political cooperation. Such a wide-reaching agenda led Giordano to believe that “the institutional architecture of the EU-Mercosur Agreement that blends reciprocal free trade with political and cooperation dialogue would respect WTO obligations, rationalize and simplify the administrative management of preferential political and economic relations and promote regional integration worldwide” (2002: 8) – a quote that encapsulates EU strategic motivations. EMIFCA did indeed present such a high level of potential for both partners individually, and collectively, as well as for global governance. EMIFCA laid an important foundation, but until negotiations are concluded it remains merely a foundation, an incomplete EU strategy.

From the Protocol of Ouro Preto in 1994 and EMIFCA in 1995 Mercosur started to become more active in its own right. In 1996 Mercosur signed Association Agreements with Chile and Bolivia, thereby establishing free trade areas with both countries. The potential for expansion of Mercosur, to become what its name suggests, the southern common market, was under way. Article 20 of the Asunción Treaty provides for the adhesion of other countries, principally members of ALALC, and is an Article that Mercosur has always explicitly expounded, as it is very much a project based on open regionalism (http://www.sice.oas.org/trade/mrcsr/mrcsrtoc.asp, accessed 12 January 2007). It was also within this time period that EU-Mercosur relations entered their next stage, that of preparing to open Association Agreement negotiations. This principally involved the Commission obtaining a mandate, as the next section will relate.

**EU-Mercosur: EU Negotiating Mandate**

The Interregional Framework Agreement of 1995 set off a round of intense contacts in the period 1996-1999 between the EU and Mercosur (Klom 2000: 8 & Interview 7). Most of this time was spent preparing future negotiations for an Association Agreement. The
period was also very active in other ways as they held annual Heads of State Summits and met every September in the wings of the UN General Assembly. Commercial issues were advanced in meetings in Belo Horizonte 1996, Brussels and Punta del Este in 1997 and Brussels in 1998. Cooperation issues were discussed in the Joint Committee in Brussels in 1996 and in Punta del Este 1997 (Interview 7). This time period also saw the launching of a myriad of joint projects in areas such as customs cooperation, veterinary and phytosanitary rules and competition, as well as the EU giving institutional support to the Joint Parliamentary Commission and Mercosur Secretariat. The European Parliament signed a Cooperation Agreement with the Joint Parliamentary Commission of Mercosur in June 1996, which served as the basis for a series of visits and meetings in subsequent years. Support for the Mercosur Secretariat was ongoing and intense during the period, and towards the end of 1999 plans for the EU to provide institutional support for Mercosur’s Economic and Social Consultative Forum were started (Interview 7).

The specific work triggered by EMIFCA was helped by the creation of three working parties to produce three snapshots of the relationship between the two parties: trade in goods, trade in services and trade disciplines and standards. The EU and Mercosur started work on this initiative after their 1996 meeting in Belo Horizonte and in the period 1997-1998 the three working parties created 22 different sectoral studies covering many areas of EU-Mercosur trading relations (Klom 2000: 8). Once all this was completed the first half of 1998 was spent analysing this mass of studies, the fruit of which was the 1998 publication, a so-called ‘Joint Photography’. After publication of the ‘Joint Photography’ there was “a period of internal reflection” (idem.) in both regions as they sought to digest the information presented in the study. Having analysed the studies the Commission started to draft a negotiating mandate for an Association Agreement for the Council to approve, a first draft of which it put forward in mid-1998 (Interview 7). The Commission summarised this period as follows:

"After three years of preparatory work between the Commission and the Mercosur governments, involving the preparation of a series of over 20 trade studies, three joint working groups, four rounds of meetings, a marathon session of meetings in Punta del
Este in November 1997 and much/significant/considerable investment /expenditure in research and analysis the Commission was able to put forward in July 1998 to the EU Member States a proposal for a negotiating mandate, accompanied by a study analysing the possible consequences of a liberalization of trade with Mercosur" (www.ec.europa.eu/comm/external_relations/mercatus/intro, accessed 12 January 2007).

Between September 1998 and July 1999 the Commission and the Council engaged in dialogue and debate over the draft negotiating mandate. Negotiations were far from easy, reflecting a split in Council and a number of differences between the two institutions. The Council had severe reservations over the Mercosur negotiating mandate, as certain Member States felt that a full mandate would seriously harm European agriculture (Interview 13). Santander says that "the majority of the ministers of industry, economics and foreign affairs from the EU member states appeared to support the negotiations...but the French, Irish and Dutch ministers of agriculture...were opposed to this mandate" (2005: 296). This split in Council was also mirrored, to a certain extent, in the Commission at the time, with Agriculture Commissioner Franz Fischler, supported by the French Commissioners, de Silguy and Cresson and the Irish Commissioner Flynn, all opposing the mandate (idem.). In July 1998 the EU Agriculture ministers requested a delay in agreeing a negotiating mandate, arguing that an even longer delay would be feasible as the same issues would be dealt with by the WTO, a position led by France (Sanchez-Bajo 1999: 932). Within the Council only the UK, Sweden and Denmark were openly in favour. Commissioner Marin was the main proponent within the Commission for an agreement, and he found the majority of his support from the German Presidency in 1999. Finally, within the Council, other strong proponents made themselves heard and with backing from the Spanish, Italian and Portuguese delegations a mandate was agreed in the face of opposition, although France did threaten to veto the mandate to the very end (Interview 13). To reach this compromise on the negotiating mandate many changes were required by Council, the main ones of which are worth noting here given their implications for subsequent negotiations and interregionalism. There were three main compromises needed to reach agreement, the first of which was to only allow immediate negotiation of non-tariff barriers. This led to the second condition which was to delay
discussions on customs duties until after July 2001, and finally that any agreement would not be possible until after the WTO Round, the purpose of which was to allow EU agricultural domestic support to stay off the table.

Faust, in his analysis (2002: 7), notes that there were five major deviations from the Commission’s original proposal, including the three mentioned above. He also notes that the term ‘free trade area’ was deleted from the final text on request of the Council. With all of these conditions taken on board the Council reached its compromise position in time for the June 1999 Rio Summit, and subsequently formally approved the negotiating mandates in September 1999. This allowed actual negotiations to be launched during the first meeting of the Biregional Cooperation Council (BCC) in November 1999, the start of the process towards an Association Agreement, which the next section of this chapter will address.

It is worth briefly looking in more detail at the changes that the Council deemed necessary for the Commission to be granted a negotiating mandate, as they have had crucial implications for negotiations and also for complex interregionalism. The Council voiced concern over the issue of agriculture very early in relations with Mercosur, something that pointed towards future resistance in this area once negotiations opened. It is worth remembering that the bulk of Mercosur exports to the EU are agricultural products. Also in the agricultural field the EU managed to remove the negotiation of domestic subsidies, leaving them purely to the WTO arena for discussion. These factors were not something that encouraged Mercosur, and indeed they saw their acceptance of them as great concessions to the EU. These early exchanges all suggested that the road from a negotiating mandate to an Association Agreement would be arduous. European Commission officials stated quite clearly that major Mercosur exports such as beef, sugar and cereals were a major concern to Council and Commission alike, and that even in 1999 optimism at accommodating them in a satisfactory manner was low (Interviews 12 & 13). The division between the Council and Commission reveals that once economic

85 The Negotiating Mandates were approved in the form of Directives – one for Mercosur and one for Chile
86 For more detail see Appendix 5
interests are involved the Council is the dominant EU institution and that it will not necessarily pursue EU strategy, which is a potential explanation of why EU interregional strategy has not translated into complex interregionalism in action. The Commission was the main supporter of Mercosur regional integration, but once Mercosur was sufficiently coherent to negotiate with EU interregionalism was at the whim of the Council.

**Negotiating EU-Mercosur Interregionalism**

This section will analyse the concrete negotiations for an EU-Mercosur Association Agreement. The analysis will trace the negotiations, round by round, with the aim of drawing out the main issues that have arisen as negotiations have proceeded to ascertain why EU interregional strategy has not been implemented after nearly eight years. It is important to discover the reasons why EU-Mercosur interregionalism has faltered for so long and to be able to assess whether they are idiosyncratic to the relationship or generally applicable to interregionalism.

At the Rio Summit in 1999 the EU and Mercosur decided to launch Association Agreement negotiations which came with high expectations and ambitions: “this is the first time that two trade blocs have ever negotiated an Association Agreement...the resulting Association Agreement will be the first between two regions and the most far-reaching free trade agreement in the world, covering 683 million people” (http://ec.europa.eu/external_relations/mercosur/intro/index.htm, accessed 12 December 2006). Such enthusiasm, however, was not shared by everyone close to proceedings, something that Bulmer-Thomas summarised by saying “it seems fairly certain that negotiations will be lengthy” (2000: 3). To qualify this comment Bulmer-Thomas cited the example of EU-South Africa negotiations that were negotiated between 1995 and 1999, and which were constantly bedeviled by difficulties over sensitive products. In this case the EU was dealing with a country and not a customs union87. The EU and Mexico took little over a year to reach total agreement, but agriculture was not an issue and the

87 Although South Africa does have a customs union in effect with Lesotho, Swaziland and Namibia
EU had lost substantial market share to the US since the introduction of NAFTA and was thus pressed by circumstances.

The negotiating Directives were formally approved by the Council on 13 September 1999, based on the political compromise reached in Luxembourg on 21 June 1999. According to this compromise, as noted in the last section, negotiations on non-tariff elements could start immediately; thus the EU and Mercosur set to work on these and the cooperation and political pillars. Also of importance, due to the changed mandate and its conditions, EU-Mercosur negotiations were never given a specific end-date, rather that they should be "concluded at the earliest possible date" (Interview 1). This was a deliberate tactic to leave the negotiations open to influence from other exogenous factors as opposed to being subject to its own strict timetable. This refers very specifically to the WTO negotiations, and in particular the sub-section of those concerning agricultural subsidies that the EU had insisted not be dealt with at the regional level. As Klom noted at the time "it is clear that the parties want to conclude the negotiations at the earliest possible time, though for the EU the results are related to the results of the next WTO round, while for Mercosur the FTAA timetable is a determinant for its planning of meetings with the EU" (2000: 12). In a certain sense it appears that the lack of a strict timetable suited both parties for different reasons.

Commission officials have expressed an interesting sentiment that was prevalent in the EU before opening negotiations, when everyone knew agriculture would be difficult, that they hoped a successful WTO round would relieve the situation in the near future (Interviews 12 & 13). Given the changed mandate, open-ended timeline and also negotiator's expectations, it is clear that the pace of EU-Mercosur negotiations was always going to be dictated by WTO negotiations to some extent. Within this backdrop official negotiations between the two blocs began in earnest in Brussels in November 1999, with discussions on the modalities and the structure. At this meeting the core principles of the subsequent negotiations were agreed upon, thus allowing negotiators to start work on more concrete discussions.
Practical negotiations opened with EU and Mercosur negotiators presenting to Ministers their plans for the structure, methodology and timelines for the negotiations (Klom 2000: 9). The Cooperation Council created the EU-Mercosur Biregional Negotiations Committee (BNC) within which negotiations were to take place. The BNC had the right to create technical working groups to discuss detailed and specific areas. Also created were a sub-committee on cooperation (SCC) for senior officials from both partners and three Subgroups on specific co-operation areas. The section will now proceed to describe the main events that occurred at each negotiating round that has met to date (unless otherwise stated the detail for the negotiating rounds comes from http://ec.europa.eu/external_relations/mercosur/ass_neg_text/bnc1-8.htm, accessed 12 January 2007).

Negotiations started in Buenos Aires in April 2000 and at an early stage there was agreement on not only the general principles but also on political dialogue, co-operation and some trade matters (Interview 1). Much of what was agreed were formalities such as the general principles related to free trade and "no exclusion of any sector, conformity with WTO rules, single undertaking principle, conclusion at the earliest possible time, intention to aim at comprehensive negotiations and balanced results, and the reinforcement of consultations on WTO matters" (http://ec.europa.eu/external_relations/mercosur/ass_neg_text/bnc1-8.htm, accessed 12 January 2007). The trade chapter was touched on in the sense that the ambitious objectives of the two partners were outlined as being "liberalization of trade in goods and services, but...also with government procurement, investment, intellectual property rights, competition policies, trade defence instruments and a dispute settlement mechanism" (idem.). Finally the meeting set in motion a work plan with activities that were required to supplement the work of the BNC. Overall the results of this negotiators meeting brought what Klom describes as "a set of conclusions that address the general principles of the negotiations, its political dialogue, cooperation and trade elements" (2000: 9). Klom continues by noting that the meeting also created three Technical Groups to deal with market access, services and horizontal matters. Finally it created three
subgroups to deal with specific aspects of negotiations on cooperation: economic cooperation, financial and technical cooperation and social and cultural cooperation.

The parties next met in Brussels a mere two months later in June 2000, to focus on: 1) the exchange of information 2) the identification of non-tariff obstacles 3) the definition of specific objectives for each area of the negotiation (http://ec.europa.eu/external_relations/mercosur/ass_neg_text/bnc1-8.htm, accessed 12 January 2007). The Commission website notes that they presented to Mercosur a list of non-tariff impediments to trade that they felt needed addressing. During this round a lot of information was exchanged with regard to each others regional integration so as to enhance better mutual understanding. This point is particularly interesting with reference to the Commission becoming fully aware of the partner with whom they were dealing. Political dialogue and cooperation were both discussed during this round, mostly setting the parameters for future work. This round, coming so soon after the first, sought to continue the previous momentum (Interview 9).

The parties met for a third time in six months in November 2000, keeping up good momentum. In this round, priority was given to the technical groups where trade experts and negotiators were able to discuss and exchange initial data. In many senses this was the start of serious negotiations, although the issues touched on at this stage were somewhat periphery. The third round also saw satisfactory progress in negotiations on both the economic co-operation and the political dialogue pillars, highlighting that they would not be impediments to agreement. Negotiators also managed to agree the future institutional shape of the Association Agreement. The first three rounds gave an impression of solid momentum and accomplishment, which whilst in part correct, does not take into account the fact that the issues that have been highlighted as controversial had yet to be touched upon.

Negotiators met four months later in March 2001, in Brussels, to address texts on non-tariff barriers to trade between the two partners. Within this context the EU addressed Business Facilitation as an issue worthy of more discussion. It was becoming clear that outside of the trade pillar, which it was not yet possible to discuss, there was no
disagreement on any issues (Interview 9). The fifth round of negotiations, in July 2001, is where the ‘real’ negotiations began in earnest, as the EU’s self-imposed deadline on negotiating tariffs was no longer applicable. On the basis of this the EU unilaterally offered a concrete negotiating proposal, which was immediately rejected by Mercosur on the grounds of insufficient benefits for their agri-business sector. Despite this, the Commission still noted that “Mercosur highly appreciated this political gesture by the EU in a delicate moment of the regional integration process and considered it as a strong support of the European Union to the Mercosur process” (http://ec.europa.eu/external_relations/mercous/ass_neg_text/bnc1-8.htm, accessed 12 January 2007). In this proposal the EU had offered a staggered tariff reduction in five stages: immediate, 4, 7, 10 and undetermined years. Part of this offer was that many goods were to remain subject to quotas, mainly those of an agricultural nature. The EU simultaneously felt it necessary to reaffirm that discussions over the liberalisation of EU agricultural markets would only take place in the multilateral framework of the WTO, confirming their original stance (Interview 13). As the EU was established in Mercosur and under no external pressure at the time from the US, it was not obliged to offer asymmetrical tariff reciprocity which it had done with both Mexico and South Africa. The EU offer gave Mercosur little incentive to accept, or make an interesting counter-offer (Grugel 2002a: 4). Despite the derision that Mercosur showed the EU offer, Faust notes that “many observers remained sceptical that the EU would present a concrete proposal in July 2001. Much to the surprise of these sceptical voices, on the fifth round of negotiation in July 2001, the EC formally offered a concrete negotiation proposal on how to reduce trade barriers with regard to sectors of different sensitivity” (2002: 8). The fact that the EU had laid an offer on the table was an important opening gambit in negotiations, and as such marked an important point in relations, although it simultaneously showed that once agricultural trade was broached difficulties loomed.

As the EU had made an offer in the last round of negotiations Mercosur presented its own tariff offer and services and public procurement negotiation texts at the sixth round in October 2001, all of which the EU promptly rejected. Despite the fact that the EU and Mercosur had rejected each others proposals a negotiation process had been kick-started,
and a basis for further discussions established. Mercosur had deemed the EU’s offer to be unacceptable because it offered little, if anything, for the agro-industrial complex. This dissatisfaction was reflected in Mercosur’s counter-proposal. The EU, in turn, deemed Mercosur’s offer unacceptable as it included less than 40% traded goods (Faust 2002: 8). It was at this time that Argentina was undergoing a financial crisis so there were some questions over the future timetable and negotiation possibilities, but plans were made regardless.

The seventh meeting came six months after the last meeting, in April 2002, marking the first slowdown in the pace of negotiations. It is perhaps no surprise that there was a slowdown seeing that there were such wide differences in negotiating positions between the two partners in recent rounds. As a result not only did this round represent a slowdown in negotiations, it was also only concerned with political and cooperation issues, which greatly disappointed Mercosur who had hoped to progress with trade negotiations. It was becoming very clear that agricultural negotiations, and their links to the WTO, would be difficult to solve. It was also apparent that there were links with the US led FTAA process, which Mercosur was negotiating simultaneously, as the slowdown that this round marked coincided with a slowdown in FTAA negotiations.

A further seven months passed before the eighth round of EU-Mercosur negotiations in Brasilia in November 2002. In the meantime informal contacts had been trying to revive the trade negotiations from the two original failed offers, though with little success (Interview 12). This was reflected in this round, which focused mostly on technical issues and on market access for goods, a continuation of the pattern started in the last round. Both the FTAA and WTO negotiations were simultaneously making no progress.

An exchange of substantive tariff offers on 5 March 2003 created a sound basis for discussions at the ninth round of negotiations in March 2003. This was the second round of offers made by both regions. In reference to these offers the Chaire Mercosur 2002-3 Annual Report defines the crux of the trade negotiation stalemate when it notes, “Mercosur vulnerabilities are concentrated in manufactured goods and European competitive fragilities are concentrated on the agricultural sector” (2004: 15). This led
to both areas being defined as ‘sensitive’ or ‘special’ by each region. Such an asymmetry of trade was proving too difficult to resolve without any external pressure to force agreement. At this meeting the Commission drew up the ‘Brussels Programme’ which set an ambitious work plan for negotiators to achieve an agreement before October 2004, through five negotiating sessions and two ministerial meetings (Santander 2005: 301). The Commission reports that “both sides concluded that this round was a significant step in the implementation of the Rio work-programme, paving the way for the next ones” (http://ec.europa.eu/external_relations/merclosur/ass_neg_text/bnc1-8.htm, accessed 12 January 2007). Despite the optimistic timetable EU-Mercosur agricultural negotiations were simply not progressing, reflecting the lack of progress in the WTO and a lack of progress in the FTAA.

The tenth round took place in Asunción, in June 2003, with an important agenda, covering goods, investments, services, intellectual property rights, dispute settlement, competition and the cooperation chapter. The core sensitive issues were left to the side as both partners tried to wrap up other areas of the agreement first, such as wines and spirits Agreements, SPS Agreements and Business Facilitation. Both sides were working on the assumption that, by finding agreement on as many areas as possible before the sensitive ones would allow the ‘single undertaking’ principle to be decisive in tempting the other to make concessions (Interview 1). It is interesting to note that this round occurred just after the Mercosur Summit of 18 June, at which Mercosur had tabled a new initiative for consolidating its customs union and internal market, marking the first direct link with Mercosur regional integration in negotiations. Whilst not mentioned explicitly as part of the negotiating summaries, the state of Mercosur regional integration was mentioned by all Commission officials interviewed as being an important part of discussions. The EU was finding that Mercosur was not one voice with one position, and that its imperfect customs union would pose major problems for EU exports, all of which would have to be sorted out in negotiations. At this time EU negotiators started to talk of Mercosur as a “virtual region” (Interview 5). It is no coincidence that as negotiations pressed forward Mercosur’s regional integration came increasingly into question.
The eleventh round, in December 2003, was mainly concerned with the details of the political dialogue and cooperation pillars, as well as with the final provisions of the Association Agreement. The Commission notes that there was "a positive exchange of views and clarified positions on new issues tabled by the EU side" (http://ec.europa.eu/external_relations/mercosur/ass_neg_text/bnc1-8.htm, accessed 12 January 2007), although this should not mask the fact that trade negotiations did not make any significant progress. Despite this round’s lack of progress Chair Mercosur still noted that "both sides are cautiously anticipating a successful conclusion by the end of 2004. But even if the well known agriculture stumbling bloc can be circumvented, the negotiators still have an overwhelming amount of work on other crucial core issues" (2004: 7). The twelfth Round, in March 2004, was a continuation of the eleventh round in many senses, as witnessed by the Commission conclusions on it; "a very productive week of negotiations on both the Political and Cooperation chapters of the Agreement, with around half of the brackets lifted and only few major issues still open, while several other minor issues will require new drafting" (http://ec.europa.eu/external_relations/mercosur/ass_neg_text/bnc1-8.htm, accessed 12 January 2007). Again little substantive progress was made on trade issues, although the two parties did make a promise to exchange a third round of offers by mid-April 2004, as a basis for the next meeting.

The thirteenth Round of negotiations took place in May 2004, and continued in the manner of the previous few rounds, unable to unlock the trade pillar. Serious debate on tariff barriers had only begun in 2001 but it had quickly become mired in the issues of agricultural protection. Once it was made clear by the EU that agricultural protection would only be dealt with in the confines of the WTO, then the WTO timetable became a key issue to follow. Despite the uncertainty over the future of the WTO negotiations and their own specific negotiating problems, at the May 2004 EU-LAC Summit the Commission announced officially that an agreement would be signed by October 31 2004. An agreement was not reached by this date due to the continued inability to iron out trade difficulties. Since the thirteenth round there has been no formal negotiating round, for a plethora of reasons that will be analysed in the next section. The EU and Mercosur have
continued to meet and strengthen their relations, but not in the trade sphere. There have been informal negotiators meetings but these have been more ‘contact maintenance’ (Interview 5) than solid foundation meetings.

The overview of the thirteen negotiating rounds has shown clearly how the process of negotiation slowed down once the EU’s self imposed date on which tariffs could be discussed expired. From this point onwards trade negotiations began in earnest and a number of major difficulties were encountered, notably with regard to agriculture and Mercosur’s state of regional integration. It is interesting that of the three pillars under negotiation the cooperation and political pillars were agreed very early by the Commission, but the trade pillar as a competence of the Council, has been left unsolved. The next section will address in detail the factors that have prevented an EU-Mercosur Association Agreement being signed.

EU-Mercosur Interregionalism – Unfinished Business

Looking at the primary EU-Mercosur sources and the narrative of the thirteen official negotiating rounds, there was a continual optimism that the next meeting would be the one at which a deal would be brokered, dating back to 2002. Grugel provides an example when he notes that “Rodrigo Rato, Spain’s Minister of the Economy, claimed in the early months of the Presidency that a free trade deal could be signed in 2002” (2002a: 10). Expectations of an EU-Mercosur deal have always been high, despite the difficult circumstances and the myriad of obstacles precluding agreement. These expectations have pervaded all official literature and discourse, which has been unfailingly optimistic about a future agreement. Obviously all this optimism now seems rather ill founded and the enthusiasm seems to have waned after a series of near deals and agreements. It is possible with this relevant hindsight, to extract pertinent inferences as to why an agreement has not been signed and what the implications of this are for the implementation of the EU’s interregional strategy. Chapters two and three outlined the aims and objectives of the EU in relations with Mercosur, whereas this chapter has detailed the implementation and results of this strategy. The simple fact is that despite the
EU strategy and support for Mercosur, and all the expectation and optimism, an Association Agreement cementing a pure interregional relationship has not been signed, and does not look likely to be signed in the near future.

Interest from both the EU and Mercosur in signing an agreement appears to have remained both genuine and constant, but the obstacles seem to have simply proved too many and too important. The most obvious, and most often cited, reason for the stalled relationship is that of trade relations, and agriculture in particular. Santander believes that “although there is a common interest to sign a free trade agreement, the negotiations face a number of obstacles, such as the CAP of the EU” (2002: 491). There is no surprise in agriculture being cited as a main reason, as it was raised by EU Member States before negotiations even started through the Council. Despite the likelihood that agriculture would prove difficult to handle the EU has tried to incorporate it in a variety of ways, firstly in July 2001 through an innovative quota system. It then created the theory of a ‘single pocket’ to apply to these quotas, which would ensure that Mercosur exports increased (Interview 5). This idea would have liberalized 50% of export quotas immediately, with the remaining 50% dependent on the WTO conclusions (Santander 2005: 301). Whilst trade between the EU and Mercosur is blighted by the structure of international specialization, whereby Mercosur exports low value-added agricultural products to the EU, and imports high technology goods from the EU, it is not the only factor at play in why negotiations have been stuck (Chaire Mercosur 2002: 12).

The Chaire Mercosur is explicit in detailing the specific trade problems that have hampered negotiations (2004: 14-16). The first issue that they highlight is that of reverse conditionality by the EU on the subject of CAP. Secondly they identify phytosanitary measures as a major problem where the EU insists on strong measures of traceability and on the predictability of its imported products. The next issue is that of the trade asymmetry whereby Mercosur is fragile in the trade of manufactured goods and the EU in agriculture goods, making for an irreconcilable situation. Chaire Mercosur (idem.) specifically notes that Mercosur is weak in five key areas; machinery and electrical equipment, chemicals, base metals, plastics and rubbers as well as textiles, all of which
have posed a problem for EU market access demands in these areas. Interestingly Chaire Mercosur identifies Rules of Origin (RoO) as also being an issue, not in itself, but because of the Mercosur customs union and its lack of robustness. Finally the Chaire Mercosur cites what it feels is perhaps the single most important factor in the demise of negotiations, that EU tariff peaks are highest in the exact products where Mercosur has its greatest comparative advantage; meat, sugar, dairy products and cereals.

Whilst trade negotiations have clearly provoked an impasse, they alone do not explain the failure to sign an interregional agreement. Trade statistics show that for the EU, Mercosur "is only a relatively minor trading partner" (Chaire Mercosur 2002: 12) hence opening the door to other factors to influence the relationship. If Mercosur does not have sufficient trading pull in negotiations then other factors could slow or stop relations. A slowdown is less desirable from a Mercosur perspective, as their incentive is clear given that the EU is their main trading partner. Various authors have identified what they perceived as the key reasons for the EU-Mercosur negotiations stand-still, and it is worth assessing the most prominent amongst them.

One of the principal factors affecting EU-Mercosur negotiations, outside of agricultural trade, is the link to progress in other international negotiations, notably the FTAA and the WTO. Santander, whilst noting the problems with agriculture, points out that just after genuine trade negotiations started, a series of other factors intervened to slow relations down, of which he highlights the role of the US. He also notes that once negotiations started, Argentina fell into a financial crisis and Brazil had to devalue its currency, all of which placed enormous pressure on Mercosur regional integration (2005: 297). Santander focuses heavily on the state of regional integration in Mercosur through the negotiation process, especially due to crises within the region. Grugel adds fuel to this line of thought when he also states that negotiations were not made easy by the divergent interests within Mercosur, meaning that common positions were almost impossible to find (2002a: 5). This tallies with the views of various Commission officials that Mercosur is a "Virtual

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88 For more details see Appendix 5
Faust (2002) outlines five contributory factors to the stagnation of EU-Mercosur relations, which correspond to five of the explanatory hypotheses determining EU interregional relations espoused by Aggarwal and Fogarty (2004: 7-16). The first of these is interest group conflict within the EU, whereby agricultural interests have predominated. The next contributory factor is that of the interplay between the Council and Commission, an interplay over agreeing a negotiating mandate which revealed how much more liberal the Commission was with regard to agriculture than the Council. In essence these first two factors relate to the EU's inability firstly to formulate a solid negotiating mandate, and then subsequently to make an acceptable offer on agriculture due to internal interest group factors, namely the strength of the agricultural lobby. The next factor is the competition between the EU and the US, something that has been evoked in this chapter with specific reference to the FTAA process. The penultimate factor is the process of talks within the WTO, to which EU-Mercosur negotiations were tied from the outset. The final contributory factor is the state of Mercosur's regional integration, which has also been noted to have been problematic.

To fully contextualise the explanations of the EU-Mercosur interregional slowdown, it is important to restate the motivations of both partners. Faust succinctly highlights the main motivations of both parties in the relationship (2002: 12). His assessment of Mercosur interests in an agreement with the EU revolves around getting secure market access with its main trade partner, notably to balance its trade with the EU through an increase in agricultural exports. Corollary to this is a Mercosur desire to lock-in existing FDI and attract increased EU funds. By taking such trade steps Mercosur would be able to balance its relations with the US, and simultaneously increase its bargaining power in FTAA talks. Mercosur also has a lot to gain politically from relations with the EU, involving its credibility and international visibility.
From the perspective of the EU, Faust (2002: 12) outlines a desire to consolidate its presence in a dynamic market as part of its global positioning drive. Through this the EU would seek to ensure a stable regulatory framework and open new business opportunities. Closely linked to these trade considerations are an EU desire to gain, or at least not lose, market share from the US. Implicit in this last aim is the desire, or need, to keep pace with FTAA negotiations, bettering them if possible so as not to repeat the ‘Mexico experience’⁸⁹. Finally Faust identifies an EU desire to spread regional integration and use EU–Mercosur relations as a showcase for a customs union – customs union FTA, or pure interregionalism. This latter element is supported by Commission officials who all agreed that support for regional integration was important (Interviews 1, 2, 5 & 7).

From all the above analysis, and the factors cited by Faust (2002), Grugel (2002a), Santander (2005) and Aggarwal and Fogarty (2004) three key explanations emerge for the interregional impasse. The first is the asymmetrical trade relationship and the role of agriculture, as clearly witnessed by its being a priority offensive interest for Mercosur and defensive interest for the EU. This agricultural explanation has two important subsets, both of which will be dealt with along side it. The first of these is the interest-group factor and the role it has played in slowing down negotiations and the second, the internal politics of the EU and their bearing on interregionalism. The second explanation is the impact and pressure from external forces, notably from the US through the FTAA and also from the negotiations within the WTO. The third explanation is counterpart coherence and regional integration, both the EU’s desire to encourage them and Mercosur’s adaptations of them. The remainder of this section will be dedicated to a deeper assessment of each of these explanations, with a view to understanding how and why interregional strategy has not been translated into action.

⁸⁹ The ‘Mexico Experience’ refers to when Mexico joined NAFTA and the EU lost substantial market share
Asymmetrical Trade and Agriculture: Multi-level, Multi-causal

The first, and most prominent, explanation for the impasse in negotiations to arise from the last section was in the trade pillar, especially in relation to non-negotiable sensitivities. In all negotiations there are sensitive issues under discussion, which it is hoped will be diluted by the single undertaking approach (Interview 5). The EU and Mercosur appear to have reached irreconcilable sensitivities in their trade negotiations, with agriculture the main culprit. It is worth remembering at this stage that one of the main purported potential functions of interregionalism is to unravel issues that the multilateral arena is unable to solve, of which agriculture should be a prime example. It is thus of interest to see how the two partners, the EU and Mercosur, as completely opposed parties in the WTO negotiations attempted to solve agriculture bilaterally. The EU’s interregional strategy towards Mercosur has placed heavy emphasis on concluding an Association Agreement, notably for trade.

From an EU perspective agriculture is by far the single most sensitive trade issue, something that explains its minimal inclusion in all EU FTAs to date (Interview 5). In negotiations with Mercosur, however, this situation would be untenable. Agriculture was already flagged before negotiations began as the Council held up the negotiating mandate, so it is little surprise that it featured as a constant thorn. Even earlier, as Sanchez-Bajo notes, agriculture was being identified because “in 1995 the Directorate General of Agriculture of the EU Commission expressed its objections to a free trade agreement” (1999: 932). In response to these early objections in the Commission the Brazilian Ambassador to the EU in 1996 retorted that “if the issue of agriculture does not have a priority there will be no negotiation” (idem.). The agricultural issue came to prominence again in the Commission study of trade relations, part of the Joint Photography of 1998, which revealed that agricultural products represented 57% of EU imports from Mercosur, of which 16% could be classified as sensitive (Muller-Brandeck-Bocquet 2000: 570). Sanchez-Bajo echoed this point when she noted that “particularly sensitive for the EU are agricultural products, which totaled 55% of all Mercosur exports to the EU in 1994”

90 For an up-to-date analysis of EU-Mercosur trade and investment relations see Doctor (2007: 297-307)
Mercosur not only has a very important rural population, for whom agriculture is the main source of employment and poverty reduction, but it has also based its economic model on export growth, mostly the export of agricultural products. Writing in 2003 the British Ambassador, who had witnessed much of the Mercosur agriculture discussion in Council, stated that; "farming may prove the biggest difficulty in these negotiations. The British, of course, as the perennial foes of the CAP, are well aware that the European desire to maintain agricultural protection will create difficulties in Mercosur countries" (Grant 2003: 57). The two partners were, it seems, destined to clash in this area. Despite the omens there was optimism on both sides that a way around the agricultural issue could be found.

At the opening of negotiations it was frequently cited that Mercosur and the EU had trade compatibility, as expressed by Santander when he noted that "there is a strong North-South component to EU-Mercosur trade relations – a complementarity that could result in a closer EU-Mercosur relationship" (2002: 498). Through this complementarity Santander saw the possibility of a closer relationship, as both partners would have been able to give free reign to their comparative advantage and benefit accordingly. In reality EU-Mercosur trade structure is typical of North-South trade, not only in terms of products but in terms of protection, as Faust underlines; "the existing trade structure is closely linked to the protectionist measures of both mechanisms, which have revealed a clear divide with regard to each region's comparative advantages" (2002: 10). Sanchez-Bajo feels that "the classic North-South divide, shown by the interregional trade structure, has been the main source of conflict in EU-Mercosur relations" (1999: 932). Each partner, through regional integration, has sought to protect the areas in which it does not have a comparative advantage.

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91 This equates to Mercosur facing tariffs and quotas for agricultural and semi-finished manufactured goods as well as antidumping measures and phytosanitary measures for agricultural products. The EU faces Mercosur sensitivities, notably tariff barriers in manufacturing and non-tariff barriers in services and government procurement (Interview 5)
The crux of the agricultural issue is that the most competitive Mercosur exports face the largest barriers to entry in the EU, which can be anything from preferences given to other countries, high tariffs, tariff rate quotas, minimum entry prices, special safeguards and sanitary measures (ICONE 2004: 8). Chaire Mercosur, in its analysis of the EU’s tariffs on agricultural products finds that, “the average level is much higher (about 19%) and is extremely distortive, because of inter-sector dispersion and trade discrimination among potential exporters. Protection varies from 0% to 297%” (2004: 20). The tariff peaks are on meat, sugar, dairy products and cereals, all of which are key Mercosur exports. Chaire Mercosur concludes that “this fact could be the main reason why negotiations are not easy” (2004: 20). The last chapter noted that Mercosur gets GSP access, but this is of little interest to Mercosur in relation to the tariff peaks and competitor advantages that it faces. ICONE follows on from these statistics by saying that “agriculture market access negotiation brings a list of sensitive products that may deadlock the overall discussions due to their importance in the EU-Mercosur interregional trade flows and the current market access restrictions they face in exporting markets” (2004: 4). They then proceed even further in their analysis by noting that the two most opposed positions, in agricultural negotiations, belong to France and Brazil and that “there is almost no point of consensus between the stances expressed by these two countries” (2004: 5). Such is the force of these two countries’ respective positions that ICONE has been led to label the pained agricultural negotiations as a “dialogue des sourds” (2004: 45) given the lack of progress and perspectives. A further important element of agricultural negotiations is that the EU insisted on negotiating domestic support within the confines of the WTO, hence establishing a strong link to the progress of the Doha round. Despite this concession the two remaining pillars of agricultural negotiations remained open for discussion; market access and export competition. Within both the WTO and Mercosur discussions the EU has underlined the concern of the multifunctionality of agriculture, which has proved to be a disputed concept. This leads ICONE to conclude their analysis by saying that “the EU is pursuing freer non-agricultural trade and services and is trying to avoid the liberalisation of its highly protected agricultural market” (2004: 10). Such a vision does not correspond with stated EU interregional strategy, but certainly helps explain the difference between strategy and reality.
Clearly the EU and Mercosur have diametrically opposed interests in agriculture, but this alone is not enough to account for why negotiations have stalled. The most important factor for this thesis is why the Commission has not been able to negotiate a solution to the agricultural impasse in accordance with its interregional strategy. There are reasons why it has found its hands tied, making it incapable of tabling an acceptable offer. The main reason for this has been the position of the Council, which has been the principal interest group blocking further relations. This was studied in detail by Faust (2002), for whom the interest group theory was an important determinant of relations between the two partners. The interest group explanation is at its most powerful when treated in alliance with agricultural trade, as that is where it is felt the most within the EU. This explanation also evokes another of Faust’s explanations for the EU-Mercosur impasse, that of inter-institutional bargaining, which again ties most closely into the agricultural question. By definition a trade negotiation implies that there will be winners and losers, and negotiations are pressured accordingly by the groups concerned. For the EU, from well before the negotiations were even started, back in 1995, this meant that the agro-industrial sector had been actively against negotiations. From an EU point of view increased agricultural trade liberalisation with Mercosur would entail heavy penalties for the agri-business sector in the face of Brazil and Argentina’s comparative advantage. Agri-business is an extremely well organised lobbying group within the EU, given its constant experience with the CAP, something it has extended to the EU-Mercosur negotiations with little effort (Interview 5). The Brussels based agriculture lobby is also in the throes of fighting off liberalisation through the WTO round, so it is not a surprise that Mercosur finds itself in a similar situation interregionally. Faust feels that “a first causal mechanism, explaining the EU’s trade strategy towards Mercosur should be related to the interplay among economic actors” (2002: 13). Faust relates how the European Farmers Federation (COPA) was already active in influencing the Council back in 1994 against EU-Mercosur interregionalism (2002: 14), lobbying which has ebbed and flowed with the pace and intensity of negotiations. Doctor concludes that “confronted with clashing societal interests, where losers were organised in a more concentrated and assertive manner than the winners from free trade, EU negotiators found it difficult to yield to Mercosur demands” (2007: 302).
The lobby against an agreement is to some extent mirrored by a pro EU-Mercosur camp, although they are nowhere near as well established and organised. Export orientated manufacturing industries as well as services industries would be the principal beneficiaries of an EU-Mercosur agreement (Interview 3). In an attempt to counter the influence of the agriculture lobby the Commission wanted to find a single forum through which these positive voices could be channeled, and as a result created the Mercosur Europe Business Forum (MEBF) in 1999 (Interview 7). The main aim was for it to act as a counter-weight by grouping all those interest groups with a positive view of negotiations. The German influence in the MEBF has been a decisive factor, especially in the Council granting a negotiating mandate to the Commission (Faust 2002: 15). The more advanced interregional negotiations became the more MEBF reverted towards sectoral interests, hence losing coherence and power, unlike its agricultural counterpart which remained rigidly in place around a single issue (Interview 7). It is through these two lobbying organisations that the influence of civil society has most pervaded the EU-Mercosur negotiations, and in this sense played a pivotal role. The interest group explanation, the first hypothesis of Aggarwal and Fogarty in their analysis of EU interregionalism, suggests that “EU trade strategies, interregional or otherwise, are determined by the relative influence of specific interest groups within Europe” (2004: 7). After analysis of this hypothesis they conclude that “there is no doubt that highly influential, highly protected industries such as agriculture have been successful in shaping the EU’s commercial treatment of counterparts” (2004: 226). They go further in their conclusions, saying that industries will be more successful in influencing the agenda if they have “preference intensity and mobilization” (2004: 226), both of which clearly apply to the agricultural lobby. For the EU-Mercosur negotiations the agricultural lobby has manifestly shaped the EU commercial treatment of its counterpart, a primary reason why negotiations have been unable to conclude. Outside of these two lobby groups the EU has attempted to take into account wider civil society concerns, and actually held two meetings between the Commission and civil society representatives in October 2000 and February 2002. Grugel roundly criticized these on the basis of their format, numbers and content, suggesting they were more “an exercise in information sharing by the
Commission" (2002a: 11) than anything else. Organised lobby groups have more informal channels of influence than through public meetings such as these (Interview 13).

Within this analysis of the interplay of economic interest groups the relationship between the Commission and Council has come to the fore. The Commission has been seen to be more positive in its approach to dealings with Mercosur, especially on trade issues, whereas the Council has been more protectionist. This simply mirrors the interplay that the EU institutions undertake during any trade negotiation, most notably within the WTO, so relations with Mercosur are little different in that sense. Faust pushes this analysis further suggesting that the Commission wants to extend its influence through agreements such as EU-Mercosur, and also knows that an EU-Mercosur agreement would pressure the Council into reforming the CAP. The Council is however more receptive to protectionist influences, and against Commission power expansion (2002: 15).

This corresponds to the second hypothesis of Aggarwal and Fogarty in their examination of EU interregionalism, that interregionalism is to an extent “determined by EU bureaucracies' attempts to maximize their own influence” (2004: 11). In their conclusions they find that this hypothesis is valid, but not in ways they had anticipated. They note that the Council has the power over the strategic agenda and as such maintains sway in trade negotiations, and that the Commission is not likely to wrestle this away from Council. Where they did find inter-institutional bargaining was intra-Commission, i.e. between DGs (2004: 226). This again is supported by the findings of this chapter and explains why the Commission has been consistently more supportive, and pro-Mercosur, than the Council who have defended their agricultural interests above any potential strategic interests of the Commission and the EU.

This section has taken a more detailed look behind the headline statement that asymmetrical trade and agricultural trade has been the stumbling block for EU-Mercosur negotiations. As Grugel, echoing the thoughts of many other commentators, noted, “agreement was always going to be difficult in view of the agricultural protectionism embedded within the EU” (2002a: 1). The trade asymmetry has not in itself been the main problem but merely the tip of the iceberg in the EU, as the attempt to negotiate in a
bastion of protectionism has mobilized strong interest group forces. Not only this, but it has highlighted a core difference between the Commission and the Council, and their two very divergent views on this subject. This poses the question of whether the EU strategic drive towards interregionalism, pioneered by the Commission, faltered solely on the Council objections to agriculture. This explanation suggests that the tension that exists between interregional strategy and interregionalism in action is based on differences between the Council and Commission, brought about by interest group interplay within the EU. The Commission sets, and the Council agrees, the strategy but when it comes to implementation the Council is much more hamstrung, especially on agriculture. Agriculture was a sore point even before the Council issued a negotiating mandate, and it has remained one ever since, overriding any other considerations in relations and negotiations.

If the Council were serious about interregional strategy, regional integration, pure interregionalism for global governance reasons, cementing Mercosur as a regional partner and reinforcing its relations ahead of those Mercosur has with US, then it would have taken the number of opportunities to sign an agreement and make a compromise on agriculture. There are sufficient formulae, and means, to have dealt with agriculture in some way, forming part of a wider compromise to EU interests, not just agricultural interests (Interview 5). Such factors raise questions about the Council’s driving motivations, and suggest that the agricultural lobbying has been too effective to allow the Commission strategy to take root. Jank felt that an agreement could have been found in 2004, at which point he said that the overall result will “depend on the level of ambition of the trade-off with other areas under negotiation. If the proposed trade-off is ambitious, significant quotas and tariff preferences may be offered to Mercosur exports” (Valladão 2004: 76). Vaillant, based on his analysis of economic trade policy models, came to the conclusion that “the non agreement between the EU and Mercosur is the consequence of an insufficient offer by the EU” (2007: 4), which reflects a combination of the influence of the Council and the EU agricultural protection lobby. Vaillant continued, saying that; “The idiosyncratic characteristics of Mercosur patterns of trade implies that a preferential liberalisation by EU means a reduction in the protection of markets where
there is a strong domestic resistance in the EU to such liberalisation, so that the offer by the EU is not attractive enough in the South to induce export-lobby groups to become very active" (2007: 4).

From the preceding analysis it appears that the trade situation between the EU and Mercosur is very much an idiosyncratic one that mirrors the very difficulties submerging the WTO. Whilst considered idiosyncratic to Mercosur, it should be noted that were the EU to consider purely bilateral trade relations with Brazil, as it did with Mexico and Chile, then the same agricultural problems would surface. The agricultural economic interest group explanation is clearly a key determinant of the impasse in EU-Mercosur trade negotiations, and one that explains the difference in interregional strategy and action. This section has also highlighted the fact that interregional relations may be ill suited to fill the function of filters for multilateral problems. It is not, however, the only explanation of the problems encountered between the two partners. The next section will address the influence of the external environment on the relationship, notably from the WTO and FTAA negotiations that have paralleled EU-Mercosur.

**International Context: FTAA and WTO**

This section will address the external dimension of the relationship, elements of which have been evoked in the preceding pages. The role of the WTO, in particular, has been mentioned on several occasions, especially in relation to how the EU tied negotiations to the current WTO round. The WTO is the EU arena of preference in which to deal with agricultural issues, the very issues that have been so problematic at the interregional level. The second important external element to consider is the role of the US and the FTAA project, and how this has interacted with EU-Mercosur negotiations. Both the WTO round and relations with the US are crucially important for Mercosur. The WTO round bears much promise for Mercosur members on their priority issue of agricultural trade. Relations with the US are also crucial to Mercosur members as the US is their second most important trading and investment partner after the EU. In both the WTO and
negotiations for the FTAA Mercosur has been an engaged partner pursuing its key interests, notably agricultural export expansion.

Extra-regional relations and the multilateral arena have been major priorities for Mercosur in its drive to enhance its global positioning and trading capabilities. Such multiple activities give Mercosur additional leverage across all its negotiations, with the EU, US or WTO. It is quite clear that there are links between these three arenas, and that Mercosur has sought to find, and use them. Unlike Mexico, Mercosur is pursuing simultaneous negotiations, something that has the potential to generate positive externalities. Thorstensen undertook an innovative analysis of all three negotiations, in 2003, to assess the commonalities and issues holding all three negotiations back. Unsurprisingly agriculture figured as the most complex issue. In her conclusions Thorstensen suggested that "any analysis on trade negotiations must be made considering the three negotiations simultaneously. Since the trade issues in examination are almost the same for each forum of negotiation, the results to be obtained in one negotiation will depend on the outcome of the other negotiations" (2003: 73). This underscores the fact that EU-Mercosur interregional negotiations are explicitly linked to the WTO, from not only a procedural perspective but from also from a negotiating perspective. This fact again raises the question of whether the EU-Mercosur level of interaction can achieve results when the multilateral arena is unable to do so, as interregional theory suggests it might. The main area in which this would be of benefit would be agriculture, but as Thorstensen notes "regional negotiations such as the FTAA and EU/Mercosul may solve the issue of market access, but solutions to the problems of domestic support and export subsidies are more complex" (2003: 23). This chapter has already outlined that the EU refused to tackle domestic support outside of the WTO arena, through which it tied the two negotiations together. From a negotiating perspective it appears clear that until the WTO has dealt with domestic support in agriculture other negotiations that involve a high level of agricultural trade, such as the FTAA and EU-Mercosur, will struggle to advance.
Since the Council tied negotiations to the WTO the EU and Mercosur have been negotiating in their shadow. As Sanchez-Bajo contends, "the diversification of trade flows supports the notion that Mercosur is a global trader, thanks to Argentina and Brazil", which she believes "explains both Mercosur's interest in both open regionalism and a multilateral system under the surveillance of the WTO" (1999: 930). With this status Mercosur has been playing a major role in global negotiations, staunchly demanding agricultural trade liberalisation.

At this juncture it is worth remembering that agriculture has always been subject to distinct status in the international arena, remaining insulated from all GATT rounds of trade liberalisation. It was not until the Uruguay Round Agreement on Agriculture, in 1994, that agriculture actually moved under the multilateral roof for liberalisation. This move into mainstream trade liberalisation came with very important provisos and caveats, namely such instruments as the Peace Clause, and despite inclusion in the final agreement agriculture remained heavily protected and subject to an array of trade distorting measures. Agriculture is a thoroughly divisive and complicated issue, which has led Gaisford and Kerr to suggest that "agricultural trade negotiations have in the past been some of the most difficult and acrimonious. This is a trend that is set to continue. Difficult negotiations in agriculture have the potential to threaten the very existence of the international institutions that regulate international trade" (2001: 2). The EU and Mercosur are on opposite sides of this acrimonious WTO negotiation.

The last section made reference to the strong EU agricultural lobby playing a decisive role in EU-Mercosur negotiations, the very same lobby that is opposed to Mercosur positions in the WTO. The EU lobby has also been a crucial influence on negotiations in the WTO, especially when coupled with the equally strong US agricultural lobby. When EU-Mercosur negotiations began they were very much in the shadow of WTO negotiations on agriculture, which took precedence for both partners. It was assumed, at the time, that a successful WTO round would solve the domestic support issue and allow the EU and Mercosur to address market access. It is of interest that the Council agreed to the Commission negotiating mandate before the Seattle WTO Ministerial, at which it was
expected that the WTO would take large strides forward, not backwards (Interview 5). In these circumstances it is understandable that the WTO would take precedence, as the interregional agreement would be merely complementary. As Faust says "neither the EU nor Mercosur members were keen on committing themselves to an interregional agreement without knowing the outcome of the Seattle results, which would have had far-reaching consequences for their overall strategies" (2002: 18-19). Seattle did not produce the results expected and since then WTO negotiations have stalled and slowed. Even though the partners would not be able to involve domestic support in their agreement they could nonetheless have tackled market access and placed clauses in the text to take into account the outcome of the WTO round. Clearly as the WTO round has been prolonged there has been an increasing incentive to opt for an interregional solution, albeit an interim one, yet even this has proved elusive for the EU and Mercosur. This provides further evidence of interregionalism only ever acting as a multilateral 'enhancer' and not as a 'distracter' (Dent 2001).

The second major external influence to consider is that of the US and the FTAA. The first context within which the US was cited in this thesis was the development of NAFTA and the impact that it had on EU-Mexico trade. This led to the EU quickly signing an FTA with Mexico to try and recoup lost market share, which was a clear reactive measure to US policy in the region. This was a precursor to the EU-US-Mercosur triangle that was to emerge as a result of simultaneous negotiations between Mercosur and the EU, and between Mercosur and the US through the FTAA.

In terms of Mercosur’s relationship with the US, it is a very different one from that with the EU. In essence Mercosur does not directly interact with the US, as the FTAA is the main vehicle for negotiations between the two. There have been so-called ‘4+1’ talks, created by the 1991 Rose Garden Agreement between Mercosur and the US, but these have proved sporadic and very light in content (Interview 5). This forum has been reconvened, most recently in 2002, to try and deepen trade relations, but it has continued to be second-best to FTAA talks. The fact that the US has never engaged Mercosur as a single entity is an interesting point to develop. EU support for Mercosur regional
integration is in sharp contrast to the model of relations proposed by the US, who has a rigid preference for hub and spoke integration through the FTAA. These two differing visions have created the issue of two rival regionalisms in Latin America, as described by Briceno Ruiz (2006) and Van Scherpenberg & Thiel (2000). This is brought into focus by Santander when he suggests that; "to understand the evolution of this interregional relationship (EU-Mercosur) it is also important to take into account the USA's project...is there competition between Europe and the USA in the Southern Cone?" (2002: 491).

Competition between the EU and US became apparent in December 1994 when the first FTAA meeting acted as a major spur to EU activity with Mercosur. The same month the European Council met in Essen, Germany, and agreed to deepen cooperation with all Latin American entities, including Mercosur. From this point onwards the two negotiations moved in parallel, with the EU trailing the US. The EU was fearful of the FTAA having a Mexico effect and hence losing large market shares in the region. In order to avoid the US creating a dominant trade bloc that would establish rules and norms that would compete with European ones the world over, the EU needed to keep a foothold in the region, and an ideal foothold was through relations with Mercosur. Santander suggests that it is in this vein that the words 'strategic partnership' should be understood (2002: 496-7). The alignment between negotiations was seen most notably in the late 1990s, when the US failed to get TPA, which meant that it could not advance the FTAA. At the very same time, between 2000 and 2001, the Council put EU-Mercosur negotiations firmly onto a back-burner, as reference to the negotiations section will testify, much to the vexation of the Commission who wished to advance negotiations. Santander says that "the EU has often justified delays in negotiations with Mercosur by claiming that there is no hurry, since the White House is unable to put the US scheme on the fast track" (2002: 497). However once the US increased the pace of FTAA negotiations in 2001 the EU was quick to respond, and at the fifth meeting of the negotiators in July 2001, made a unilateral offer to Mercosur. Clearly "peaks in EU negotiating seriousness tended to coincide with peaks in perceived US influence in the region" (Doctor 2007: 290).
The US has never treated Mercosur as an equal, as stated by Santander, quoting Bergsten, when he said that "contrary to the European vision, the US authorities consider that Latin American regional spaces are merely temporary and must eventually be absorbed in to the broader spaces proposed by the US" (2005: 292). This highlights how the US has insisted on dealing bilaterally with all Mercosur members and not engaging them as an entity in their own right. The US assumed that the FTAA project would subsume all regional integration projects in Latin America, creating one space as Santander noted. Thorstensen felt that "in the FTAA the US is trying to merge and dissolve the sub-regional arrangements inside one free trade area" (2003: 7). Not only has the US refused to recognise and interact with Mercosur, but it has actively tried to destabilize it, seeking to dissect Mercosur very early on in its development. In 1992-3 Brazil was undergoing a severe economic and political crisis, at which point Argentina started to distance itself from Brazil and Mercosur. At this point the US invited Argentina to join the group of countries negotiating NAFTA (Santander 2005: 292). This pattern has been repeated several times since, as the US has approached Uruguay, Paraguay and Argentina in turn. The US approached Argentina again in 2000 to try and interest them in signing a bilateral agreement, at the height of the repercussions of a Brazilian currency crisis. The US has also attempted to isolate Mercosur in Latin America by trying to bypass it through signing a myriad of bilateral agreements with other groups and countries in the region. The US has agreements with Mexico, Chile, CAFTA, Columbia, Ecuador, Peru and Bolivia, which leaves Mercosur alone in not having signed an agreement. Santander highlights the 2001 Argentine crisis as a key juncture in relations with the US, stating that before that Argentina was the most pro-US member of Mercosur, and the most interested in a bilateral free trade agreement. He asserts that the 2001 crisis was a turning point in this situation as the US failed to come to the help of Argentina, whereas the EU cemented its links with the regional group (2002: 491-2). He notes that; "the USA has tried to benefit from this alliance (with Argentina) by destabilizing Argentine-Brazilian relations developed within the framework of Mercosur" (2002: 494). In response to the US attempt to lure Argentina into a bilateral deal the EU, as Santander notes, "tried to re-launch the interregional process by setting up a 48-million euro package to deepen Mercosur" (Santander 2005: 298). The nature of the EU's response is in itself a curious one, as
instead of trying to speed up Association Agreement negotiations it preferred to offer money to strengthen Mercosur regional integration. This is a further endorsement of the findings of the last section on the differences between the Commission strategy and Council implementation. The EU did actually make a more significant trade offer at the fifth meeting of the BNC in July 2001, which was made on the strict insistence that the EU would deal only with Mercosur and not bilaterally with its members. This EU response is a further confirmation of the fact that the EU, through the Commission can deliver a solid and consistent strategy, but that Council is unwilling to back-up this strategy with action. In this case the Commission has backed up its strategy with action, but only for regional integration and not for an Association Agreement.

The FTAA is the most important forum for Mercosur-US trade negotiations, and also interestingly an arena where Mercosur is able to act and talk as one with the US. An analysis of the implications of the US and FTAA in relation to EU-Mercosur should not lose sight of Mercosur's specific motivations. This is summed up by Bulmer-Thomas when he says "Mercosur countries, particularly Brazil, see negotiations with the EU as one of their strongest weapons in extracting concessions from the United States" (2000: 3). He goes on to say that "Mercosur countries have been quite explicit about the need for parallel negotiations" (2000: 6). This highlights the important interplay between the two sets of negotiations, and their competitive nature. The EU and the US are competing, and Mercosur is using this competition to better its own circumstances by playing one off against the other. This competitive element to relations with Latin America harks back to Hettne's notions of the triad and their competition for periphery regions (2003: 5). Given the fact that Mercosur can not fully negotiate agriculture in the EU-Mercosur arena, one of its strongest negotiating chips, it is perhaps no surprise that it has sought to use the FTAA card to such an extent, strengthening its own hand in any way it can.

EU reaction to US activity in Latin America suggests that the region is not sufficiently high on the EU external relations priority list, as Santander notes when he says that "for the South American bloc relations with Europe are a priority. But the bloc does not occupy a significant place in Europe’s hierarchy of priorities" (2002: 504). Without
pressing circumstances in the region, such as FTAA talks or US intervention, the EU has not been proactive. This would suggest that the principal EU motivation behind an agreement with Mercosur has only been a fear of trade diversion from a successful FTAA, a hypothesis stated clearly by Santander when he noted that "instead of adopting a proactive stance to trade relations with Mercosur and taking a leading role, Europe's attitude to Mercosur is apparently more dependent on the progress of the FTAA" (2002: 505). Chapter three brought EU balancing and bandwagoning motivations for interregionalism to the fore, and this analysis of EU-Mercosur relations has revealed that this is in effect Council balancing and bandwagoning.

A very interesting detail of the stalled FTAA talks is that they also struggled over agriculture, given that the US, like the EU, would not deal with domestic support outside of the WTO. As the US demanded to negotiate agriculture in the WTO, Brazil as compensation, or in retaliation, demanded to negotiate investment protection, services liberalisation, intellectual property and government procurement only in the WTO as well. Leaving so many important topics of negotiation to the WTO it became clear that the FTAA project would not advance until after the WTO round (Santander 2005: 301). Like EU-Mercosur negotiations the FTAA process was itself also tied to the WTO process. In this sense neither the US nor the EU found Mercosur tempting enough to alter their strategies on agricultural issues, even in the face of the WTO slowdown. As a consequence of the WTO slowdown the US increased its bilateral negotiations with a plethora of countries, many in South America. As part of this drive it approached Argentina and Uruguay, but never Mercosur or Brazil.

This section has analysed the impact of the two principal external factors, the WTO and the US led FTAA, on the EU-Mercosur negotiations. EU interregionalism in action appears to have been heavily related to US activity, notably through the FTAA. Faust concludes that the EU has been responsive to current US power in the region as well as trying to anticipate future US policy. He feels that the EU has tried to contest US commercial power in the region by creating a partner through which it can gain more than just market share (2002: 4). In this sense it is not possible to evaluate EU
interregionalism with Mercosur without contending with US activities in the region. This section has showed that the EU has been highly reactive to US commercial and political activities, and has not seized the initiative when it has been handed it, suggesting a merely defensive and reactive motivation. This pattern of reactive behaviour, or economic balancing and bandwagoning, started with NAFTA and followed with the FTAA. Whilst it is possible to counter-argue that the FTAA, as with the WTO and EU-Mercosur, has slowed because of agriculture, hence making agricultural negotiations the main determinant, it is not possible to ignore the strong connections that EU activity has had with that of the US. As US momentum in the Americas has waned, so too has EU activity in pushing ahead with EU-Mercosur negotiations.

The presence of agriculture as the stalling factor in all three negotiations is also an important fact and is where the role of the WTO as an external influence takes a pivotal role. Whilst the agricultural stakes remain so high and multifaceted it is clearly not possible to advance interregional agreements between partners with a high proportion of agricultural trade. Both the US and the WTO have had a direct impact on EU-Mercosur negotiations, but what stands out the most is that the EU has been unable, or unwilling, to take the initiative in relations with Mercosur in the face of both FTAA and WTO slowdowns. The findings of this section highlight key factors that have influenced negotiations but they also affirm the findings of the previous section that the Commission has outlined and pursued a coherent strategy, but the Council has operated on a balancing and bandwagoning basis. The final key issue to investigate is that of regional integration and “counterpart coherence” (Aggarwal & Fogarty 2004: 17) in EU-Mercosur interregionalism.

**Regional Integration - Towards Counterpart Coherence**

Aggarwal and Fogarty clarify that “to satisfactorily account for international regime outcomes it is of course essential to consider the characteristics of the counterpart regions with which the EU engages” (2004: 16). Nowhere is this more necessary than between the EU and Mercosur given that it is the first proposed pure interregional
agreement and also in light of the high importance the EU has attached to promoting regional integration. Regional integration is also a key interregional feature that the Chaire Mercosur feels "constitutes one of the most important expressions of the cultural affinity that link our continents" (2002: 1). Ex-Commission official Klom stresses the importance that the Commission has always attached to Mercosur's integration when he says that "the EU wants to make an impact on the regional integration process of Mercosur, on the Southern Cone and on Latin America in general" (2000: 10). For these reasons the issue of regional integration is a central one to analyse in EU-Mercosur relations. Regional integration was identified as a major plank of the EU's interregional strategy, in which it has invested heavily. The previous section, however, revealed that Mercosur regional integration has been a problematic issue in negotiations, with EU officials resorting to labeling Mercosur a "Virtual Region" (Interview 5). Whilst the main reasons for the slowdown in EU-Mercosur interregional negotiations have been documented in the previous sections, an analysis of regional integration is no less important. It is essential to analyse the continuous support the EU has poured into Mercosur's regional integration over the years to assess the effectiveness of EU interregional strategy in such a key area. Both chapters two and three have highlighted the importance that the EU has attached to promoting regional integration around the world with a view to creating the conditions for pure interregionalism. With this in mind, two closely linked aspects of regional integration will be crucial in this section, firstly the impact of EU support on the state of Mercosur's integration and secondly the EU and its international position as a regional integration model and leader.

With the creation of Mercosur in 1991 the four member countries were embarking on an ambitious regional integration scheme, one of the most ambitious in the world in the 1990s, as they aimed not only for a free trade area but also for a common market. From the very outset, as noted earlier in this chapter, the EU provided support for Mercosur, and the influence of the EU on its regional integration is evident. The Protocol of Ouro Preto in 1994, which laid the institutional foundations of Mercosur, was inspired by the example of the EU, which should come as no surprise given that the EU was the only viable, functioning and successful regional integration model available and that the EU
had been providing assistance to Mercosur since 1992 (Interview 5). Whilst the EU influence is evident, the details of Mercosur regional integration do not copy those of the EU, nor do they replicate areas that the EU would have been keen to see replicated. The main difference is Mercosur's total rejection of any notion of supranationality or of autonomous central institutions. Although the smaller countries of Mercosur would prefer a larger degree of supranational governance in Mercosur, this is opposed by the larger members, who have always stalled or rejected initiatives in this direction. A good example is given by the arbitration mechanism in Mercosur, based on the 1994 Protocol of Brasilia, which does not lead to an easily binding mechanism for solving disputes, at times even necessitating the intervention of the Presidents of the four countries to solve disputes of a technical character (Interview 5). Mercosur thus functions on an entirely intergovernmental basis, even though it aims to achieve objectives very similar to those of the EU through its two main decision making bodies, the Council and the Common Market Group. It is interesting that the institutional choices that Mercosur made in 1994 reflected their vision of regional integration, one that it did not share with the EU, despite the EU support and influence towards a more binding regional integration. Mercosur from the onset did not form coherent internal decision making procedures or any mechanism to maintain and enforce decisions, notably with regard to the customs union.

The issue of Mercosur’s customs union is of obvious importance to its regional integration and also to negotiations with the EU. Mercosur implemented its CET in 1995, which has proved to be imperfect in conception and application ever since, leading to a number of serious problems over the years. At the core of this matter are divergent trade policies and macroeconomic differences that have led to many disputes. In 1995 there was a large automobile conflict in CET discussions, something that remains an issue of division between Argentina and Brazil, and hence an issue in negotiations with the EU (Interview 3).

A combination of external and internal factors played an important role in slowing down Mercosur integration, such that a distinct gap between theory and reality started to appear. Interestingly, despite all these difficulties, and notwithstanding its own domestic agenda,
the EU maintained a high level of support for Mercosur. Whilst Mercosur has perhaps flattered to deceive, or at least not lived up to its own high ambitions, it has “tripled intraregional trade flows and has become a consistent target of foreign investment” (Malamud 2005a: 141). In contemporary literature Mercosur is often cited as the second most advanced regional integration vehicle after the EU, to which it is frequently compared and contrasted. Despite these comparisons, that flatter by proximity, Mercosur was an inherently different entity to the EU when negotiations were opened, as reference to the Protocol of Ouro Preto reveals. Decisions are taken intergovernmentally on a unanimity basis, the results of which have to be ratified in all Member States. For Malamud the fact that Mercosur is not institutionalised is not a surprise as it “replicates a rooted Latin American tradition of lip-servicing” (2003: 4). Malamud defines the state of Mercosur when he says that it “is presently an incomplete customs union that aims to become a common market” (2005a: 141). He goes further than this when he states that Mercosur is different things to different people, and that it is perceived within the region as offering a viable left wing alternative to neoliberal regional integration. In this final analysis Malamud concludes that “Mercosur has made limited progress towards the originally stated aims...is not a Customs Union, not even an incomplete one. According to GATT definitions it has not even become a fully fledged free trade area” (2005c: 426). It is not only Malamud who is so critical of the Mercosur project as, on the base of evidence, Cammack, quoted in Mecham, has also concluded that Mercosur is a flawed and failing regional enterprise, saying that “Mercosur is an ineffective regional association with little remaining capacity to contribute to regional and global integration, and little capacity to promote other goals” (Mecham 2003: 378).

Despite the plethora of problems, crises and setbacks to the integration timetable which all generated a wealth of negative press, Mercosur as an entity has endured. Almeida suggested that “the key to understanding not only Mercosur’s place in the political and economic structure of Latin American Southern Cone politics, but also its role in the international relations of the region, is to realize that it is a result of a political decision made at the highest level, which is dependent more upon political will than economic realities” (2000: 5). Mercosur has also constantly been beset by a form of identity crisis,
which has manifested itself predominantly in the desires of the most powerful member state Brazil, and what they want to do with Mercosur. Brazil has oscillated between creating a 'political Mercosur' and a 'trading Mercosur'. In essence this argument over Mercosur's vocation goes back to the original intentions of Brazil–Argentina cooperation in the 1980s, which was more political than economic. As Malamud relates (2005: 424) there is a movement to restore this original intention, and hence bring politics to the fore, creating a social regional integration as opposed to a neoliberal trade orientated integration. Malamud makes a further fundamental point about the current political versus economic debate that surrounds Mercosur, that “those who defend Mercosur (hence political Mercosur) are supporting something that does not exist and is different from the founding treaties” (Malamud 2005: 424).

A Commission Official (Interview 7), in citing their views on the main reasons why an agreement had not been reached between the EU and Mercosur, noted that they felt there were four key factors. The first was agriculture and the second was links to the WTO. The third reason cited was Mercosur's state of regional integration and the fourth was the lack of trust between the two partners. On this last point the official was somewhat more direct in their analysis, questioning why the EU should trust Mercosur as a partner when the member states of Mercosur do not trust each other. Mercosur members have a history of torrid internal disputes and do not hesitate to apply countervailing duties and sanctions on each other, as well as applying to various international tribunals to solve their disputes. This is not the basis for a trustworthy and dependable counterpart with whom to negotiate. A further Commission official (Interview 5) echoed this idea of trust as a key variable by noting that the lack of trust between Mercosur members incited a lack of trust between the EU and Mercosur. On a more important note the official remarked that the lack of trust was even more present between negotiators, given Mercosur's negotiating tactics. Whilst this latter point is less an issue of regional integration, and more an element of negotiating strategy, it does nonetheless come back to the question of Mercosur as a coherent regional partner.
As a further issue in negotiations the Commission Official (Interview 5) cited personalities as a major stumbling block, saying that Brazilian Minister of External Relations Celso Amorim’s personal objectives often got in the way of negotiations. The official goes on to say that the relationship between lead negotiators is very important for negotiation dynamics. The official noted that relations between Celso Amorim and Pascal Lamy were not very good, but that between Peter Mandelson and Celso Amorim they are even worse. This theme is not one that the Commission alone has propounded, with numerous other commentators sharing the same reservations about Mercosur’s counterpart coherence. Having identified, with some clarity, the problems posed by the trade aspects of an agreement between the EU and Mercosur, Vaillant also identifies regional integration as an obstacle, when he says that Mercosur is “not mature enough to develop an agreement” (2007: 4). Trust and maturity are closely linked concepts in terms of regional integration, and on the evidence of this section it seems Mercosur has lacked both.

It is clear that the state of Mercosur’s regional integration has had a direct impact on negotiations, not only from the perspective of trust emphasised by Commission officials, but also in terms of its stability. As Mercosur has fallen into crises there have been impacts on negotiations with the EU. Ever since the Brazilian currency crisis of 1998 Mercosur’s coherence has repeatedly come under pressure, notably during the Argentinean recession and financial crisis in 2001. With each episode there have been increased intra-regional tensions and question marks over regional integration. The last section noted how the US has tried to use these moments to divide Mercosur. Obviously during such trying times the climate was not ripe for Mercosur to present a strong and unified external position. The EU, through all these hard times, has stood by Mercosur in resolute fashion, continually providing the support needed to keep the regional integration process afloat; “one of the positive outcomes of the long process of trade negotiations between the EU and Mercosur was the promotion of a program to transform Mercosur’s intraregional trade rules, with a gradual adoption of free practice rules” (Vaillant 2007: 4). Vaillant proceeds to temper his argument when he suggests that “it is not viable to think of a trade agreement between the two trade blocs with Mercosur’s
current level of development of common policies and institutions" (2007: 4). These quotes from Vaillant illustrate the need to address EU support for regional integration in more detail as the EU strategy to create a coherent partner does not seem to have worked as the EU would have wanted. Regional integration appears to have been a further area of EU interregional strategy that has not had the desired impacts, although in this case it is not only internal differences between the Commission and the Council that have created the situation, but the aims and ambitions of Mercosur for its own regional integration.

Klorn explains the EU position on regional integration in Latin America very clearly by saying that; “most of the EU's cooperation during the past decade has aimed at reinforcing the Mercosur integration process, with similar initiatives for the Andean Community and Central America” (2000: 11). This he justifies on the basis that it is beneficial for the participating countries, “just as it has been for Europe” (idem). On this basis the EU has provided every form of support conceivable to Mercosur, from technical support at the outset, training in regional integration, financial support for regional integration, interaction with Mercosur to boost its coherence and reputation, verbal support and finally negotiations for an Association Agreement. All of this, as Klorn has suggested, is not simply altruistic benevolence from the larger regional integration partner to its fledgling associate. As Santander notes this cooperation “enabled the EU to export its regional governance model and to increase its reputation as an international actor” (2005: 292). This idea is expressed in more detail by Faust when he suggests that “the political interest of the European Union in building a deeply institutionalised relationship with Mercosur and helping Mercosur to augment its coherency is closely connected to the EU’s normative ideas of how a new world order should be constructed” (2002: 4). The strength, depth, coverage and continuity of support for Mercosur regional integration has been the one outstanding feature of EU interregional strategy, and one area in which the EU has lived up to its promises, as through every Mercosur crisis the EU has stood firm. It is clear that the EU has been supporting Mercosur regional integration as a mechanism to spread EU norms and rules around the world, to export its model of regionalism, to drive forward regionalist global governance and also to counter the US in the region.
For an analysis of EU interregional strategy it is important to assess the result of over fifteen years of EU support for Mercosur, to discern to what extent the EU has achieved its aim of developing a more coherent counterpart. Sanchez-Bajo notes that "given the EU's longer existence and more solid institutionalisation many important actors in Mercosur tend to view it as a desirable model" (1999: 933). Mercosur has certainly taken the EU model into account in its own institutional development, although notably not accepting supranationality. Klom, after his experience of negotiating with Mercosur found that it "is not copying EU policies and structures and is clearly setting-up its own, autonomous, process of integration" (2000: 5). The fact that Mercosur has developed its own form of regional integration, and the way in which it has done it has led Malamud and Schmitter to suggest that Mercosur has been guilty of a "misunderstanding of the relevance of the European experience with integration" (2006: 1). The EU had a clear and defined strategy that the Commission formulated and implemented with coherence and perseverance, but despite this continuity of EU support Mercosur has simply decided to take its own course of regional integration according to its realist power needs and desires.

This section has taken a critical look at Mercosur regional integration as a contributory factor to the deadlock in EU-Mercosur negotiations. The findings have not been as the EU would have hoped, showing that its strategy to create a coherent partner, not only for negotiations, but for wider global governance reasons, has not been a success despite it being the only element of EU strategy to be rigorously implemented. The most poignant indictments of the failings in EU strategy have come from their own officials, who have cited Mercosur to be a "virtual region" (Interview 5). Whilst Mercosur regional integration has not lived up to EU standards or expectations EU support of regional integration has had some positive impacts for Mercosur, as Malamud concludes; "European persistence in recognizing and supporting regional groups as international actors in their own right has, therefore, contributed to the strengthening of their internal structures and the reinforcement of their negotiations power internationally" (2005: 298). The EU, through the Commission, has been able to implement its strategy on regional integration but perhaps the main support for this strategy would have been the signing of
an Association Agreement to lock-in Mercosur regional integration. This is an idea that various Commission officials have speculated on, suggesting that for all its problems Mercosur regional integration was not an insurmountable one (Interview 5). The EU could have strategically signed an Association Agreement with Mercosur for the benefits it would bring its strategy of global governance and regional integration, but its inability to do so again shows Council balancing and bandwagoning. Without the internal will to drive forward its own integration and without a lock-in Agreement, Mercosur internal structures remain limited at best and it has evolved as an entirely different type of regional integration project with little in common with the EU.

In light of this section not only has the appellation of Mercosur as a customs union been brought into question, but so too that of Mercosur as a coherent regional integration entity. This questioning of Mercosur’s ability to fulfill basic criteria in relation to its CET and regional integration severely undermines the identification of EU-Mercosur relations as pure interregional as well as casting important shadows over EU strategy to enhance Mercosur actorness. Regional integration has underpinned all aspects of the relationship between the two partners, and the failure of EU interregional strategy to have the desired impacts on Mercosur’s regional integration has manifested themselves in negotiations and moves to strengthen bilateral relations with Brazil.

**Conclusion**

This chapter has focused on the EU-Mercosur pursuit of pure interregionalism as the most important element of EU-LA complex interregionalism to answer the research question; ‘Are there any tensions between the EU interregional strategy for Mercosur and EU - Mercosur interregionalism in action?’ The chapter has covered all facets of the EU-Mercosur relationship, and analysed in detail the most important factors with a view to understanding whether the differences in strategy and action in EU-Mercosur relations can be taken as a precursor for the future of interregionalism in general.
An analysis of the history of relations prior to Association Agreement negotiations showed the main motivations for Mercosur and the EU to pursue interregionalism to be quite mixed in nature. As Bulmer-Thomas (2000: 3-6) noted the main EU motivation was to capture increased shares of growing foreign markets, of which Mercosur was a prime example. It was the EU’s key market in Latin America and was growing as an EU export market throughout the 1990s (Interview 1). A secondary EU motivation was to export its model of regional integration that would serve manifold purposes, such as promoting its own international position and supporting the creation of a regional approach to global governance. The early period, 1990-1995, of EU-Mercosur relations was directly related to Mercosur and its state of integration, during which the EU offered unconditional support. After this, in 1995, negotiations for an Association Agreement started and have yet to be concluded. From a Mercosur perspective the EU was its main external trading and investment partner, making relations an obvious option and an important counterweight to US influence. Mercosur was able to count upon EU help with its regional integration, use the EU’s recognition to enhance its international standing and reputation and also use the EU negotiations as a card in its FTAA dealings. To build on these motivations the EU put forward an ambitious interregional strategy that combined increased relations in political, cooperation and trade fields. It was a strategy that reflected, indeed confirmed, all the elements and aspirations of interregional theory, highlighting, for example, the potential for agenda-setting, rationalising and institutionalisation. It was also a strategy that depended heavily on Mercosur becoming an effective and coherent counterpart, hence the heavy EU support for regional integration.

Once the EU started to put its strategy into action problems accumulated. Despite the original motivations and ambitions the EU agricultural lobby, and its influence on the Council, WTO negotiations and US policy, especially with regard to the FTAA, proved to be the main determinant of EU interaction with Mercosur. EU-Mercosur negotiations ebbed and flowed in tight relation to advances and slowdowns in both FTAA and WTO negotiations, and the EU agricultural lobby made the EU position in negotiations unappealing to Mercosur, all of which became clear from an analysis of the actual
negotiations. This failure of interregional strategy to have the desired impacts is
testimony to the fact that the EU has seemingly wanted a win-win situation in Latin
America and with Mercosur. As Mercosur has stood its ground in negotiations the EU
has stalled and eventually moved to reinforce bilateral relations with Brazil, a pattern
already noted in Asia. The EU had been offered the opportunity to take the initiative from
the US and reinforce Mercosur regional integration through an Association Agreement
but reticence, and hostility, from the Council made this not possible. Without external
circumstances against which the EU has to balance or bandwagon, it appears that
Mercosur is of insufficient strategic importance to the Council.

Examining the unfinished negotiations for an Association Agreement, and the main
issues to arise, proved to be highly instructive. Three principal factors were isolated as
being fundamental to the fact that an EU-Mercosur agreement remains unsigned. The
over-riding conclusion to the section was that agricultural economic interests in the EU
had been responsible for slowing, if not stopping negotiations. Through this lobby group
the EU-Mercosur negotiation was tied to the WTO negotiations, as the EU refused to
discuss domestic support in the interregional arena, which at first stalled negotiations as
both parties waited for a successful WTO outcome. The issue of the corresponding
timeline with the WTO, and the fact that important elements of agricultural negotiations
can only be dealt with at this multilateral level, has generated questions as to whether the
EU should simply deal with Latin America, for trade issues, within the WTO alone.
Agricultural negotiations are effectively dependent on the WTO for progress, and the
pursuit of pure interregionalism has not been able to contribute, or act as a filter, as
interregional theory would suggest. Obviously dealing with Mercosur solely within the
confines of the WTO “does not solve the problem and would have considerable costs, in
view of the fact that it delegitimises the previous actions of the European Community in
this field, causing the other countries to reject it, and it has been explicitly rejected by
such players as the European Parliament” (Freres & Sanahuja 2005: 38).

The second factor discovered was that EU-Mercosur negotiations were reactive to
progress in the FTAA negotiations, hence when the latter moved forward so did the
former. In both circumstances, stalled WTO and FTAA negotiations, the EU would have been ideally placed to cement its relations with Mercosur, yet declined to do so. This gives credence to the hypothesis that EU-Mercosur interregional relations are principally intended for economic balancing and bandwagoning. Mercosur itself had assumed that negotiating agriculture as a bloc would be one of its main advantages, both with the EU and within the WTO, but this has not proved to be as successful as they would have hoped. In the case of the WTO this has led to Brazil and Mercosur taking a lead position in the G20 group and increasing their international visibility and reputation. Thorstensen has stated that “the three discussions are inter-related” (Thorstensen 2003: 3), and this chapter has shown how detrimental this linkage has been to EU-Mercosur negotiations.

This fact, that the EU has been reactive to US policy with regard to Mercosur has raised questions of rival regionalism, exemplified by the different approaches that the EU and the US have employed towards Mercosur. The EU was found to have supported Mercosur as a group through all circumstances, whereas the US has tried to take advantage of circumstances to disrupt Mercosur. Santander feels that “the group to group strategy of the EU towards Mercosur represents a response to the transregional strategy of the US towards the Americas” (2005: 302), making the US a direct motivation of EU-Mercosur interregionalism. It is certainly viable as a hypothesis for a key determinant, given that EU-Mercosur negotiations mimicked the FTAA process to such an extent. Grant asserts that “the US appears to have little in the way of a policy towards Mercosur. Thus, there is a real opportunity for the EU to develop a close political and economic alliance with the cone of Latin America” (2003: 58). The EU has not seized this opportunity, but has simply tried to differentiate its approach to Mercosur and offer increased support for regional integration. The three-pillar approach is much vaunted, but in reality questions have to be asked over its legitimate claim to be much more than an economic agreement. As Grugel questions “can the commitment to social justice and development adequately be balanced in an agreement that also pushes forward a development model of marketisation and reflects a search for investment terrain and new markets?” (2002a: 6). The clear dominance of trade and the fact that negotiations are stalled due to trade problems makes it clear that only one of the three pillars is genuinely
important. This fact simultaneously highlights the roles within the EU of the Commission and Council. The Commission has been able to drive and influence interregional strategy and implement it for regional integration, but trade negotiations and Association Agreements are the remit of the Council, which has not been willing to back Commission strategy by translating it into action.

In analysing regional integration and counterpart coherence, the chapter revealed some differing views. The EU supported Mercosur regional integration by every means possible in an attempt to increase Mercosur counterpart coherence. Regional integration was a lynchpin of the EU complex interregional strategy, the one solid, coherent and unchanging aspect of the strategy, and the one that the EU consistently delivered on. Through this the EU acted as an explicit external federator for Mercosur. All of this has led to an increase in the visibility, prestige and reputation of Mercosur as an international actor (Santander 2005: 302). In spite of EU strategic intentions, and support, Mercosur regional integration has, however, in no way replicated EU regional integration, taking a hybrid route of its own. The state of regional integration in Mercosur is such that the appellations of customs union and regional integration have actually been called into question. Mercosur’s distinct model of ‘Presidential diplomacy’ (Malamud 2005a) with no supranational institutions and an imperfect customs union has been seen to not represent an effective counterpart regional organisation. Sanchez-Bajo says that “since 1995 Mercosur’s low level of institutionalisation has been more of a liability than an asset” (1999: 936) and this has had an impact on negotiations, such that the EU discovered that it was not negotiating with a coherent partner. This has all raised the question of whether Mercosur was, and is, actually a viable counterpart for FTA negotiations and a pure interregional relationship that represents the pinnacle of EU complex interregionalism in LA. Freres and Sanahuja address this very question: “From the perspective prevailing in the EU, the negotiation with Mercosur has shown that a bi-regional integration agreement such as the one pursued involves a minimum set of prerequisites regarding freedom of movement that only a real customs union can fulfill. But at the same time it has been established that neither Mercosur nor the other groups of countries will achieve such a goal in the near future, although Central America might be
the sub-region that could come the closest to such end. This is due to both internal
difficulties and external conditioning factors, such as the FTA that the US is promoting in
the Andean area” (2005: 54). The fact that Mercosur does not reach the pre-requisite
level of integration has become clear in negotiations, with Commission officials citing
personality clashes, lack of trust and a feeling of negotiating with a “virtual region”
(Interview 5). These are not the conditions in which to negotiate a pure interregional
relationship. Above and beyond the implications for EU-Mercosur relations the question
marks that hang over the failure of EU interregional strategy to form a coherent
counterpart are important for EU complex interregionalism in LA and for its aspirations
around the globe.

As Malamud states “the EU is not yet a standard integration model but a unique
phenomenon that can serve as a point of reference and inspiration but cannot be
transplanted or replicated wholesale” (2005: 249), so on this basis the EU should not
expect replication from a counterpart, and nor should it penalize it for not replicating. So
whilst Grant might feel that “Europeans regard imitation of their own historical
evolution as a sort of flattery” (2003: 57) they should not believe that Mercosur, or other
regions, should or will imitate the European model. Whilst perhaps not what the EU was
looking for in a regional counterpart, Mercosur is nonetheless still a regional integration
project under construction, albeit a hybrid one of its own making. In the aftermath of the
Argentine crisis of 2001 the then minister of economic affairs Domingo Cavallo
unilaterally made changes to the already imperfect customs union, and looked to be on
the verge of pulling Argentina out of Mercosur altogether. At this point the EU made it
clear that it would not sign individual free trade agreements with member states. So
whilst the EU interregional strategy has not had the desired impacts with regard to
Mercosur regional integration, it has nonetheless provided timely support and incentives
for Mercosur to continue as a group, a fact that should not be overlooked.

In spite of Mercosur’s indifferent record in terms of regional integration Faust feels that
the appellation of ‘pure interregional’ remains apt for EU-Mercosur “even if Mercosur’s
customs union is still far from being fully implemented” (2002: 12). Indeed he is of the
view that "the successful conclusion of an interregional free trade agreement could even foster the full implementation of a customs union" (idem.). It is, however, hard to see how a regional integration scheme that ex-President of Brazil Cardoso recently claimed "is today but an illusion, a caricature of integration" (Mercopress 2007: 1) could represent a serious partner either for negotiating or implementing an interregional Association Agreement. Having noted that the EU can not form a model, nor export its processes to a different region there are nonetheless fundamental criteria that a region has to respect to claim to have functional regional integration. Mercosur regional integration may be very different from EU regional integration, but this in itself is not the cause for concern, it is its inability to live up to certain basic criteria of regional integration theory. This makes it highly doubtful whether the signing of an agreement with the EU would in any way consolidate Mercosur regional integration. The EU’s attempts to act as an external federator have been selectively accepted or declined by Mercosur, and it appears that the role of external federator has limitations. Perhaps the signing of an Association Agreement with Mercosur, as Faust suggests, would act as a lock-in mechanism for its CET and customs union, at least vis-à-vis the EU, making it a more coherent partner, but it would appear, on the evidence of this chapter, that problems of negotiation would simply become problems of implementation.

On the basis of this if the EU were truly serious about its global positioning, and regional integration, with respect to global governance then it would have sought to take advantage of the opportunities to sign an agreement with Mercosur. Vasconcellos concedes this same point when he notes that if the EU were serious about its international civil power status then it "should let its own ambition in terms of the international order override purely domestic considerations" (2003: 3). By this the author refers to the domestic agricultural lobby, which should be superseded by the strategic ambitions that the EU has for regional integration, as set out in its complex interregional strategy. This conclusion, that strategic support for regional integration comes second to the Council defense of domestic agricultural markets has been encountered several times in this chapter. This fact simultaneously explains the continuous and unwavering EU support for Mercosur regional integration, as the Commission and the EU had nothing to lose in
doing so. Supporting Mercosur regional integration represents a no lose situation for the EU which is why the Commission has done so strategically and constantly. Talk of the EU exporting its regional integration model has been quashed by the realization of the type, form, state and aims of Mercosur integration, but the EU has continued to support this hybrid regional integration regardless. Whilst the EU would clearly prefer more mimetism from Mercosur it still has little to lose from supporting Mercosur as it is, because any form of Mercosur regional integration is better than no regional integration. This combination of Commission strategy and the Council failure to implement it reveals the core tension inherent in interregionalism. The strategy, as proposed by the Commission, replicating interregional theory, has simply remained rhetorical and based in theory as Council intervention on behalf of agricultural lobbies has derided all attempts to put into action this strategic long-term vision. Of particular disappointment to the Commission, and interregional theorists, has been the result of the EU’s interregional strategy in relation to Mercosur’s regional integration. This was the only facet of the strategy that the Commission was been able to pursue with a free hand.

Overall it is clear that there has not been one simple variable to explain EU-Mercosur relations. The reality of EU-Mercosur in action lags the strategic objectives and rhetoric that the EU had set, because the EU was itself unable, or unwilling, to achieve them and because Mercosur was not able to form a coherent counterpart. Writing in 2002, after his analysis of the 2001 crisis in the Latin American region and how it strengthened Mercosur, Santander opined that “it remains to be seen if Europe will be able to take advantage of the situation and will see this as an opportunity to further develop strong ties with Mercosur” (2002: 504). The resounding answer to Santander’s question is that the EU has only taken advantage of the situation rhetorically. In concrete terms it has not seized on this, or other opportunities afforded it, underlining the fact that defensive agricultural interests supported by the Council in the EU have been more powerful than EU pro-Mercosur lobbies and the Commission strategic goal of promoting regional integration and interregionalism. Despite the power of the agricultural lobby and the linkages to the WTO and FTAA negotiations, the fact remains that had the EU been genuinely interested in the geo-political implications of the agreement and in regional
integration then an agreement could have been signed. Santander concludes that “for the EU, the relation with Mercosur is strategic” (2005: 295), and strategic in the sense of economic balancing and bandwagoning with the US. Clearly the EU has not achieved its stated objectives by matter of its own choice, something that could come to represent a missed opportunity, as Vaillant clarifies when he says, “the EU needs to understand that Mercosur, which is one of the few trade agreements in the world among developing countries within the class of deep economic integration, offers an excellent opportunity to influence the developing world with a proved successful formula of economic integration” (Vaillant 2007: 5). The EU could, for once, have taken the front foot and advanced with Mercosur, a move that would have put more positive pressure on Mercosur regional integration. Such a conclusion highlights that the pursuit of pure interregionalism, as the crux of complex interregionalism in LA, is subject to short-term economic balancing and bandwagoning considerations, which explains why the EU has started to look towards increased bilateral relations with Brazil.
Conclusions

This thesis has explored and analysed the rising international relations phenomenon of interregionalism, from its theoretical basis, through its strategic formulation, export and implementation by the EU, to the impacts it has had for the EU, its partners and the global system. Above and beyond this exploration and analysis the thesis has provided a more detailed framework for the analysis of interregionalism; complex interregionalism. This new framework allows for a better understanding of both the strategic use and the concrete functioning of interregionalism, as well as the interplay between different levels of international relations.

The fundamentals of the thesis are founded in the IPE debates on regional integration and of the interaction between regionalism and multilateralism, and in a multilevel and multicausal approach. The theoretical overview of interregionalism drew particular inspiration from the works of Hettne, Hänggi and Rüland, the three scholars who have most espoused the theoretical virtues, and vices, of this newest level of interaction in international relations. From this basis, and with the main elements of interregionalism's potential in mind, the thesis moved on to analyse EU interregional strategy, given that the EU is the single most important interregional exponent. The main drive of this investigation was to understand if the EU had a coherent interregional strategy that it employed across world regions, which was discovered to be complex interregionalism. This new framework seeks to consider EU interregional strategy within the regional context it is employed, and also its interactions with other levels of relations, notably transregionalism and bilateralism. It is also a framework that tries to understand the tension between strategy and action inherent in interregionalism. From this point onwards the thesis engaged in the activity of analysing the chain of the most pertinent interregional relationships in an attempt to assess the EU's complex interregional strategy in action, and evaluate how this new framework functioned. In concrete terms this meant
firstly taking the region of the world with which the EU has the clearest complex interregional relationship, Latin America, and then in turn looking at the single most important interregional relationship within EU-LA complex interregionalism, the pursuit of pure interregionalism with Mercosur.

The investigation was driven by a set of research questions that were established at the outset of the work:

Firstly, what exactly is interregionalism, and what does it offer international relations that other levels of relations do not?

Secondly, how has the EU's strategy of interregionalism manifested itself across the globe?

Thirdly, how does the EU's strategic interregional approach to Latin America work in practice?

Finally, are there any tensions between the EU interregional strategy for Mercosur and EU - Mercosur interregionalism in action and what are the links to the broader EU-LA complex interregionalism?

This conclusion will, therefore, assess the results extracted from the four research questions above and relate the implications to interregionalism in a more general sense. It will simultaneously evaluate the utility of the complex interregional framework developed in this thesis, and also reflect on the tension between strategy and action that the framework highlighted in both EU-LAC and EU-Mercosur interregionalism. To achieve this, the conclusions will be divided into four sections. The first section will review the findings related to the four research questions posed at the start of the thesis, as well as the findings of the additional research questions that arose throughout the work. The second section will focus specifically on EU-LAC complex interregionalism and EU-Mercosur interregionalism as a two-level laboratory for the testing of the key
questions about interregionalism, as both a strategy and also in action. The third section will reflect on the four principal areas of investigation that this thesis developed in chapter one and employed thereafter; context, types, motivations and impacts. The final section will consider the future of EU complex interregionalism, the pursuit of pure interregionalism and of interregionalism in general.

**Empirical Evidence: Research Questions**

The first task of this conclusion is to provide clear answers to the four research questions that structured this thesis. The most suitable method for achieving this is to relate the findings of the chapters in sequence, hence answering the key research questions in the order they were set.

The first chapter addressed the issue of what exactly interregionalism is and what it offers international relations that other levels of relations do not. To answer this question the chapter developed a structure that was replicated in subsequent chapters, that of context, typology, motivations and impacts. Using this structure the chapter highlighted the birth and expansion of interregionalism as being related to the processes of globalisation and regionalism. Regionalism, as a reaction to globalization, has created a number of regional groups around the world and it is the interaction of these groups that produces the phenomenon of interregionalism. Given the proliferation of regional entities around the globe the theory of interregionalism offers international relations a framework for analyzing a potentially large-scale phenomenon. Aside from its theoretical novelty and salience the chapter also highlighted that interregionalism had the potential to fulfill a large number of functions for global governance, such as agenda-setting, institutionalization, collective-identity building and coordination of multilateral positions. Interregional theory suggested that interregionalism had significant theoretical value-added in relation to existing levels of international relations, but it was noted that there was a clear need to validate these theoretical claims. Chapter one also related how interregionalism was as much a strategy as it was a state of affairs, something that has proved to be the very tension at the heart of the phenomenon. The chapter concluded that
interregionalism in action was essentially a balancing and bandwagoning phenomenon, as outlined by Rüland who said that; “EU involvement in inter- and transregional fora is marked by balancing” (2002c: 9).

In the course of chapter one it became clear that the EU was the most active interregional proponent, prompting the question of how the EU’s strategy of interregionalism manifested itself across the globe. Chapter two, in answering this question, identified interregionalism as a key strategic element of EU external relations that the EU had chosen to employ in its interaction with Asia, Africa and Latin America. It was found that the EU had replicated the theory of interregionalism in its strategy and that it had created mechanisms to try and capture all the potential of the theory; agenda-setting, rationalising and institutionalisation, all of which had been identified in Chapter one. Whilst the relationships in action that the EU has with the three world regions were found to be different in a variety of ways the EU used the same strategy in all regions. Not only were the strategy and the mechanisms to implement it similar, but so too were the impacts noted in all three regions. Figure 2-11 outlined the key characteristics of EU interregionalism as discovered in the three regions, all of which were found to hold in the cases of EU-LA and EU-Mercosur; it promotes regional integration, is based on low institutionalisation, is subject mostly to economic balancing and bandwagoning, it expands to cover diverse areas, is based on three pillars, it uses the same structures and finally that the EU has pursued pure interregionalism where possible. Chapter two sought to further the investigation of interregionalism by including new elements for analysis, notably in attempting to explain the friction between strategy and action and the interplay between interregionalism and other levels of international relations in a new framework – complex interregionalism.

Chapter three analysed EU complex interregional strategy in Latin America to answer the question of how the EU’s strategic interregional approach to Latin America works in practice. This analysis confirmed that the very clear and defined EU complex interregional strategy was coherent and consistent for all three regional groupings in LA, and also for bilateral and transregional relations. A clear objective of the EU was to
pursue pure interregionalism and for this it was found to be using the same aims, the same channels, the same methods and the same support structures with all three LA regional groups. Whilst each relationship had idiosyncrasies that differentiated it somewhat from its neighbours, the EU strategy was the same. Doctor defined this strategic approach, with reference to EU-Mercosur relations, as being one that “provided substance to EU claims of a distinctive approach to its relations with less developed countries with priority placed on globally projecting European values emphasising democracy, human rights, citizenship and regional integration based on equity and co-operation rather than power inequalities” (2007: 284). This is a succinct reading of EU complex interregional strategy, whereby the EU was seeking to use three pillar agreements to engage with the regional entities whilst simultaneously supporting their regional integration to help create stronger and more credible regional partners. Analysis of complex interregional strategy in Latin America also revealed that once an interregional relationship existed the EU would try to conduct all its political and economic relations with the group, and not bilaterally. Bilateral relations were reserved exclusively for non-regionally aligned countries Mexico and Chile. The only interaction that was found between bilateralism and interregionalism occurred in 2007 when the EU approached Brazil to enhance political relations, which was very much the first break from the consistent interregional strategy the EU had pursued with Mercosur for over fifteen years. EU complex interregionalism was broadly coherent across partners and across levels of relations, and the pursuit of pure interregionalism was the lynchpin of the system to which other levels of relations deferred. Chapter three also further highlighted the fact that there was an important tension between interregional strategy and interregionalism in action, and whilst it offered some explanations of this phenomenon it was through a deeper analysis of one specific relationship that the tension would be more apparent.

Chapter four sought to assess the tensions between the EU interregional strategy for Mercosur and EU-Mercosur interregionalism in action, and if these link to the broader EU-LA complex interregional relationship. Analysis of relations with Mercosur highlighted the EU pursuit of pure interregionalism and revealed that the picture of EU
interregional strategy, and its impacts discovered in chapter two was validated. The EU had made the pursuit of pure interregionalism a cornerstone of its complex interregional strategy with LA. In its most important and advanced relationship, with Mercosur, it had proved unable to put its strategy into action and there were important tensions between the two, tensions that extend to EU complex interregionalism and interregionalism in general. The reasons for the inability to sign an Association Agreement were discovered to be related to two key areas; firstly the internal dynamics of the EU were found to hamper the transition from strategy to action because the Council was using interregionalism as an economic balancing and bandwagoning tool, and secondly the chapter raised question marks about the possibility of having a pure interregional relationship with Mercosur due to its level of regional integration. These findings explained clearly why interregional strategy had not been translated into action and posed a serious question as to whether interregional strategy for all its coherence and stability had actually achieved any of its initial goals.

**EU-LA Complex Interregionalism and EU-Mercosur Interregionalism**

The empirical analysis in Chapters three and four confirmed much of the theoretical conclusions generated by Chapters one and two, but with some novel findings through the framework of complex interregionalism. Overall the EU interregional strategy and the mechanisms to implement it were found to be coherent, consistent and harmonised across and within regions, reflecting a strong long-term strategic view from the EU. This consistency is encapsulated in the three-level model that the EU has employed in all regions. In all cases the EU has sought to make the interregional level, and the pursuit of pure interregionalism, the most important level, although it has proved willing to use the bilateral level when circumstances have required it. The EU has obviously had to differentiate its complex interregional strategy according to the region, notably according to its ability to influence its partners through regional integration. The fact that in the case of Mercosur EU strategy has not translated into successful pure interregionalism in action will have an impact on all interregional relations, whether they are in Latin America, Africa or Asia.
The model of complex interregionalism that was proposed at the end of Chapter two was aimed at assessing both EU interregional strategy and EU interregionalism in action alongside other levels of relations such as transregionalism and bilateralism. It proved to be a very useful model in analysing EU relations with Latin America and Mercosur, highlighting the key differences between EU interregionalism as a strategy and in action. In reality it has brought to the fore the fact that strategy and action are two different levels of interregionalism and also that EU interregional strategy has not been successful in achieving its aims in Latin America. This section will assess to what extent the findings of the empirical analysis of EU-Mercosur relations are of relevance to other complex interregional relations and the pursuit of pure interregionalism. It will also be useful to reflect on the functioning of the complex interregional model in light of the empirical findings.

The most pertinent finding from the chapter on EU-Mercosur relations relates to Mercosur's regional integration, a finding that puts Klom's words into question, as he had suggested that regional integration "forms the distinguishing characteristic of the EU-Mercosur relationship, which makes it different from all other ties that Mercosur has, or can have, with either the US, FTAA, Andean Community, Chile or the WTO members" (2000: 14). Although Klom qualifies this statement with an important caveat, that "this factor is only influential to the extent that...the Mercosur process is continued" (idem) it would still appear to be wide of the mark. Mercosur has quite simply not evolved into the regional partner that EU strategy was hoping for, which genuinely begs the question of whether the EU interregional strategy has actually achieved anything that it expected over the decades. If the EU is unable to strategically influence and create a solid regional partner with a pre-existing regional group that has consistently accepted and solicited the EU’s intervention then the consequences for interregionalism are serious. Despite consistent implementation EU support for regional integration did not have the desired effect as an external federator, although the EU did play an important role in Mercosur’s history. EU assistance has been selectively taken as and when needed, and whilst it could be the case that it will simply need longer to become a coherent regional integration partner, Mercosur does not seem to want that ‘type’ of regional integration. In Chapter
two it was identified that interregionalism was partly espoused by the EU to increase its own international identity and activity, as Santander notes; "Interregionalism is, thus, closely linked to the European Union's intention to play a greater role internationally. The emergence of interregionalist relational arrangements should be seen in the light of this intention...the EU has developed external relations that enable it to promote its interests, policies and internal values, while having recourse to cooperative means rather than military might" (Santander 2005: 303). Chapter three cemented this view by highlighting that EU interregional strategy across Latin America placed important emphasis on regional integration through which the EU was seeking to export its ideas, values and norms. The inability of the EU to influence Mercosur regional integration cuts to the heart of not only EU-LA complex interregionalism but also interregionalism in general because it relies, by definition, on coherent counterparts.

The other main issue that arose from EU-Mercosur interregionalism was that both partners were unable to resolve trade negotiations despite several years of trying. The main reason for this was found to be due to Council unwillingness to offer agricultural concessions, a factor that has severely undermined EU interregional strategy towards Mercosur. The main pressure on Council was found to be a very strong agricultural lobby, which has no coherent counterweight, the MEBF being too weak to play this role. This asymmetry of trade is particularly idiosyncratic to EU-Mercosur relations, as is the fact that Mercosur is willing and able to stand its ground in negotiations on this subject, unlike African groupings in the EPAs for example. This situation would perhaps be alleviated if there were a successful conclusion to the WTO Doha Round, a conclusion that tackles domestic support and levels the playing field for future agricultural trade. In the absence of any WTO agreement it is difficult to see how negotiations over agriculture can be solved between two such partners.

This agricultural trade issue revealed clearly that interregional strategy, as designed by the Commission, was not implemented due to the pressure exerted through Council. This precedence of Council positions has led to the EU not being able to deliver its interregional strategy, and confirmed the findings of Chapter one which suggested that
the main motivations of interregionalism were balancing and bandwagoning. EU interregionalism in action has proved to have realist groundings as the EU has simply used interregionalism to balance and bandwagon US activity in LA.

Overall the result of the empirical findings on interregionalism in action was that the EU-Mercosur relationship, despite its massive promise and potential, as outlined in EU complex interregional strategy, has remained a lightly institutionalised process subject to the whims of the EU Council of Ministers, their negotiations within the WTO, worries about the FTAA process and Mercosur’s turbulent record of regional integration. These findings do not paint the optimistic picture that is often related to EU-Mercosur relations. For EU-Mercosur relations to be a blueprint for the future of interregionalism there need to be some serious alterations, or a serious rethink by the EU about its global priorities and what sacrifices it would be willing to make to ensure its complex interregional strategy could have the desired impacts. The EU strategy for pure interregionalism with Mercosur responds to the blueprint of an interregional future, but EU interregionalism in action with Mercosur does not. To what extent the perceived lack of success EU interregional strategy has had in relations with Mercosur is attributable to its inability to sign an Association Agreement is difficult to assess, but such an agreement would surely have had important lock-in effects.

The failings of the EU-Mercosur pursuit of pure interregionalism were starkly revealed in mid-2007, when the EU felt obliged to move towards a strategic partnership with Brazil because, as the Commission stated, the EU-Mercosur relationship “inevitably restricts the scope and depth of our dialogue” (2007: 14). This fact, combined with the persistent questions over the direction of Mercosur and its actual state of regional integration, hence its aptitude to be a coherent pure interregional partner, places serious question marks over its suitability as the EU’s flagship interregional relationship. Whilst it is not likely that the EU will alter its complex interregional strategy in LA, or its pursuit of pure interregionalism with Mercosur in the near future, the longer the EU and Mercosur are unable to seal their relations the greater will be the shadow cast over interregionalism in general.
The model of complex interregionalism developed in this thesis has helped highlight the differences between interregional strategy and interregionalism in action, as well as situating the pursuit of pure interregionalism within a wider context of transregionalism and bilateralism. Through this framework it has become apparent to what extent the inter-institutional tensions between Commission and Council are important, which is perhaps something that could be further built into the complex interregional framework. The empirical evidence also brought to the fore further factors that would be good to build more strongly into the framework. These relate to Commission officials (Interviews 5 & 7) who highlighted a lack of trust between partners and negotiators, as well as personality issues. These factors will obviously come to bear on any interregional negotiation, but to what extent the complex interregional framework can accommodate them remains to be seen. The complex interregional framework has proved to be flexible, as witnessed by the 2007 decision by the Commission towards greater bilateral relations with Brazil, which the framework is able to accommodate. Having employed the complex interregional framework to analyse relations with Latin America it would be very useful, for an even deeper understanding of complex interregionalism, to use it to analyse relations with other world regions. The most logical choice as the next region to which this would be most suited would be Africa, in light of the imminent deadline for EPA negotiations. Such an analysis would provide a further test of the complex interregional framework in very different circumstances.

Context/Types/Motivations/Impacts

The structure employed in the first chapter – context/types/motivations/impacts – was replicated throughout the thesis and merits concluding comments. These four areas were devised at the beginning of the thesis to best capture the different elements of interregionalism, both in terms of strategy and action, and as the thesis developed they were the basis for analysis and exploration. In Chapter one the four areas were theoretically outlined setting a basis for what should be expected, then related to the EU in Chapter two before Chapters three and four added empirical analysis. It is thus now possible to revisit the four headings individually and draw conclusions.
The context of interregionalism is perhaps the area of interregionalism least directly addressed in this thesis, but nonetheless a vitally important one. In Chapter one it was outlined that interregionalism was born out of the expansion of regional integration and the interaction between regional entities. In this sense the context of interregionalism is underpinned by regional integration, something this thesis has consistently highlighted, and something that the failings of EU strategy in LA suggest might become a problem. Chapter two related the context of EU interregionalism, as being one of many strategic options for its external relations. In their analysis of interregionalism in action Chapters three and four both found that the level of regional integration is crucial to the success of interregionalism. In addition it was seen that in Asia there has been a rebuttal of EU regional integration advances, which effectively halted the pursuit of pure interregionalism in its tracks. In Africa the EU has imposed regional integration, although this will not in itself guarantee any success, as regional integration needs to work in practice for interregionalism to hold. In this sense this thesis has highlighted that whilst the expansion of regional integration might point towards an active future for interregionalism it is in fact the level and type of regional integration that is important for the future of interregionalism. The thesis has highlighted this difference between the context of interregionalism in theory and in action, and the context of interregionalism in action is much less certain than that of interregional theory.

The second area of analysis was that of the types of interregionalism, as outlined in Chapter one. Chapter one outlined the three types of interregionalism that had been identified in interregional theory. The first of these was transregionalism, a level of relations identified as having a diffuse membership from two broadly defined regions that was used as an over-arching structure to relations between these two regions. The second type was hybrid interregionalism that was described as being relations between a regional group that is a customs union and one in another world region that is not. The final type outlined was pure interregionalism that is the interaction of two regional groups, both customs unions, in two different world regions. In the theory there was a very clear distinction between the three types in terms of membership, aims and structures. The empirical work of this thesis supports the original typology of transregionalism, which it
found to be as described in Chapter one as a very distinct type of interregionalism. In relation to hybrid and pure interregionalism this thesis found the typologies to be much less distinct and much more complex that the theory suggested. This was particularly the case with pure interregionalism which proved to be much more elusive than theory would suggest. The typologies of hybrid and pure interregionalism need to be revised to more accurately reflect the realities of regional integration for EU partner regions. Currently Mercosur stands as a pure interregional partner, but in reality it is a form of hybrid interregional relationship. There is a need to take this reality into account and reflect it in interregional theory because the hybrid interregional typology is the most important and widely used. It would be possible to refine this definition into sub-categories, which would represent an important advance in interregional theory, especially considering the different types of EPA partners that now exist in Africa.

A major area of study in this thesis was related to the third category of research, that of motivations. Chapter one differed from existing interregionalism literature by making a clear differentiation between motivations and impacts in an attempt to separate the already existing so-called ‘functions’ of interregionalism. The main motivations that interregional theory suggests are balancing and bandwagoning, both commercial and institutional, institutionalization, rationalisation, agenda-setting and collective identity formation. Interregional literature also placed important emphasis on triadization, particularly with regard to EU-Asian relations. This thesis has been able to add further empirical evidence to the study of these main motivations behind interregionalism. Chapter one suggested that interregionalism had a clear balancing and bandwagoning rationale with some element of collective identity motivation, a conclusion that this thesis has supported, albeit with some nuances. It is also possible to confirm that interregionalism occurs between a triad member, the EU, and periphery regions such as Latin America. It is possible to subsequently conclude that interregionalism is more of a multilateral ‘enhancer’ phenomenon than it is a ‘distracter’ one given the dominance of balancing as a motivation.
EU-Mercosur relations were found to be subject to important balancing and bandwagoning considerations, at the instigation of the Council. A relatively clear split was found between the Commission as an instigator of EU interregional strategy, especially in relation to regional integration, and the Council as the overseer of interregionalism in action. EU-Mercosur interregionalism in action floundered partly due to agricultural issues, principally domestic support, which whilst perhaps idiosyncratic to EU-Mercosur relations highlights an important trend. If interregional trade has no major obstacles then it is less likely that the Council will hold up relations and interfere with Commission strategy, although the Council will always be subject to protectionist and realist interests, and hence prone to balancing and bandwagoning. By its very nature the Council is the more reactive institution and through this fact it will always be the source of instability and change not only in interregionalism in action, but also for complex interregional strategy. The EU strategy of differentiation that was noted in its complex interregionalism is a manifestation of Council driven interests, adjusting in a structured way to changes within a region. The recent move towards bilateral relations with Brazil is an example of a trend set in Asia and Africa, and is something that the complex interregional framework is able to capture. This reinforces the view of interregional theory that balancing and bandwagoning are the dominant motivations of interregionalism, albeit with the more detailed specification that it is linked to the Council.

The second key motivation, in interregional theory, was identified as collective identity formation through regional integration. The analysis of EU complex interregional strategy showed how the Commission made regional integration, and the pursuit of pure interregionalism, a central plank of its overall strategy. The EU was clearly motivated by helping consolidate and create regional integration bodies in the three world regions studied in this thesis, and created a consistent and coherent strategy to implement this motivation across the regions. The drive of the EU to influence regional integration was greater than interregional theory would have suggested and is clearly a very important motivation behind EU interregionalism.
A further finding of this thesis was that EU complex interregional strategy also accorded importance to the motivations of agenda-setting and rationalising, as it sought to capture all the perceived benefits of interregional theory. To some extent there was also evidence of an EU motivation to create and operate institutions, again giving credence to the interregional theory of Chapter one. Overall the empirical work of this thesis validated the theoretical motivations of interregionalism, but with slight changes of importance such that EU desire to influence regional integration was perhaps the most overt and identifiable motivation and that balancing and bandwagoning were more subtle and indirect motivations.

The final area of study was that of the impacts of interregionalism, on the EU, its partner regions and the global system. The three main areas of impacts analysed in this thesis correspond to three main motivations; balancing and bandwagoning, institutionalization and collective identity building. The first chapter noted the lack of solid empirical evidence to back up the impacts of interregionalism, which it concluded would be mostly influenced by the balancing and bandwagoning motivation leading to weak institutionalization with corollary low levels of rationalization and agenda-setting. The impacts of interregionalism were so theoretically deduced that it led to questioning of its stability and solidity as a level of international relations, leading Rüland to label interregionalism “sunshine cooperation” and a “fair weather” phenomenon (Rüland 2002a: 6).

The empirical work of this thesis has provided support to some aspects of the theory of interregionalism, but not to all of them. The findings of this work certainly suggest that agenda-setting is a purely theoretically deduced impact because chapters three and four, despite some rhetorical statements, found little evidence to support its existence. Another impact described in the theory of interregionalism was rationalisation but this too was found to have little genuine weight as an impact, although it exists as a de-facto impact of interacting with a group as opposed to a series of individual countries. The lack of rationalisation as an impact is highlighted starkly in chapters three and four by the co-existence of bilateral and interregional relations, and was further underlined by the EU
decision in 2007 to enhance bilateral political relations with Brazil. Simultaneously developing bilateral relations with Brazil highlights the lack of stability inherent in current interregionalism and suggests that it is best described as a fluid phenomenon apt to change as circumstances dictate. The empirical work of this thesis also confirmed the findings of Chapter one which suggested that institutionalisation would be weak and light, although Chapters three and four have found the institutions of interregionalism to be functional and adequate to serve their purposes.

Whilst all the impacts of EU complex interregional strategy are important, it is perhaps those on regional integration that are the most important for the future of interregionalism. EU complex interregionalism and interregionalism in general has much to learn from the EU-Mercosur experience given the vast and rich exchanges the two partners have had. The EU has learnt various lessons in this area, notably that a suitable regional partner must observe strict criteria with respect to their level of regional integration, and not only in theory but in practice. A second key finding has been that support for regional integration does not guarantee any form of mimetism of the EU, or indeed any specific advances in the real level of regional integration. Malamud, describing the three Latin American regional integration groups that were analysed in some detail in Chapter three, ventured that “all three have something in common: none fits easily into the theories of regional integration that were developed from the European case” (2003: 1), and this despite extensive assistance from the EU in all areas of regional integration from technical, political to economic. Nowhere more so than Latin America, across all of the EU’s interregional relations, has any region been more receptive to EU assistance with regional integration, so to see the strategy having so little impact is disconcerting for the EU.

The impact of the EU’s inability to influence Mercosur regional integration is a disappointment specifically for the Commission who was able to deliver a coherent long term strategy. Despite this consistent support the state of Mercosur regional integration remains far from that of a coherent regional partner, with Malamud and Schmitter’s view being that the term regional integration might in itself be too strong for Mercosur noting
that they, "think this is a misleading overextension of the definition of regional integration" (2006: 19). The authors feel that there is a need to distinguish between regional integration and forms of simple regional cooperation. This fact is important for general EU interregionalism, as support for regional integration underpins the EU’s strategy across the three regions studied. The fact that the EU has felt it necessary to address Brazil bilaterally on the political level is indicative of its interregional failings and shows the fluidity of the complex interregional framework. The EU has simply realigned its political relations with Brazil from the interregional to the bilateral level, as it had previously done in Asia due to resistance to regional integration. In two world regions, one due to resistance and one due to a difference of method and objective, pure interregionalism has been relegated behind bilateralism due to balancing and bandwagoning motivations. The EU would clearly prefer not to have to resort to bilateralism with Brazil, but circumstances have forced its hand in what is a worrying portent for pure interregionalism and other interregional relationships. This specific development gives rise to a potential new phenomenon, that of balancing and bandwagoning within complex interregionalism.

Despite the fact that the EU strategy for regional integration has been consistently delivered to a region that welcomed such a strategy, regional integration in Mercosur and Latin America has proved to be nothing near what the EU was aiming for. It is “a “light” regionalism, which rejects the construction of strong regional institutions and the idea of supranationality on the basis of traditional notions of national sovereignty and the supposedly greater efficiency of intergovernmental schemes, which would be difficult to sustain empirically” (Freres & Sanahuja 2005: 35). This notion of a different form of regional integration can easily be expanded to Asia, where as Chapter two noted, many countries rebelled from prescriptive EU regional integration to express their own ‘Asian Values’ (Rüland 2002c: 8). From the perspective of EU complex interregional strategy it is worrying that other world regions are taking even more divergent regional integration routes than those seen in Latin America, something that Freres and Sanahuja highlight when they say that “in spite of the weaknesses that are inherent in Latin America’s integration schemes, it is still the only region in the world, together with the European
Union, which actively encourages 'regionalism'" (2005: 2). It has become clear that there are different understandings of regional integration in Latin America, Asia, Africa and Europe. What is even clearer is that these types of regional integration are not similar to the EU, despite EU attempts to shape them towards its own experience. This single fact, that EU interregional strategy to strengthen regional integration has not translated into action as desired, is perhaps the most important element derived from the empirical work of this thesis that can be related to other complex interregional relationships. Freres and Sanahuja, in relation to Latin America, suggest that;

"As far as the European Union is concerned, it is beyond doubt that it is committed to integration, and most expect that the European Union will continue to support both regional and subregional integration as well as the regional institutions. If the European Union ceases to do so, what other external player will do so? In critical periods, the support given by the European Union to integration has been decisive and it is a major asset. However, it is also the case that the European Union does not have a global and strategic policy to back up Latin American integration, and there is a widespread sense of disinterest and disorientation where this support is concerned" (2005: 37).

It is clear that as complex interregionalism evolves it will increasingly involve the EU interacting with imperfect partners and negotiating with partners with imperfect customs unions, as they are the only regional partners in the world. The EU model of regional integration will remain the exception and not the rule, and the EU will have to decide how to best interact with these partners. EU reluctance or inability to do so would put into jeopardy its entire complex interregional strategy around the world, because in its absence there will be no other support. The EU will have to ask itself if a coherent counterpart is more important than its entire interregional strategy.

The impact of collective identity building has not been of the order interregional theory would have suggested, nor of the type that the EU would have liked. Whilst there have been important impacts of the EU sustaining and helping a significant number of regional groups around the world, there have been important examples of contradictory impacts of
collective identity building support such as ‘Asian values’ in Asia and Mercosur presidential type regionalism in Latin America.

Future of Complex Interregionalism

Interregional theory painted a phenomenon with much promise and a bright future, through a series of theoretical ‘functions’ that were additions to international relations. EU complex interregional strategy corresponds to this vision, as it incorporates all of the theoretical and potential advantages that interregionalism could offer. This thesis has highlighted how EU strategy has not been translated into action and not achieved the results that it set out to attain. Having highlighted this failure by no means sounds a death knell for interregionalism, but it points very clearly towards what needs to be done to attain more concrete results and success. The Chaire Mercosur 2002-3 Annual Report listed what it considered should be the main strategic elements to be translated into action, and on top of that list is “promotion of pro-active multilateral agenda in order to bolster the UN” (2004: 12), something that was not found to have been the case in EU-Mercosur, or EU-LA relations. Translating this element of EU strategy into action is not out of reach of both partners, and would represent a solid sign for their interregional future. Importantly this step could be made irrespective of whether the relationship is hybrid or pure interregionalism. Irrespective of which element of complex interregional strategy is prioritised it is clear that the future of EU complex interregionalism will depend on a number of them being consistently translated into action. Whilst this will depend, to a certain degree, on the coherence and state of regional integration of the EU’s partner regions, it is not entirely contingent on it.

On the basis of difficulties in the EU-Mercosur pursuit of pure interregionalism Doctor entitled a 2007 article ‘Why bother with Interregionalism?’ in which the drive was to investigate why the EU should continue with interregionalism. The main finding was that “abandoning talks was not on the cards, partly as a hedge against the (increasingly likely) possible failure of the Doha Round” (2007: 291). This highlights that despite its past failings and current weaknesses complex interregionalism is firmly entrenched as an
EU strategic balancing and bandwagoning option for its external relations. Complex interregionalism is a flexible model that allows the EU to pursue simultaneous aims in three world regions. The key variable that is outside of the EU’s control is what type of counterparts will be involved, but this should not alter the EU’s pursuit of complex interregionalism. Clearly the EU needs to be able to translate more strategy into action, and so whilst the exact form that complex interregionalism in action will take still remains unclear, it is clear that it will take an important form in EU external relations. This ability to translate strategy into action is the most important element for the EU to take forward. Whilst EU support for complex interregionalism appears to be waning due to its own internal dynamics, it remains a vital strategic option that will increase in importance as more regional entities enhance their actorness, and also if the WTO talks do not bear results. Grugel conveys this fact in relation to Latin America, but it would hold for any EU complex interregional relationship, when he says that Latin America matters for the EU “because it acts as a lodestone for debates about European identity and Europe’s place in the world. It reveals both the strength, and the limitations, of identity as a basis for international politics” (2002: 12). Chapter one identified, and Chapter two advanced, the notion of complex interregionalism acting to enhance the identity of the EU and this is something that will remain very important for the EU. Complex interregionalism will remain a very important vehicle for the transfer of EU values, norms, ideas, practices and standards.

To ensure that there is more consistency of implementation across all the types and levels of dialogue that it holds with counterpart regions the EU needs to find better ways of getting stakeholder buy-in to complex interregionalism. The Council and Member States will need to try and take a more combined, longer-term and consistent approach to implementing interregional strategy, although realist theory and history suggest this will prove difficult. Secondly, from a stakeholder perspective, civil society participation will need to increase and improve in the EU and counterpart regions, which will in turn allow for more balanced participation in interregionalism. All EU counterparts need to ensure a greater participation of social stakeholders and civil society, principally by assisting in strengthening regional integration. A more active civil society is fundamental to a fully
functioning regional integration system and also to a stable and consistent complex interregional relationship because, as Doctor, quoting from Gratius, outlines, "at some future date, citizens and civil society actors will underwrite the ultimate political and social legitimacy of any Association Agreement" (2007: 296). Such participation will also help address questions such as whether it is possible to have balanced socially responsible complex interregionalism, which is likely to become an increasingly important issue.

On the basis of the analysis of regional integration in Latin America it looks likely, at least in the medium-term that pure interregionalism is not likely to appear outside of EU-Africa complex interregionalism. Attempts at pure interregionalism floundered in Asia in the face of resistance over regional integration and now look set to follow suit in Latin America due to differing forms of regional integration. The EU has such power asymmetry in its relations with African EPA regions that it has been able to force regional integration on its partners, and due to less trade friction has been willing to lock these in via Association Agreements. The true test with EU-Africa complex interregionalism will not be in the signing of the agreements but in their implementation and in their ability to deliver what the agreements promise. The recent admission by the Commission that it needed to upgrade its bilateral relations with Brazil reinforces the importance of other world regions for the study of complex interregionalism, as the EU already has key bilateral relationships in relations with Asia and Africa. The EU had already developed a pattern of complex interregionalism around the world, in which it has key strategic relations with anchor countries in a region. Viewed in this way it will be important to assess how complex interregionalism in Latin America develops with relations between Brazil and Mercosur, as this will be a likely precursor for developments in Asia as regional integration initiatives advance. This also emphasises the point that EU complex interregionalism is able to learn from itself, as the three complex interregional relationships, with Asia, Africa and Latin America, all contribute to advance complex interregionalism in general.
Whilst this thesis has focused its detailed and empirical analysis on Latin America and Mercosur, complex interregionalism, as just noted, is in operation in Africa and Asia. It will be important to follow the development of complex interregionalism in these two regions, as it will likely evolve in different ways to those observed in Latin America. This is especially the case in Africa where the signing of the EPAs will be an important phenomenon to analyse in the framework of complex interregionalism, taking note of how the EU attempts to translate strategy into action. Asia should also not be forgotten, as complex interregionalism will also be able to serve as a valuable concept for the analysis of the emergence of relations between the EU and key strategic countries alongside the EU’s strengthening of relations with regional groups such as ASEAN and SAARC.

This thesis makes various contributions not only to the flourishing academic debate around interregionalism, but also to the policy debates that concern the use of interregionalism in Latin America and other world regions, notably in Africa and Asia. From the perspective of the academic debate the thesis has provided a detailed overview and an empirical examination of the main findings of the existing literature. The thesis has put forward empirical evidence that furthers the study of interregionalism, as well as advancing a new framework for analysis; complex interregionalism. In this way the thesis contributes to the ongoing research on the theory and reality of interregionalism around the world. The thesis provides a valuable reference point not only for an academic study of interregionalism, but also for policy makers as they attempt to understand the complexities of this new level of international relations. By illustrating the exact aims and motivations of EU-Mercosur interregionalism, the mechanisms that have been used to implement them and most importantly the impacts that have resulted, this thesis has contributed to policy makers’ understanding of interregionalism. The foremost findings of the empirical analysis of relations with Mercosur also provide policy makers and academics alike with strong indicators of the main factors on which the future of interregionalism will rely. The conclusions on regional integration, and the implications of these for interregionalism, are expected to be of interest, and most likely the subject of further investigation.
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Chairman’s Statement, ASEM 5, Hanoi, 7-9 October 2004
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Chairman’s Statement, AEBF 1, Paris, 14-15 October 1996
Chairman’s Statement, AEBF 2, Bangkok, 14 November 1997
Chairman’s Statement AEBF 5, Vienna, 29 September 2000
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October 2005
Conclusions from Chief Negotiators Meeting, Brussels, 5 February 2007

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Madrid, 17 May 2002
EU-Latin America and Caribbean Summit: Conclusions, Madrid, 18 May 2002
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Guadalajara, 28 May 2004
EU-Latin America and Caribbean Summit: Declaration of Guadalajara, Guadalajara, 28
May 2004
EU-Latin America and Caribbean Summit: Declaration of Vienna, Vienna, 12 May 2006

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Joint Communiqué X EU-Rio Group Ministerial Meeting, Santiago de Chile, 28 March 2001
Joint Communiqué XI EU-Rio Group Ministerial Meeting, Athens, 28 March 2003
Joint Communiqué XII EU-Rio Group Ministerial Meeting, Luxemburg, 27 May 2005
Joint Communiqué XIII EU-Rio Group Ministerial Meeting, Santo Domingo, 20 April 2007

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European Commission-Mercosur Council Inter-institutional Cooperation Agreement, Brussels, 29 May 1992
EU-Mercosur Interregional Framework Cooperation Agreement, Brussels, 15 December 1995
Joint Communiqué EU-Mercosur Ministerial Meeting, Rio de Janeiro, 28 June 1999
Joint Communiqué EU-Mercosur Ministerial Meeting, Madrid, 17 May 2002
Joint Communiqué EU-Mercosur Ministerial Meeting, Athens, 27 March 2003
Joint Communiqué EU-Mercosur Ministerial Meeting, Luxemburg, 26 May 2005
Joint Communiqué EU-Mercosur Ministerial Meeting, Brussels, 2 September 2005
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EU-Mercosur Second Biregional Negotiations Committee: Conclusions, Brussels, 13-16 June 2000
EU-Mercosur Third Biregional Negotiations Committee: Conclusions, Brasilia, 7-10 November 2000
Joint Press Release: Third Biregional Negotiations Committee, Brasilia, 7-10 November 2000
EU-Mercosur Fourth Biregional Negotiations Committee: Conclusions, Brussels, 19-22 March 2001
EU-Mercosur Fifth Biregional Negotiations Committee: Conclusions, Montevideo, 2-6 July 2001
EU-Mercosur Sixth Biregional Negotiations Committee: Conclusions, Brussels, 29-31 October 2001
EU-Mercosur Seventh Biregional Negotiations Committee: Conclusions, Buenos Aires, 8-11 April 2002
EU-Mercosur Eighth Biregional Negotiations Committee: Conclusions, Brasilia, 11-14 November 2002
EU-Mercosur Ninth Biregional Negotiations Committee: Conclusions, Brussels, 17-21 March 2003
EU-Mercosur Tenth Biregional Negotiations Committee: Conclusions, Asunción, 23-27 June 2003
EU-Mercosur Eleventh Biregional Negotiations Committee: Conclusions, Brussels, 5 December 2003
EU-Mercosur Twelfth Biregional Negotiations Committee: Conclusions, Buenos Aires, 8-12 March 2004
EU-Mercosur Thirteenth Biregional Negotiations Committee: Conclusions, Brussels, 3-7 May 2004
Joint Communiqué EU-Mercosur Ministerial Negotiations Meeting, Lisbon, 20 October 2005
Joint Communiqué EU-Mercosur Ministerial Negotiations Meeting, Brussels, 2 September 2005

**Cooperation**


**Mercosur**

Southern Common Market Agreement, Asunción, 26 March 1991
Protocol of Brasilia, Brasilia, 17 December 1991
Protocol of Ouro Preto, Ouro Preto, 17 December 1994
Protocol of Olivos, Olivos, 18 February 2002

Mercosur – Andean Community Partial Scope Agreement (AAP.A14TM No.11), 16 April 1998
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Joint Communiqué Meeting of Heads of States and Government of the Andean Community and European Union, Madrid, 18 May 2002
Joint Communiqué VI Joint Commission, Brussels, 4 December 2001

**Andean Community**

Cartagena Agreement, Cartagena, 26 May 1969
EU – Central American Common Market (CACM)

EU–CACM Framework Cooperation Agreement, San Salvador, 22 February 1993
EU–CACM Political Dialogue and Cooperation Agreement, May 2002
Joint Communiqué XIV EU–CACM Joint Commission, Nicaragua, 2 March 2006
Joint Communiqué XV EU Central American Summit, Vienna, 13 May 2006
Joint Communiqué XV EU–CACM Joint Commission, Guatemala City, 23 April 2007

Central American Common Market (CACM)

General Treaty on Central American Economic Integration, Managua, 13 December 1960

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European Commission, DG External Relations: http://europa.eu.int/comm/external_relations/
European Commission, DG Trade: http://europa.eu.int/comm/trade
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ICONE: www.iconebrasil.com.br
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MEBF: http://mebf.arcelor.com
Mercopress: www.mercopress.com
Mercosur: www.mercosur.org.uy
SAARC: www.saarc-sec.org
SADC: www.sadc-pf.org
WTO: www.wto.org
Appendices

Appendix 1: Regional Integration in the World

EUROPE

Baltic Free Trade Area (BFT) (1997)
Estonia, Latvia, Lithuania
Aim: Customs Union

Benelux (1947)
Belgium, Luxembourg, The Netherlands
Aim: Customs Union

Black Sea Economic Cooperation Scheme (BSECS) (1992)
Albania, Bulgaria, Greece, Romania, Turkey, Armenia, Azerbaijan, Georgia, Moldova, Ukraine, Russian Federation
Aim: Cooperation, Development

Central European Free Trade Agreement (CEFTA) (1992)
Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovak Republic, Slovenia
Aim: Preparation for EU Membership

Commonwealth of Independent States (CIS) (1991)
Azerbaijan, Armenia, Belarus, Georgia, Moldova, Kazakhstan, Russian Federation, Ukraine, Uzbekistan, Tajikistan, Kyrgyz Republic
Aim: Cooperation and Economic Union

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93 This is not a comprehensive list of all regional integration initiatives in the world, rather those that the author has complied for the purposes of this research
Eurasian Economic Community (EAEC) (1995)
Belarus, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan
Aim: Customs Union and Cooperation

European Communities (EC) – (1957) (became European Union in 1993)
Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom
Aim: Monetary Union

Economic Cooperation Organisation (ECO) (1985)
Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan
Aim: Regional development

European Economic Area (EEA) (1992)
EC, Iceland, Liechtenstein, Norway
Aim: Integration in EU Single Market and Cooperation

European Free Trade Association (EFTA) (1960)
Iceland, Liechtenstein, Norway, Switzerland
Aim: Free Trade

Free Trade Agreement of Central Europe (1992) (Formerly Visegrad from 1991)
Czech Rep, Hungary, Poland, Slovakia
Aim: Free Trade Area

MIDDLE EAST

Gulf Cooperation Council (GCC) (1981)
Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates
Aim: Coordination, Integration and Inter-connection
Arab Common Market (1964)
Egypt, Iraq, Jordan, Libya, Mauritania, UAE, Yemen
Aim: Development, Cooperation

Arab Cooperation Council (ACC) (1989)
Egypt, Iraq, Jordan, Yemen
Aim: Cooperation,

NORTH AMERICA

North American Free Trade Area (NAFTA) (1994)
Canada, Mexico, USA
Aim: Free Trade Area

SOUTH AMERICA

Andean Community (CAN) (1969)
Bolivia, Colombia, Ecuador, Peru, Venezuela
Aim: Customs Union, Integration, Cooperation

Caribbean Community and Common Market (CARICOM) (1973)
Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Trinidad & Tobago, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Surinam
Aim: Customs Union, Integration, Cooperation

Central American Common Market (CACM) (1960)
Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua
Aim: Common Market, Integration, Cooperation

Grupo de las Tres (G-3) (1989)
Colombia, Mexico, Venezuela
Aim: Free Trade Area, Customs Union
Latin American Integration Association (LAIA) (1980)
Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela
Aim: Preferential Trade Agreements, Cooperation

Latin American Economic System (SELA) (1975)
Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Rep, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Surinam, Trinidad & Tobago, Uruguay, Venezuela
Aim: Regional cooperation and development

Anguilla, Antigua and Barbuda, British Virgin Islands, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines
Aim: Cooperation

Rio Group (1986)
Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela
Aim: Political development, External Relations

Southern Common Market (Mercosur) (1991)
Argentina, Brazil, Paraguay, Uruguay
Aim: Customs Union, Integration, Cooperation

ASIA

Association of South East Asian Nations (ASEAN) (1967)
Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
Aim: Integration, Cooperation, Free Trade Area
ASEAN Free Trade Area (AFTA) (1992)

Brunei, Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

Aim: Free Trade Area

Bangkok Agreement (1975)

Bangladesh, China, India, Republic of Korea, Laos, Sri Lanka

Aim: Preferential Trade, Cooperation

Central Asian Economic Community (CAEC) (1994)

Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan

Aim: Integration, Cooperation

South Asian Association for Regional Cooperation (SAARC) (1985)

Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

Aim: Free Trade Area, Cooperation, Integration

AFRICA

Arab Maghreb Union (AMU) (1989)

Algeria, Libya, Morocco, Tunisia, Mauritania

Aim: Single Market, Cooperation, Integration

Economic and Monetary Community of Central Africa (CEMAC) (1964)

Cameroon, Central African Republic, Chad, Congo, Equatorial, Guinea, Gabon

Aim: Economic Union, Cooperation, Integration


Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe

Aim: Economic Union, Integration
Customs Union of Southern Africa (CUSA) (1969)

South Africa, Botswana, Lesotho, Namibia, Swaziland

Aim: Customs Union


Kenya, Tanzania, Uganda

Aim: Cooperation, Integration

Economic Community of Central African States (1983)

Burundi, Cameroon, Central African Rep, Chad, Congo, Dem Rep Congo, Gabon, Equatorial Guinea, Rwanda

Aim: Customs Union

Economic Community of the Great Lakes Countries (1976)

Burundi, Dem Rep Congo, Rwanda

Aim: Customs Union, Regional Development

Economic Community of West African States (ECOWAS) (1975)

Benin, Burkina Faso, Gambia, Ghana, Green Cape, Guinea, Guinea-Bissau, Ivory Coast, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo

Aim: Common Market, Cooperation and Development

Mano River Union (1973)

Guinea, Liberia, Sierra Leone

Aim: Customs Union, Development and Cooperation

Southern African Development Community (SADC) (1992)

Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia, Zimbabwe

Aim: Poverty Eradication, Cooperation
Western African Economic and Monetary Union (WAEMU) (1994)

Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo

Aim: Common Market, Cooperation, Integration

AUSTRALASIA

Closer Trade Relations Trade Agreement (CER) (1983)

Australia, New Zealand

Aim: Cooperation

Melanesian Spearhead Group (MSG) (1996)

Fiji, Papa New Guinea, Solomon Islands, Vanuatu

Aim: Free Trade Area, Cooperation

Pacific Islands Forum (PIF) (1971)

Australia, the Cook Islands, Fiji, Nauru, New Zealand, Tonga and Western Samoa, Niue, Papua New Guinea, Kiribati, Tuvalu, Vanuatu, Solomon Islands, Republic of the Marshall Islands, Micronesia, Palau

Aim: Cooperation

South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) (1980)

Australia, New Zealand, Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu, Western Samoa

Aim: Cooperation, Integration
Appendix 2: Classifications of Transregionalism and Interregionalism

Transregionalism (Biregionalism) (Region - Region)

Asia Europe Meeting (ASEM) (1994)
Asia Pacific Economic Co-operation (APEC) (1989)
ASEAN Regional Forum (ARF) (1994)
Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) (1995)
Europe - Latin America Summit (1999)
EU - Africa Summit (2000)
East Asia - Latin America Forum (EALAF) (2001)
Free Trade Area of the Americas (FTAA) (1994)

Transatlantic Free Trade Area (TAFTA) (Idea suggested 1996 – no actual agreement to date)

Hybrid Interregionalism (Group – Group)

EU – ACP Cotonou (Lomé) (1975)
EU - ASEAN (1980)
ASEAN - Mercosur (1996)
EU - SAARC (1994)
Mercosur - CER (1995)
EU - GCC (1989)
EU - SADC (1994)
ASEAN - GCC (1995)

Sources: Aggarwal & Fogarty (2001: 6, 222), Hänggi (2000: 3-8)
EU - Rio Group (1990)

ASEAN - CER (2001)

**Pure Interregionalism (Customs Union – Customs Union)**


EU - CAN (1996)

EU - CACM (1993)
## Appendix 3: Interregional Flow Chart

### Context
- **Global Political Economy**
  1. Globalisation
  2. New Regionalism

- **Academic Literature**
  1. Realist/Mercantalist
  2. Liberal Institutionalist
  3. Constructivist

### Defined by:
1. Membership
2. Institutionalisation: High vs Low
3. Rules: Binding vs Non-binding
4. Scope
5. Type of Region: Core
6. Balance
7. Symmetry/Counterpart: Periphery
8. Inclusiveness
9. Type of Capitalism: Unregulated vs Administered

### Types/Forms
- Transregional (most recent)
  - Not geographically constrained membership, can be more than 2 regions
  - Mostly economic, some institutionalisation needed, information and meeting points
- Hybrid Interregional (most prevalent)
  - Regional Actor - National Actor
  - Economic focus, regular meetings, more comprehensive relationships
- Pure Interregional
  - Customs Union - Customs Union
  - Not exclusively economic, regular meetings, comprehensive relationships

### Dynamics
- Related to:
  1. Content
  2. Type/Form
  3. Individual Actors
  4. Academic Literature

- Realist/Mercantalist: Balancing and Bandwagoning
- Liberal Institutionalist: Institutionalisation and Rationalising
- Constructivist: Collective Identity Formation

### Impacts
- Related to:
  1. Content
  2. Type/Form
  3. Individual Actors
  4. Academic Literature

- Realist/Mercantalist: Balancing and Bandwagoning
- Liberal Institutionalist: Institutionalisation and Rationalising
- Constructivist: Collective Identity Formation

### Source: Own Creation
### Appendix 4: Indicative list of Regional Trade Agreements in Latin America

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Year</th>
<th>Activated</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada - Israel</td>
<td>1997</td>
<td>1997</td>
<td>FTA</td>
</tr>
<tr>
<td>US - Israel</td>
<td>1985</td>
<td>1985</td>
<td>FTA</td>
</tr>
<tr>
<td>Canada - US</td>
<td>1989</td>
<td></td>
<td>Free Trade Area</td>
</tr>
<tr>
<td>Chile - Canada</td>
<td>1996</td>
<td>1997</td>
<td>Free Trade Area</td>
</tr>
<tr>
<td>Chile - US</td>
<td>2003</td>
<td></td>
<td>Free Trade Area</td>
</tr>
<tr>
<td>Chile - Memeosur</td>
<td>1996</td>
<td></td>
<td>Free Trade Area</td>
</tr>
<tr>
<td>Chile - Mexico</td>
<td>1998</td>
<td></td>
<td>Free Trade Area</td>
</tr>
<tr>
<td>Chile - Peru</td>
<td>1998</td>
<td></td>
<td>Free Trade Area</td>
</tr>
<tr>
<td>Chile - Venezuela</td>
<td>1997</td>
<td></td>
<td>Free Trade Area</td>
</tr>
<tr>
<td>Chile - Colombia</td>
<td>1993</td>
<td></td>
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Source: Own Creation
### Appendix 5: EU – Latin America Trade Statistics

#### EU Trade with Main Partners 2005

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<th>Partners</th>
<th>Mio euro</th>
<th>%</th>
<th>Partners</th>
<th>Mio euro</th>
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EU Trade with Latin America and Caribbean

EU Foreign Direct Investment in Latin America and the Caribbean

### EU Trade with Mercosur

**EU Trade with Mercosur**

#### Mercosur Merchandise Trade with the World

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<thead>
<tr>
<th>Year</th>
<th>Imports (Bn euros)</th>
<th>Exports (Bn euros)</th>
<th>Balance (Bn euros)</th>
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<td>2000</td>
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<td>2004</td>
<td>28.3</td>
<td>18.3</td>
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Source: IMF (Direction of Trade Statistics) * excl intra EU Trade

#### EU25 Merchandise Trade with Mercosur by Product (2004)

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<th>Product</th>
<th>Imports (Mio Euros)</th>
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<th>Balance (Mio Euros)</th>
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<td>Machinery</td>
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<td>Transport equipment</td>
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Source: Eurostat, statistical regime 4

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EU Trade in Services and Foreign Direct Investment with Mercosur

**EU15 Trade in Services with Mercosur**

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<tr>
<td>2001</td>
<td>4.9</td>
<td>5.2</td>
<td>0.4</td>
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<tr>
<td>2002</td>
<td>4.3</td>
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<tr>
<td>2003</td>
<td>4.3</td>
<td>4.0</td>
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Source: Eurostat (excluding government services)

**Mercosur Share of EU15 Trade in Services**

- Imports: 1.3%
- Exports: 32.0%
- Inward Stocks: 50.8%
- Outward Stocks: 11.8%
- Other: 4.1%

**EU25 Foreign Direct Investment with Mercosur**

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<th>Year</th>
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Source: Eurostat

2003, estimated FDI stock = stock 2002 + flows 2003

## Mercosur Trade with Main Partners 2003

### The major import partners

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### The major trade partners

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### Exports to ...

<table>
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<tr>
<th>Partner regions</th>
<th>Mio euro</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>World</td>
<td>93,565</td>
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<tr>
<td>NAFTA</td>
<td>22,139</td>
<td>23.9</td>
</tr>
<tr>
<td>Latin America</td>
<td>23,931</td>
<td>25.6</td>
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<tr>
<td>EU Candidates</td>
<td>854</td>
<td>0.9</td>
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<tr>
<td>EFTA</td>
<td>667</td>
<td>0.7</td>
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<tr>
<td>Medit. Countries</td>
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<td>2.5</td>
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<td>2,328</td>
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### Imports + Exports

<table>
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<tr>
<th>Partner regions</th>
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<th>%</th>
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<td>ASEAN</td>
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## EU-Mercosur Trade by Major Product Category 2004

### European Union, Imports from the World

<table>
<thead>
<tr>
<th>Products (SITC Sections) by order of importance</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>1,027,893</td>
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<tr>
<td>Machinery and transport equipment</td>
<td>350,587</td>
<td>34.1</td>
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<tr>
<td>Mineral fuels, lubricants and rel. Materials</td>
<td>180,960</td>
<td>17.6</td>
</tr>
<tr>
<td>Miscell. manuf. Articles</td>
<td>153,496</td>
<td>14.9</td>
</tr>
<tr>
<td>Manuf goods classif. chiefly by material</td>
<td>107,589</td>
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<tr>
<td>Chemicals and related prod., n.e.s.</td>
<td>86,207</td>
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<tr>
<td>Food and live animals</td>
<td>52,003</td>
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<tr>
<td>Crude materials inedible, except fuels</td>
<td>42,435</td>
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<tr>
<td>Commodit. and transactions n.e.c.</td>
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<tr>
<td>Beversages and tobacco</td>
<td>5,661</td>
<td>0.6</td>
</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>3,635</td>
<td>0.4</td>
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### European Union, Imports from Mercosur

<table>
<thead>
<tr>
<th>Products (SITC Sections) by order of importance</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>28,264</td>
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</tr>
<tr>
<td>Food and live animals</td>
<td>10,515</td>
<td>37.2</td>
</tr>
<tr>
<td>Crude materials inedible, except fuels</td>
<td>7,255</td>
<td>25.7</td>
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<tr>
<td>Manuf goods classif. chiefly by material</td>
<td>3,242</td>
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<td>Machinery and transport equipment</td>
<td>3,229</td>
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<tr>
<td>Miscell. manuf. Articles</td>
<td>977</td>
<td>3.5</td>
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<tr>
<td>Chemicals and related prod., n.e.s.</td>
<td>930</td>
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<tr>
<td>Beversages and tobacco</td>
<td>536</td>
<td>1.9</td>
</tr>
<tr>
<td>Mineral fuels, lubricants and rel. Materials</td>
<td>486</td>
<td>1.7</td>
</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>219</td>
<td>0.8</td>
</tr>
<tr>
<td>Commodit. and transactions n.e.c.</td>
<td>156</td>
<td>0.6</td>
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</table>

### European Union, Exports to the World

<table>
<thead>
<tr>
<th>Products (SITC Sections) by order of importance</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>962,648</td>
<td>100.0</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>435,782</td>
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<tr>
<td>Chemicals and related prod., n.e.s.</td>
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<tr>
<td>Manuf goods classif. chiefly by material</td>
<td>123,285</td>
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<tr>
<td>Miscell. manuf. Articles</td>
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<tr>
<td>Food and live animals</td>
<td>33,521</td>
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<tr>
<td>Mineral fuels, lubricants and rel. Materials</td>
<td>27,753</td>
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<td>Commodit. and transactions n.e.c.</td>
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<tr>
<td>Crude materials inedible, except fuels</td>
<td>16,682</td>
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</tr>
<tr>
<td>Beversages and tobacco</td>
<td>14,803</td>
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</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>2,367</td>
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</table>

### European Union, Exports to Mercosur

<table>
<thead>
<tr>
<th>Products (SITC Sections) by order of importance</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>18,340</td>
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<tr>
<td>Machinery and transport equipment</td>
<td>9,198</td>
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<tr>
<td>Chemicals and related prod., n.e.s.</td>
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<td>22.5</td>
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<tr>
<td>Manuf goods classif. chiefly by material</td>
<td>1,818</td>
<td>9.9</td>
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<tr>
<td>Miscell. manuf. Articles</td>
<td>1,293</td>
<td>7.0</td>
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<tr>
<td>Commodit. and transactions n.e.c.</td>
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<td>2.1</td>
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<tr>
<td>Food and live animals</td>
<td>246</td>
<td>1.3</td>
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<tr>
<td>Mineral fuels, lubricants and rel. Materials</td>
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<td>1.3</td>
</tr>
<tr>
<td>Crude materials inedible, except fuels</td>
<td>179</td>
<td>1.0</td>
</tr>
<tr>
<td>Beversages and tobacco</td>
<td>159</td>
<td>0.9</td>
</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>74</td>
<td>0.4</td>
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Brazil Trade with Main Partners 2005

### The major import partners

<table>
<thead>
<tr>
<th>Partners</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>67,930</td>
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</tr>
<tr>
<td>EU</td>
<td>17,610</td>
<td>25.9</td>
</tr>
<tr>
<td>USA</td>
<td>13,568</td>
<td>20.0</td>
</tr>
<tr>
<td>Argentina</td>
<td>5,629</td>
<td>8.3</td>
</tr>
<tr>
<td>China</td>
<td>4,270</td>
<td>6.3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>4,209</td>
<td>6.2</td>
</tr>
<tr>
<td>Japan</td>
<td>2,399</td>
<td>3.5</td>
</tr>
<tr>
<td>Algeria</td>
<td>2,327</td>
<td>3.4</td>
</tr>
<tr>
<td>Korea</td>
<td>2,131</td>
<td>3.1</td>
</tr>
<tr>
<td>Chile</td>
<td>1,528</td>
<td>2.2</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>1,482</td>
<td>2.2</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>889</td>
<td>1.3</td>
</tr>
<tr>
<td>Chile</td>
<td>788</td>
<td>1.2</td>
</tr>
<tr>
<td>USA</td>
<td>749</td>
<td>1.1</td>
</tr>
<tr>
<td>Bolivia</td>
<td>721</td>
<td>1.1</td>
</tr>
<tr>
<td>Mexico</td>
<td>711</td>
<td>1.0</td>
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<tr>
<td>Iraq</td>
<td>569</td>
<td>0.8</td>
</tr>
<tr>
<td>Australia</td>
<td>568</td>
<td>0.8</td>
</tr>
<tr>
<td>India</td>
<td>562</td>
<td>0.8</td>
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<tr>
<td>Russia</td>
<td>535</td>
<td>0.8</td>
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### The major export partners

<table>
<thead>
<tr>
<th>Partners</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
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<tr>
<td>EU</td>
<td>22,419</td>
<td>23.4</td>
</tr>
<tr>
<td>USA</td>
<td>19,160</td>
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<tr>
<td>China</td>
<td>7,294</td>
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<td>Argentina</td>
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<tr>
<td>Mexico</td>
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<tr>
<td>Chile</td>
<td>2,763</td>
<td>2.9</td>
</tr>
<tr>
<td>Canada</td>
<td>2,092</td>
<td>2.2</td>
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<tr>
<td>Korea</td>
<td>1,827</td>
<td>1.9</td>
</tr>
<tr>
<td>Russia</td>
<td>1,712</td>
<td>1.8</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1,598</td>
<td>1.7</td>
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<td>Caribbean</td>
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<td>Iran</td>
<td>1,159</td>
<td>1.2</td>
</tr>
<tr>
<td>Colombia</td>
<td>953</td>
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<tr>
<td>South Africa</td>
<td>951</td>
<td>1.0</td>
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<tr>
<td>Saudi Arabia</td>
<td>845</td>
<td>0.9</td>
</tr>
<tr>
<td>Thailand</td>
<td>788</td>
<td>0.8</td>
</tr>
<tr>
<td>Peru</td>
<td>770</td>
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<tr>
<td>Paraguay</td>
<td>762</td>
<td>0.8</td>
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<td>United Arab Emirates</td>
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### The major trade partners

<table>
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<tr>
<th>Partners</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
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<tr>
<td>World</td>
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<td>40,028</td>
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<tr>
<td>USA</td>
<td>32,728</td>
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<td>Argentina</td>
<td>12,401</td>
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<tr>
<td>China</td>
<td>11,564</td>
<td>7.1</td>
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<tr>
<td>Japan</td>
<td>5,617</td>
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<td>Nigeria</td>
<td>4,726</td>
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<td>Mexico</td>
<td>4,336</td>
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<td>Chile</td>
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<td>Korea</td>
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<td>Russia</td>
<td>2,247</td>
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<td>Venezuela</td>
<td>1,838</td>
<td>1.1</td>
</tr>
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<td>Hong Kong</td>
<td>1,563</td>
<td>1.0</td>
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<tr>
<td>Singapore</td>
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<td>0.8</td>
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<td>Caribbean</td>
<td>1,266</td>
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<tr>
<td>South Africa</td>
<td>1,222</td>
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<td>Switzerland</td>
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### Imports from...

<table>
<thead>
<tr>
<th>Partner regions</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>67,930</td>
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<td>15,067</td>
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<td>Latin America</td>
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<td>Medit.Countries*</td>
<td>3,172</td>
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<td>ASEAN</td>
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### Exports to...

<table>
<thead>
<tr>
<th>Partner regions</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>95,811</td>
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</tr>
<tr>
<td>NAFTA</td>
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### Imports + Exports

<table>
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<tr>
<th>Partner regions</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>163,742</td>
<td>100.0</td>
</tr>
<tr>
<td>NAFTA</td>
<td>39,945</td>
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<td>Latin America</td>
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<td>EFTA</td>
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<td>Medit.Countries*</td>
<td>4,988</td>
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<td>ASEAN</td>
<td>4,228</td>
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## EU-Brazil Trade by Major Product Category

### European Union, Imports from the World

<table>
<thead>
<tr>
<th>Products (SITC Sections) by order of importance</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>1 176 055</td>
<td>100.0</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>375 952</td>
<td>32.0</td>
</tr>
<tr>
<td>Mineral fuels, lubricants and related materials</td>
<td>249 895</td>
<td>21.2</td>
</tr>
<tr>
<td>Misc. manuf. Articles</td>
<td>166 967</td>
<td>14.2</td>
</tr>
<tr>
<td>Manuf goods class. chiefly by material</td>
<td>116 362</td>
<td>9.9</td>
</tr>
<tr>
<td>Chemicals and related prod., n.e.s.</td>
<td>93 872</td>
<td>8.0</td>
</tr>
<tr>
<td>Food and live animals</td>
<td>54 453</td>
<td>4.6</td>
</tr>
<tr>
<td>Crude materials inedible, except fuels</td>
<td>45 851</td>
<td>3.9</td>
</tr>
<tr>
<td>Commodities and transactions n.e.c.</td>
<td>25 720</td>
<td>2.2</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>4 778</td>
<td>0.4</td>
</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>4 093</td>
<td>0.3</td>
</tr>
</tbody>
</table>

### European Union, Imports from Brazil

<table>
<thead>
<tr>
<th>Products (SITC Sections) by order of importance</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>23 300</td>
<td>100.0</td>
</tr>
<tr>
<td>Crude materials inedible, except fuels</td>
<td>6 785</td>
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<tr>
<td>Food and live animals</td>
<td>6 126</td>
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<tr>
<td>Machinery and transport equipment</td>
<td>3 466</td>
<td>14.9</td>
</tr>
<tr>
<td>Manuf goods class. chiefly by material</td>
<td>2 845</td>
<td>12.2</td>
</tr>
<tr>
<td>Chemicals and related prod., n.e.s.</td>
<td>980</td>
<td>4.2</td>
</tr>
<tr>
<td>Misc. manuf. Articles</td>
<td>968</td>
<td>4.2</td>
</tr>
<tr>
<td>Mineral fuels, lubricants and related materials</td>
<td>720</td>
<td>3.1</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>393</td>
<td>1.7</td>
</tr>
<tr>
<td>Commodities and transactions n.e.c.</td>
<td>251</td>
<td>1.1</td>
</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>154</td>
<td>0.7</td>
</tr>
</tbody>
</table>

### European Union, Exports to the World

<table>
<thead>
<tr>
<th>Products (SITC Sections) by order of importance</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>1 061 836</td>
<td>100.0</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>478 928</td>
<td>45.1</td>
</tr>
<tr>
<td>Chemicals and related prod., n.e.s.</td>
<td>163 339</td>
<td>15.4</td>
</tr>
<tr>
<td>Manuf goods class. chiefly by material</td>
<td>133 539</td>
<td>12.6</td>
</tr>
<tr>
<td>Misc. manuf. Articles</td>
<td>119 503</td>
<td>11.3</td>
</tr>
<tr>
<td>Mineral fuels, lubricants and related materials</td>
<td>38 847</td>
<td>3.7</td>
</tr>
<tr>
<td>Food and live animals</td>
<td>35 126</td>
<td>3.3</td>
</tr>
<tr>
<td>Commodities and transactions n.e.c.</td>
<td>28 863</td>
<td>2.7</td>
</tr>
<tr>
<td>Crude materials inedible, except fuels</td>
<td>19 440</td>
<td>1.8</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>16 111</td>
<td>1.5</td>
</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>2 420</td>
<td>0.2</td>
</tr>
</tbody>
</table>

### European Union, Exports to Brazil

<table>
<thead>
<tr>
<th>Products (SITC Sections) by order of importance</th>
<th>Mio euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>15 987</td>
<td>100.0</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>8 476</td>
<td>53.0</td>
</tr>
<tr>
<td>Chemicals and related prod., n.e.s.</td>
<td>3 259</td>
<td>20.4</td>
</tr>
<tr>
<td>Manuf goods class. chiefly by material</td>
<td>1 629</td>
<td>10.2</td>
</tr>
<tr>
<td>Misc. manuf. Articles</td>
<td>1 012</td>
<td>6.3</td>
</tr>
<tr>
<td>Commodities and transactions n.e.c.</td>
<td>244</td>
<td>1.5</td>
</tr>
<tr>
<td>Mineral fuels, lubricants and related materials</td>
<td>227</td>
<td>1.4</td>
</tr>
<tr>
<td>Food and live animals</td>
<td>227</td>
<td>1.4</td>
</tr>
<tr>
<td>Crude materials inedible, except fuels</td>
<td>166</td>
<td>1.0</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>112</td>
<td>0.7</td>
</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>82</td>
<td>0.5</td>
</tr>
</tbody>
</table>

### Share of total EU imports

- Machinery and transport equipment: 2.0%
- Food and live animals: 14.8%
- Chemicals and related prod., n.e.s.: 11.2%
- Manuf goods class. chiefly by material: 0.9%
- Commodities and transactions n.e.c.: 2.4%
- Animal and vegetable oils, fats and waxes: 3.8%

### Share of total EU exports

- Machinery and transport equipment: 1.5%
- Chemicals and related prod., n.e.s.: 1.8%
- Manuf goods class. chiefly by material: 2.0%
- Commodities and transactions n.e.c.: 0.9%
- Animal and vegetable oils, fats and waxes: 3.4%

EU Imports from Brazil

The table below shows the structure of imports into the European Union from Brazil, categorized into different product groups. The data is presented for the years 2001, 2003, and 2005.

### European Union, Imports from the World

<table>
<thead>
<tr>
<th>Product Groups</th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>983,443</td>
<td>1,176,055</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Primary Products</td>
<td>284,210</td>
<td>383,646</td>
<td>32,6</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural prod.</td>
<td>81,060</td>
<td>80,932</td>
<td>6,9</td>
</tr>
<tr>
<td>Energy</td>
<td>159,904</td>
<td>249,695</td>
<td>21,2</td>
</tr>
<tr>
<td>Manuf. Products</td>
<td>667,914</td>
<td>728,577</td>
<td>62,0</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>262,923</td>
<td>277,426</td>
<td>23,6</td>
</tr>
<tr>
<td>Transport equipm</td>
<td>89,425</td>
<td>98,526</td>
<td>8,4</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive prod.</td>
<td>34,734</td>
<td>44,010</td>
<td>3,7</td>
</tr>
<tr>
<td>Chemicals</td>
<td>76,880</td>
<td>93,072</td>
<td>8,0</td>
</tr>
<tr>
<td>Textiles and cloth.</td>
<td>67,220</td>
<td>70,415</td>
<td>6,0</td>
</tr>
</tbody>
</table>

### European Union, Imports from ... Brazil

<table>
<thead>
<tr>
<th>Product Groups</th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>19,267</td>
<td>23,300</td>
<td>100,000</td>
</tr>
<tr>
<td>Primary Products</td>
<td>12,495</td>
<td>14,723</td>
<td>63,2</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural prod.</td>
<td>8,985</td>
<td>9,321</td>
<td>40,0</td>
</tr>
<tr>
<td>Energy</td>
<td>229</td>
<td>720</td>
<td>3,1</td>
</tr>
<tr>
<td>Manuf. Products</td>
<td>6,611</td>
<td>7,714</td>
<td>33,1</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>922</td>
<td>1,517</td>
<td>6,5</td>
</tr>
<tr>
<td>Transport equipm</td>
<td>2,169</td>
<td>1,549</td>
<td>8,4</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive prod.</td>
<td>579</td>
<td>1,095</td>
<td>4,7</td>
</tr>
<tr>
<td>Chemicals</td>
<td>668</td>
<td>980</td>
<td>4,2</td>
</tr>
<tr>
<td>Textiles and cloth.</td>
<td>176</td>
<td>171</td>
<td>0,7</td>
</tr>
</tbody>
</table>

EU-Mexico Trade and Investment 2005

EU-Chile Trade and Investment 2005


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## Appendix 6: EU – Latin American Regional Integration Schemes: Key Details

### Central American Common Market

| Name:               | Central American Common Market  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><em>(Mercado Común Centroamericano – MCCA)</em></td>
</tr>
<tr>
<td>Creation:</td>
<td>13 December 1960, Managua (Nicaragua), Treaty of Managua</td>
</tr>
<tr>
<td>Member Countries:</td>
<td>Costa Rica (1962), El Salvador, Guatemala, Honduras and Nicaragua</td>
</tr>
<tr>
<td>Associate Members:</td>
<td>Belize and Panama (1997 - joined political body only)</td>
</tr>
<tr>
<td>Seat:</td>
<td>City of Guatemala (Guatemala)</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Creation of a Common Market</td>
</tr>
</tbody>
</table>

| GDP:        | €74 billion (2005)  |
| Exports:    | €21.8 billion (2005) |
| Imports:    | €32.3 billion (2005) |

Andean Community

Name: Andean Community AC (*Comunidad Andina* – CAN)

Creation: 26 May 1969, Cartagena de Indias (Colombia), Cartagena Agreement

Known as the Andean Pact until the 1996 Trujillo Protocol created the Andean Community

Member Countries: Bolivia, Colombia, Ecuador, Peru, Venezuela (1969-2006), Chile (1969-1976)

Observation Countries: Panama, AEC countries and Mercosur

Status: Lima (Peru)

Objectives: To promote the balanced and harmonious development of the member countries, in conditions of equality, through economic and social integration and cooperation. To facilitate participation in regional integration with the gradual aim of forming a Latin American common market. To strengthen sub-regional solidarity, reduce the differences in development that already exist and to accelerate the growth of the Andean countries. To promote the reduction of external vulnerability and better the position of member states in the international economic arena. Harmonise economic and agricultural policies

Population: 121.2 million (2006)

GDP: (2005) €303 billion

Exports: (2005) €41.4 billion

Imports: (2005) €36.3 billion


For full details of the Andean Community see their comprehensive website at [www.comunidadandina.org](http://www.comunidadandina.org)
Mercosur

Name: Mercosur (*Mercado Común del Sur*)
Creation: 26 March 1991 with Treaty of Asunción
Member Countries: Argentina (1991), Brazil (1991), Paraguay (1991), Uruguay
(1991) and Venezuela (2006)
Seat: Montevideo (Uruguay)
Objectives: To create a Common Market with the free circulation of goods, services and factors of production. To adopt a common foreign policy. To coordinate common positions in international fora and coordinate macroeconomic and sectoral policies. To harmonise national legislation with the view of better integration in South America. Economic development with social justice.

GDP: (2005) €802 billion
Exports: (2005) €184.5 billion
Imports: (2005) €115 billion

For full details of Mercosur see their comprehensive website at [www.mercosur.org.uy](http://www.mercosur.org.uy)