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The European Union as an International Actor and  
the Mercosur Countries

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*The European Union as an International Actor and the Mercosur Countries*

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## **Abstract**

This article examines the European Union's ability to act as an international actor in the interregional dialogues through an analysis of its behaviour towards the Mercosur countries from 1991 to 2003. It is divided into four parts and a conclusion. The first part discusses specific approaches concerning the perceptions of the European Union as an international actor. The second one examines the development of interregional dialogues. The article presents a brief framework of the relations between the European Union and Latin America during this period. Then it analyses the Interregional Framework Cooperation Agreement signed in 1995, emphasizing the political dimension, concentrating mainly on the political dialogue between both regions, and the advances/obstacles in the negotiations towards trade liberalisation and economic cooperation. The conclusion evaluates the actions of the European Union as an international actor in relation to the Mercosur members. The article adopts a historical perspective.

**Keywords:** Common Foreign and Security Policy; European Foreign Policy; European Union and Latin America relations; Interregional dialogues; Mercosur countries and European Union.

## **Introduction<sup>1</sup>**

In 1995 the European Union (EU) signed the Interregional Framework Co-operation Agreement (Com, 1996) with Mercosur, that promoted the liberalisation of trade, investments, economic cooperation, and a political dialogue.<sup>2</sup> The Agreement anticipated negotiations for the later signing of a broader agreement of interregional association. The negotiations regarding trade liberalisation are still under consideration but the political dialogue has advanced as it was expected, although tangible results have not been achieved.

One of the possible reasons for the delay in the advancement of the negotiations is, above all, the trade setting of the Common Agricultural Policy. However, other factors include modifications in the post-September 11 international scenario and the fact that the EU's priorities have changed due to external issues that the EU is facing; the lengthy process to incorporate new members; and, the frustration over early expectations that Mercosur would foster the formation of a common market, and would achieve economic growth. Yet, an important question arises on the EU's possibilities to act successfully and jointly as an international actor.

The literature on the EU's performance as an international actor increasingly highlights on the one hand its difficulties to act during crisis situations and on the other hand its relation with the countries in the EU region. Often the two subjects appear combined. But, the literature has focused less on analysing its capabilities to act in 'politics as usual' or in everyday situations. This article tries to evaluate the EU's potential to act as an international actor within the framework of an interregional dialogue by analysing its behaviour toward the Mercosur countries. Given that, in general, the role of interregional dialogues is important in the external European behaviour, the article analyses and tries to identify how these dialogues sustain the Union's external ability to act and to project.

The behaviour of the EU toward Mercosur countries is here considered as a model of civilian power. Given the importance of the concept in the literature, this case study seeks to identify the limits and possibilities of the performance of such a role for the EU in the external scenario. It discusses the fluency of the political dialogue in a situation of European consensus where economic negotiations are difficult to achieve. The article tries to explain why. It points out that the EU's policy is mainly rhetorical and that it does not show 'concrete' results. Nevertheless, this does not invalidate the policy itself (although it makes it difficult for the EU to act as a powerful bloc). The text also provides some new data on the interaction between the EU and Mercosur in recent years.

With these objectives, Parts 1 and 2 concentrate on the role of the EU as an international actor, the structuring of its foreign policy in two dimensions (the First and the Second Pillars), and the characteristics of interregional dialogues. Part 3 offers a more general vision of the European behaviour towards Latin America as a whole, and the initial development of the dialogue between the EU and the Rio Group. Part 4 analyses the approximation process between the EU and Mercosur, highlighting both the political dialogue established by the Union with countries from the bloc and the obstacles encountered in economic negotiations in the Framework Agreement. The conclusion seeks to relate the European behaviour towards Mercosur to the role of the EU as an international actor. With the aim of presenting a better understanding of the theme, the article adopts a historical perspective, and comments on the changes in European behaviour during the period.<sup>3</sup>

### **1. The EU as an International Actor**

From the beginning of the eighties, European global needs and interests have become stronger at the level of the individual States and in relation to the group of States as a whole. Within this spectrum, the European Community (EC) progressively began to distinguish itself as an international actor.

Although it did not possess a military dimension, it had sufficient economic resources to increase its ability to influence other States, regional organisations, and multilateral negotiations. The development

of a European identity, which took place during this period, signalled the expansion of the EC's presence at various levels in the international scenario. The EU laid the basis to set a unique behaviour in different areas that enabled the implementation of a more relevant political role in the international arena.<sup>4</sup>

Following the fall of the Berlin Wall and the development of a new European and international scenario at the beginning of the nineties, the security and foreign policy issues became the object of special attention and discussion among the Member States. The role of the EU in the world changed and, with the Treaty on European Union (TEU), the EU strengthened its capacities for the expansion of its participation outside its borders, although it did not adopt any profound modifications.

The evolution of the EU's participation in the international arena was, nonetheless, polemical, and a definition of its external model of external behaviour motivated debates among scholars.

Weiler (1985) defines three important impulses for action in the international context, that help us understand the EU's actions as an international actor (and its action strategy towards the Mercosur countries). The first one corresponds to active policy, understood as a plan of action aimed at achieving specifically defined objectives. The second one refers to reactive policy, which responds to events and tries to minimise their political costs. The third one is related to reflexive policy and it deals with a common foreign policy formulated as an integrated value *per se*, in other words, as another feature of the evolution of the integration process. Some authors have also highlighted a passive policy, composed of a series of habitual responses to events in the international context.

Regarding the EU's position in the international context, and with the aim of explaining the role of European Political Cooperation (EPC) as an actor of world politics, Hill (1990) made a synopsis of three frequent approaches in the academic sphere. Nowadays, these same approaches can also be applied in studies on the Common Foreign and Security Policy (CFSP) and the European foreign policy as a whole.

The first approach identifies the EU as a civilian power (p.97-98).<sup>5</sup> This involves a model of behaviour in which the Member States agree not to avoid the use of force among themselves and not to impose their visions through the use of force. Its basic features involve the search for negotiated solutions to problematic issues, the use of the available channels for discussion, and the ability to practice an open diplomacy.

This approach, however, has been deeply discussed and it was sometimes criticised. During the seventies, the European position closely resembled a civilian power marked by the rejection of the politics of power, by the attempt to approach international problems with a sense of responsibility, and by the defence of a contractual type of politics. However, at the beginning of the eighties, the interaction between the changes that had occurred in the international system and the trajectory of the integration process in the European region contributed to a modification of the EC's perceptions and expectations of the international arena. Thus, the stance of civilian power was questioned while the paradigm of security was brought into debate, with the ensuing discussion about European defence.

In the nineties this discussion took shape along with the formation of the CFSP and the creation of European Security and Defence Policy (ESDP) in 1999 that aimed to adopt the tasks of the Western European Union (WEU) and provided the Union with a military force.<sup>6</sup> Note that the large majority of the Member States had a national security policy although the Union did not have its own military structure. The majority had participated in United Nations (UN) Peacekeeping Operations or in military actions by the Atlantic Alliance in recent years.

Thus, the Union strengthened its position in the eighties, which became even more marked in the nineties. However, even though it is not a fully civilian power, the EU's Member States have developed special relations among themselves and they adopted common forms of behaviour in order to achieve objectives and to resolve disputes. All of the above shows a breaking of the model of power. *Vis-à-vis* the external world, the Union acts as a centre of diffusion of democratic principles, giving priority to economic and commercial instruments as well as operating multilaterally.



Another way to understand the Union's international position, as Hill analyses, is by identifying it as a power bloc (p.34-41). This approach is debatable since the Union has some of the characteristics of a bloc but this fact is not enough to classify it as such. Authors who defend this view state that the Union is an economic bloc since it possesses common interests in the economic and commercial area, as well as the use of political and economic power to influence other states (the soft power model). Moreover, several countries have expressed interest in joining the Union due to its attraction as an economic power. Rosecrance (1997,4-7) presents the Union as a high-level club in terms of rules and standards with a political and economic outlook and a very long-term strategy to attract other members.

Nevertheless, other authors have highlighted that one of the main characteristics of a power bloc is its military dimension and that the Union does not have power of this type. Nor does it possess a structured defence identity. Although it was created in 1999, the ESDP has still not taken a clear-cut shape. In practice, NATO continues to be the privileged centre of operations in this field.

Hill's final perspective on the European international position presents it as a flop (p.48-53). In this case what is involved is a massive diplomatic structure attaining only moderate results. At this moment, the EPC is incapable of maintaining discipline among its members and it depends on the United States to guarantee its defence. The impact of its foreign activities has been small in light of its economic weight. This perspective does not take into account neither the various advancements in the field of foreign policy that have already been identified since the beginning of the integration process, nor the difficulties inherent to an integration process among States.

After the TEU and the establishment of the CFSP, debates on the role that this framework could exercise in the Union's international role increased and several authors identified limitations on its operation. Zielonka (1998a,222) affirmed that the lack of legitimacy of the CFSP was central to understanding the relative paralysis of European actions in international politics. In this case, paralysis is defined as the incapability of the CFSP to deal with the obligations stipulated at its formation. Hill (1997) illustrates the trajectory of convergence (predominant) and divergences of the CFSP, as well as its pattern of multilevel diplomacy. Jorgensen (1998,96) calls attention to the relativity of ideas of success and failure, as well as the presence of 'multiple realities' to measure the Union's performance in international politics. Despite its limitations, through actions presented under the auspices of both Community institutions and the EPC/CFSP, a set of values and views that try to define the external behaviour of the Member States can be identified.

The foreign activities of Community institutions and the actions provided by the Second Pillar merged with national foreign policies, or replaced them, thus becoming the principal procedure for each state's field of foreign policy. These activities developed their own profile, although a long-term project in some fields did not exist. This provided these areas with a reactive nature. In this spectrum, the so-called European identity began to emerge based on the positions that were taken and that were incorporated by the *acquis diplomatique* of the Union.

Finally, it is important to affirm that these approaches, in the meantime, are not excluding. The behaviour may take different directions according to different situations, before specific issues or geographic areas. The specificity of EU actions concerning Mercosur countries will be analysed in this framework.

## 2. The Two Dimensions of European Foreign Policy and Interregional Dialogues

Interregional dialogues are the basis of the European interregionalism. They are a specific way to contact external partners (especially in the developing world) which can be considered part of the EU's *acquis diplomatique*. This played an important role in the structure of the EU as an international actor. It is also an important example of convergence between the two dimension of the European foreign policy. This mechanism was created in the seventies, with the establishment of the Euro-Arab dialogue and evolved during the eighties. The same characterises European actions toward Latin America, in general.<sup>7</sup>

Since 1970, after the creation of the EPC, this process has been based on two dimensions. The first one (the First Pillar), corresponds to external activities, basically in the economic field. From the beginning, this dimension occupied the commercial sphere but gradually it incorporated different areas. It is important to notice that a common policy was created, which was adopted by all Member States. Development aid was also an important area for Community institutions. The basis of the decision-making process is the articulation between the Council—the intergovernmental aspect—and the Commission, which is the Executive organ. The first one is responsible for the final decisions and it can give its approval to the whole documentation produced by the Commission. The Commission is also in charge of making proposals to the Council and it is in charge of making proposals to the Council. Once these proposals are approved, it is the one that implements and manages them.

The second foreign policy dimension (the Second Pillar), corresponds to the decisions and actions taken on issues of international politics, and security issues agreed upon through the EPC until the establishment of the TEU, and later through the CFSP. Since its formation, the EPC has occupied an important position within the framework of the foreign action performed by the Member States, which was a fundamental element of the Union as an international actor. In this case, the policy-making process was based on intergovernmental relations, which meant that actions could only be effective when a consensus among States was achieved. Difficulties arose when trying to achieve a consensus among heterogeneous countries with divergent views on international policy. The TEU represented the final incorporation of the political dimension in the formal institutions of the Union. This did not mean, though, that the Member States were abandoning the intergovernmental decision-making model and the need to achieve a consensus in order to construct a common position.

The separation of the European foreign policy in these two dimensions reveals the importance of articulation between the two as a condition for successful action. Nevertheless, the interrelations were not always easy, which limited chances for joint action.

As an answer to this need, a dynamic articulation and an association process of the two dimensions started to emerge since the formation of the EPC. In this process, the Community's economic resources are being implemented more frequently as foreign-policy instruments. Special commercial agreements were used, since then, as a mechanism that favoured certain countries, while economic sanctions were imposed to press other international actors; both cases were treated by the Commission.<sup>8</sup> The TEU established much stronger links between the political and economic issues, which were reflected in the implementation of interregional dialogues.

In the cases of interregional dialogues, the EPC, which systematised the political dimension, and the Commission, acted in a co-ordinated manner together with a representative of both, which was present at the meetings. The former guided the political dialogue and the latter dealt with the economic dialogue.

These dialogues are generally structured around a formal agreement with a third country or group of countries. They provide additional political contacts to regular diplomatic relations. They vary according to the political importance of the counterpart. According to Monar (1997,266-267), it is a flexible instrument that can precede or complement economic relations carried out by the Commission; it is also a convenient way to divulge European political positions in order to seek convergence with foreign partners; it can be useful for medium and long-term strategies for encouraging regional co-operation; and, finally it allows the Union to affirm its collective identity.

Several reasons explain which is the European interest in other integration experiences. On the one hand, the success of the process of European integration promotes the ideal of integration within the EC institutions. On the other hand, the EU believes that the integration of foreign partners would facilitate the possibility of interacting with them in an interregional basis. In the political field, these processes would be a mechanism to ensure greater political democracy and regional security; in the economic field they would contribute to reducing the costs of structural adjustments and to opening national economies, as well as to facilitating the insertion of the more fragile economies into the globalised international economy. Within the Community institutions, the Commission and the Parliament showed great interest in the integration process.<sup>9</sup>

The beginning of the nineties generated a new concept of European interregionalism that stimulated more dialogues. It clearly links the liberal global governance with regional integration together with the support of democracy and social inclusion.<sup>10</sup>

In institutional terms, the establishment of the CFSP strengthened the connections between the Commission and the intergovernmental aspect of foreign policy.<sup>11</sup> The TEU promoted an administrative reform of the structures of both the Council and the Commission *vis-à-vis* foreign policy issues, partly altering the role of the two institutions. The reform brought issues into the realm of the Commission that had previously been dealt by the EPC, as in the case of the political dimension of some agreements, organizing interactions among the different Pillars (cross Pillar cases). The dialogues became the formal link between trade-economic issues and objectives that are relevant to foreign policy (Müller 2000, 562).

The end of the bipolar era increased the number of foreign policy issues that the Union was concerned about, thereby resulting in the surpassing of the EPC institutions that had been previously responsible for this area. In this process, the Commission assumed a leading role in the co-ordination and implementation of co-operation with Eastern and Central European countries, which allowed an internal development of structures that targeted this type of action.<sup>12</sup> The Commission prepared a strategy to organize the relations, such as a new generation of agreements, which provided an institutional framework for the development of political dialogues.

Under the CFSP political dialogues continued to be one of the EU's main instruments for persuasion, as well as the basis for its interregional policy. At the end of 1994 the EU was engaged in twenty-five political dialogues, including eight with different groups of countries (K.E.Smith, 1997,7).

At the institutional level, political dialogues were maintained within the Council's sphere of operations as a prerogative of the CFSP. However, these dialogues occurred based on co-operation agreements or association treaties carried out by the Commission, which began to provide more direct support for the Council's work, taking on the preparation and follow-up of many political dialogues. In many cases, mixed groups of members of the Commission and the Council were set up to organise the progress of these dialogues and to set an important example of cross-pillar. In this structure, dialogues took place at meetings at various levels and the number of dialogues with other countries increased.

As these dialogues progressed, a conflict between a more regional dimension and global responsibility became evident: a European interest in establishing dialogues with closer groups became a priority as a way of stabilising its borders (Telò 2001,177). The structured dialogue with Central and Eastern European countries was at the forefront of European concerns. This was an important example of the incorporation of the three Pillars. The second concern was the Euro-Mediterranean partnership, followed by the dialogue with Balkan countries.

Regarding the principles and objectives of the dialogues, these were already present in the foreign policy action of the EPC, such as the safeguarding and reinforcement of the defence of the Union, the defence of democracy and human rights, the maintenance of international peace, and co-operation among states (TEU-Title V). These principles formed the basis for EU actions and they became constant in the declarations, the agreements, and the performance of the CFSP.

Since the seventies, the EU acted as a civilian power adopting these principles in order to structure a new international order around certain ideas in order to help curbing conflicts. From the European perspective, a pluralist democracy and the respect for human rights are principles identified with stability and peace, among other important issues.<sup>13</sup> On the other hand, mainly during the nineties, the projection of these principles through the EU's foreign policy represented an attempt to export the European social model, combining these principles with a market economy.<sup>14</sup>

As to the European performance in these dialogues, a consensus on the principles prevails in non-controversial areas or where national interests are at stake. However, these areas are not of utmost importance.

Guided by this more general perspective, the EU used interregionalism and dialogues in order to strengthen political and economic contacts and to develop a more incisive behaviour in the international arena, promoting a differentiated approach *vis-à-vis* developing countries (Grugel, 2002,1).

### 3. The EU and the Dialogues with Latin America

During the seventies, relations between the EC and Latin America advanced in the economic field. European countries sought to expand markets for their exports and investments, as well as to guarantee supplies of raw material. The Latin Americans, in turn, had begun a process to diversify their foreign partners and to forge ties with countries other than the United States. Nevertheless, this initiative never went far. One reason why this happened is that many European governments did not approve the authoritarian governments of the region.<sup>15</sup>

During the eighties, while economic ties deteriorated, political alliances strengthened, with the EPC coming to play a more significant role. Although the EC considered Latin America as a region of secondary external importance, this did not mean that it was not interested in fostering deeper relations. The Community's broader project of increasing its presence in the international scenario embraced the Latin American participation. From the mid-eighties, the EC turned toward Latin America basically because of the absence of fundamental disagreements among European states with the region. The incorporation of Spain and, to a lesser extent, of Portugal in 1986, fostered the association process with the region, mainly in the political field.<sup>16</sup>

In 1987, the Council approved a document (Com 1986) which laid out the general guidelines for the Community's actions in the region, which, at that time, incorporated the political dialogues that encouraged integration between the two regions.<sup>17</sup> Processes of democratisation had been opening spaces for greater contacts through non-governmental organisations (NGOs).<sup>18</sup> At this stage, the EC's attention was drawn by Central American instability and the transition to democracy which various countries in the region had experienced. By the late eighties, new issues were placed on the interregional agenda, including drug trafficking and environmental protection.

The model of interregional dialogue, as an instrument in the European interregional strategy, was established between the EC and Latin America in the early seventies between the Commission and the Latin American Group of Brussels. However, it only encompassed contacts between ambassadors and Community employees, which were mainly dialogues of a pragmatic nature.

In 1984, an interregional political dialogue was developed for the first time with Latin America, in particular with the Central American countries. Known as the San José Dialogue, it was a mechanism for interregional co-operation to contribute to the adoption of a negotiated solution to the crisis in the area. In this case, the EC sought to placate the sub-region. In 1987, a dialogue was also established with the Rio Group.

By the end of the decade, the fall of the Berlin Wall had exerted a great impact on the EU's behaviour towards Latin America. The need for greater approximation with the Central and Eastern European countries, and their later incorporation, took place at a time when the EC was in the midst of a process to deepen integration. Harmonising the two aspects involved significant internal structural reforms, an inward reorientation towards the European continent, and an increase in activities in this area. This stalled relations with other partners that were more distant from the continent.

When the CFSP took effect, the lack of common positions towards Latin America revealed this distance. In comparison with CFSP positions towards other regions, including the Declarations, few references were made to the region.<sup>19</sup> Nonetheless, the European interest in a new scenario of a globalised economy, and the EU's drive to confirm itself as an international actor, contributed to the maintenance of those pre-existing dialogues.<sup>20</sup> As a way of maintaining European presence in the region (even though it was not a priority) other contacts were institutionalised. During the nineties, dialogues under the CFSP increased economic co-operation following the Commission's actions with the Andean countries, Mexico,

Mercosur, and Chile. In the late nineties, a dialogue based on periodic summit meetings between the Heads of State and Government of the EU, Latin America and the Caribbean was established.<sup>21</sup>

From the first meeting, the Commission's references to Latin America increased, taking on the characteristics of an explicit EU policy for the region. Different expressions were heard, promoting a closer relation between both regions: the perspective of building a 'strategic partnership', based on historic and cultural links, on basic principles to support regional integration and to promote democracy; the willingness to increase European investments in the region; and the determination to struggle against poverty. All of the above set the tone for this new policy.<sup>22</sup> Meanwhile, despite the meetings and the references to a strategic partnership, no clear policy was established for the region as a whole. It never became a priority for the EU. It was a question of diplomacy that is part of European interregionalism, which utilizes dialogues with groups of countries.

Despite the gap between the initial Latin American expectations and the lack of realistic results, the dialogues were important for the political integration between the two regions. Their principal areas of activity and the issues they dealt with followed the general guidelines of the European attitude of an interregional nature towards developing countries: the defence of democracy and human rights; pressure to open their economies; and also, support for regional and sub-regional integration processes.<sup>23</sup> During the nineties, new questions such as political stability, the consolidation of the rule of law, the fight against drug trafficking, and arms smuggling were included in the dialogues. These guidelines were more evident than in other regions of the world, because of the shared political and cultural values of both regions.<sup>24</sup>

Following these more encompassing dialogues, which included economic co-operation and a political dimension, in 1994, the European Council approved a document that established the dynamics and the objectives of the relations with Latin America.<sup>25</sup> In order to reinforce the European policy of taking diverse actions, it indicated the adoption of different approaches for specific countries and sub-regions: a policy for development aid was maintained with the Central American and Andean countries through the signing of third generation agreements, while interregional association agreements were signed with Mexico (1997, taking effect in 2000) and Chile (2002).<sup>26</sup> Regarding Mercosur, the document also proposed the signing of an agreement on commercial liberalisation.

In practice, European participation in the economic co-operation that targeted these areas increased after 1995; moreover, the EU (and the Fifteen) became the principal donor for this region. From the European perspective, this co-operation was reduced in comparison with the amounts assigned for other countries, such as the ones for the European continent, the Middle East, and the ACP countries. As a whole, within the total framework of the EU's foreign actions, this policy towards Mercosur did not imply major resources.

**Table 1: Regional Distribution of EC External Co-operation (commitments in % total)**

Region	1986	1990	1995	1998
ACP	44.7	41.9	35.4	33.1
South Africa	0.3	0.9	1.7	1.5
Asia	5.5	9.8	9.5	7.2
Latin America	6.3	6.8	6.6	5.6
Mediterranean & Middle East	15.7	11.9	11.8	15.9
Central/Eastern Europe	-	21.0	19.7	18.4
NIS	0	0.2	11.2	12.1
Unallocatable	27.6	7.7	4.1	6.2

Source: Ribeiro Hoffmann, 2003, Table 18, p.108.

It is interesting to examine the EU-Rio Group dialogue as a channel for contact and exchange of ideas between the members of Mercosur and the EU, even before Mercosur was created. In 1987, the

Member States of the EC established, through EPC mechanisms, an interregional dialogue with the Rio Group in which Argentina, Brazil, Uruguay, and later Paraguay, participated.<sup>27</sup> This dialogue first adopted a political and informal character.

Despite the fact that it was not a priority area, various reasons assured the dialogue. The significance of the Rio Group as a regional organisation, the recent experiences in democratisation, and the European interest in discussing questions such as environment and drug trafficking, all contributed to sparking Europe's attention.<sup>28</sup> In the background, the European perspective of expanding its international insertion and extending the range of its foreign relations had a positive impact for establishing the dialogue.

The formation of a European consensus for the establishment of a common policy in this case was simple, compared to other cases. In a situation characterised by the non-existence of crises, acute differences, or the specific interests of any European State, the only issue to discuss seemed to be the determination of how important the region was and what issues were to be brought up in the dialogue with the Group. By the late eighties a greater consensus existed among the Member States on the main guidelines of their foreign actions towards the Southern countries also facilitated the implementation of a joint dialogue. The Commission, which had upheld dialogues with other countries that were undergoing integration processes, defended contacts with the Rio Group in more specific terms. By the late eighties, that a greater consensus existed between the Member States about the principal guidelines of its foreign actions towards the countries from the South.

The dialogue, meanwhile, was organised as a flexible mechanism, based on informal intergovernmental consultations. Nonetheless, co-operation was limited to dealing with economic issues in a very generalised manner, without any concrete commitments. It was not in the Community's interest to deepen discussions of an economic nature, which would require the adoption of positions in non-consensus areas.

In December 1990, the dialogue between the EPC and the Rio Group was made official through the Declaration of Rome (Com 1990). The Declaration incorporated some economic issues, which meant adopting a model for global dialogue in which the two dimensions of European foreign policy acted in an articulated manner.

The first ministerial meeting, in 1991, in addition to general themes and the main points of European foreign policy, included the specific question of economic relations between the two regions. However, shortly afterward, the Community gave preference to the separate discussion of economic issues with countries or sub-groups from the region, because of the diversity of the countries in the Group. In opposition, questions of regional and international security were also present, even though the situation of the Rio Group did not directly affect the Member States and it lacked the power to resolve the problems of drug trafficking and organised crime.<sup>29</sup>

The dialogue made some progress through its institutionalisation, by means of ministerial meetings, and became consolidated during the nineties. It also contributed to the EU's support for the integration processes in the region, and helped the Rio Group attain recognition as an international player. The dialogue maintained links between the EU and the region, which, by the end of the nineties, resulted in summits between the EU and Latin America and the Caribbean. The beginning of a dialogue between the EU and Mercosur was also favoured thanks to this on-going experience.

#### **4. The Interregional Agreement Between the EU and Mercosur. The Political Dialogue and the Obstacles to Economic Negotiations**

The signing of the Treaty of Asuncion in 1991 called the attention of the EC, especially the Commission.<sup>30</sup> It generated high political and economic expectations. The Commission's documents, in general, referred to Mercosur as a future common market with a great potential for growth. The new bloc was meant to be the CE's main trade partner in Latin America, as well as the principal recipient of direct investment.

The members of Mercosur, in turn, demonstrated a clear interest in the negotiation of a co-operation agreement with the EC. For the Mercosur countries, the bloc had become one of the most important mechanisms for economic interaction with outside partners. Moreover, the EC was (and continues to be) Mercosur's main trade partner.

**Table 2: Regional distribution of Mercosur External Trade (commitments in % total)**

	1992	1996
Imports from the EU	23.9%	26.1%
Exports to the EU	31.9%	24.5%
Imports from the US	22.3%	21.0%
Exports to the US	16.7%	15.3%

Source: Vasconcelos 2001, pp. 138-139.

Therefore, the members of Mercosur took the initiative and presented a proposal to the Commission on a future co-operation agreement.

The response from EC, through the Commission, was the signing of the Inter-institutional Co-operation Agreement in 1992, aiming to promote Mercosur's institutions with technical co-operation.

During Mercosur's first years, and after the signing of this Agreement, closer economic ties started to develop. Exports of goods from the EC/EU to the members of Mercosur increased by 250% between 1990 and 1996, while investment in that year corresponded to 17% of the total EU investment in developing countries.<sup>31</sup> In political terms, at first, Mercosur appeared to be a model for exporting democracy; culturally, it was close to the EU (Gratius 2002,34). From that point of view, an informal dialogue was conducted until it was institutionalised through the signature of the Framework Agreement of 1995.

**Table 3: Trade in goods between EU-15 (EU-12 up to 1994) and Mercosur (ECU million)**

EU exports to Mercosur	1990	1996	% Increase
Argentina	1,234	5,799	370%
Brazil	3,636	11,688	221%
Paraguay	175	321	84%
Uruguay	233	685	194%
Total	5,278	18,493	250%

Source: Com 1998b, based on EUROSTAT Data

During this initial stage, the Commission carried out a study on the viability of signing an Agreement and, in 1994, it forwarded a proposal to the Council in order to intensify relations with the bloc. In December 1994, while the Miami Summit, which established negotiations for the creation of the Free Trade Area of Americas (FTAA) was carried out, the European Council authorised the Commission to begin negotiations for an Interregional Agreement with the Mercosur Member States.

One year later, in December 1995, the Interregional Framework Co-operation Agreement was signed, raising high expectations in Mercosur. The Agreement, like others signed by the EU in the same period, paved the way for the institutionalisation of political dialogue and two other areas of co-operation: commercial liberalisation and promotion, and the expansion of economic co-operation. Another aim was the exchange of integration experiences. Co-operation was based on a common system of values, such as democracy and the respect for human rights. In this case, it was more encompassing than the negotiation process between Latin America and the United States, which, at that time, was limited to trade liberalisation.<sup>32</sup> That one was a preparatory agreement without prior conditions for trade liberalisation. No definite dates were set for keeping the dialogue, what enabled the EU to manoeuvre.

Even before the Agreement came into force, the Commission and Mercosur had agreed on the provisional implementation of co-operation in the commercial field. In 1996, the structures foreseen in the Agreement began to function, and by 1998 twenty commercial studies had been carried out, as well as four rounds of negotiations, (Valle 2002,130). However, the steps towards trade liberalisation proved to be difficult, encountering obstacles in the positions of some European sectors.

In the political field, both regions were taking advantage of the spaces opened by the Agreement. Moreover, the dialogue moved forward in accordance with the dispositions of the Joint Declaration (annexed to the Agreement), despite it has not been institutionalised. This led to the creation of a Co-operation Council which could give continuity to the dialogue via ministerial level meetings, when necessary, in order to discuss questions related to the Agreement, as well as to other international issues of common interest. Meetings took place either under the wings of the United Nations General Assemblies or together with ministerial meetings between the EU and the Rio Group.<sup>33</sup>

This dialogue was organised, from the European perspective, by a group composed of members both from the Commission and from the inter-governmental dimension of the European foreign policy. Although it is formally an instrument of the CFSP, and it belongs to a set of non-priority dialogues implemented under the Second Pillar; in practice, it also includes the First Pillar. By means of the EU's model of dialogue with developing countries, the main issues debated at these meetings are organised from the European perspective. They include the reform of the UN, the protection and promotion of democracy, political pluralism and human rights, the reduction of nuclear or chemical weapons, positions on international conflicts, the fight against drug trafficking, and the formation/functioning of the International Criminal Court.<sup>34</sup>

In the economic field, however, the Union tried to mould Mercosur within its range of interests, claiming further openness of its markets, so that the EU could export advanced technology products. Another European petition was the creation of better conditions for investment in the service sector. Mercosur's expectations, in turn, were basically to open the European market to its agricultural exports and to attract foreign investment; as well as to gain a political partner of some weight in the international system, who could provide support for new democratic regimes. The expectations for trade opening were accentuated in all declarations and interviews with government employees and leaders of the Mercosur Member States. But despite the importance of the issue for Mercosur, the EU was in no condition to comply. Between 1990 and 1996, EU imports from Mercosur only increased by 9%.<sup>35</sup>

The question of agricultural exports from Mercosur that were included in the CAP was the main gridlock for relations during this period. Unlike other Latin American countries, such as Chile and Mexico, the majority of the Mercosur exports to the EU consisted of primary goods,<sup>36</sup> and negotiations over any reduction in tariffs or non-tariff barriers imposed on Mercosur products advanced very slowly, especially in the first negotiation rounds, from 1999 until 2001. In fact, in practice, negotiations only began in 2001 and depended on the negotiation round of the World Trade Organisation (WTO) in Doha.<sup>37</sup> For the EU, modifying the CAP has always been a challenge because of its political importance, internal traditions, and the lobbies that defend it.<sup>38</sup>

The negotiations with the United States to establish the FTAA, on the other hand, fostered interest in the interregional process. For the Mercosur members, the association with the EU would favourably counterbalance the FTAA negotiations that, in turn, had been complicated for Mercosur as a whole.<sup>39</sup> From the European perspective, the definitive establishment of the FTAA can lead to a drop in the European investments and trade with these countries.

In the range of CFSP instruments, apart from a political dialogue, the Mercosur Members played almost no role at this time. The region had no strategic or political problems. The two exceptions correspond to issues related to the political dialogue: nuclear disarmament and the defence of democracy.

In 1995, a Declaration was made, welcoming both Argentina's and Brazil's ratifications of the Treaty of Tlatelolco; the Argentinean adhesion to the Nuclear Non-Proliferation Treaty; and an



agreement signed between Argentina, Brazil, the International Atomic Energy Agency, and the Argentinean-Brazilian agency for security and consultation (Brazil also signed the Treaty in 1997).<sup>40</sup> In doing so, they guaranteed peace in the region, they gave support to international regimes, and they indirectly satisfied the concerns of the EU.

Another source of concern to the CFSP was the unsuccessful military coup in Paraguay in 1996 and the difficulties the country faced to consolidate democracy in the following years. The EU monitored the evolution of the Paraguayan situation and expressed its concerns in CFSP Declarations in 1996, 1997, 1999 and 2000; moreover, it sent a mission to Paraguay to analyse the political situation during that period.<sup>41</sup> The other Mercosur countries shared the European concern and mobilised efforts to prevent a coup in Paraguay. Afterwards, they declared that democratic institutions were essential to the existence of the bloc. In 1998 the Democratic Clause was ratified and it was incorporated into the original Treaty in the Ushuaia Protocol.

This interest in a political approximation with a region that does not seem to have clear foreign policy objectives can be understood as the expansion of the EU's role as an international player and as an important manifestation of the European interregionalism policy.

Grugel (2002,5-6) identifies the 'new European interregionalism' with the type of relations that the EU has been implementing with the Mercosur and Chile since the nineties. According to Grugel, these relations act as a mechanism to influence regulations in the countries of the region, bringing together two types of co-operation models. On the one hand, it promotes an agenda of 'governance with a human face', which combines support for the process of economic adjustment and for changes in the role of the State, aimed at facilitating its international insertion. It focuses on the problem of inequality and it supports strategies for sub-regional integration. On the other hand, the agenda is also based on 'disciplined governance,' which emphasises the importance of market development, the inevitability of globalisation as the unifying factor for developing economies, and the acceptance of the North-South stratification. In this regard, the EU has signed fourth generation agreements with the region that institutionalise political dialogue, intensify co-operation and it promotes trade and investment, with a reciprocal liberalisation under the auspices of the WTO.

This type of interregionalism fosters the idea that economic co-operation should be based on values shared by the EU, especially in relation to the European social model and international peace. This has resulted in agreements that stress the commitment to democracy and the defence of human rights, political pluralism, the rule of law, co-operation with international institutions on questions of security, the fight against terrorism and drug trafficking, and, above all, the institutionalisation of a political dialogue. Müller (2000,562) highlights that since the CFSP has entered into force, the EU's partnerships have incorporated foreign policy objectives, which are examples of the increase in the Union's international responsibility. With the increase of interregional co-operation, the EU has sought to define its new position as an international actor based on the acceptance of a new multi-polar world order. The political dimension of the Framework Agreement can best be understood in this light.

In 1998 the discussions in the Commission in order to initiate the negotiations foreseen in the Framework Agreement, began to take shape mainly with the support from Spain and Germany. The Commission presented a study to the Council (Com 1998b) on the possibilities and impacts of trade liberalisation with the Mercosur countries, and submitted for approval a negotiation mandate for an association agreement. The study analysed the agricultural question and indicated that the impact on trade liberalisation would not be significant for the EU. Expectations relating to Mercosur, in addition to the ongoing political dialogue, included the liberalisation of the service sector, the opening of public markets, the liberalisation of capital movement, and economic co-operation.

In June 1999, shortly before the summit meeting between the EU and Latin America, the Council gave the go-ahead for the approval of the mandate despite the opposition of internal lobbies and the French government.<sup>42</sup> In July of the same year, the Interregional Co-operation Agreement took effect but negotiations for the agricultural sector would not be held until the millennium round of the WTO in 2001.

The summit with Heads of State and Government from the EU and Latin America and the Caribbean was held in June 1999. It included dialogues between countries and blocs of countries from the region, together with a meeting with Heads of State from Mercosur and Chile.<sup>43</sup> Participants at this meeting formally resumed economic negotiations between the parties and created the Bi-Regional Negotiations Committee. Its purpose was to liberalise bi-regional trade relations in order to sign an interregional association agreement. The Joint *Communiqué*, however, did not establish neither starting nor termination dates; meetings could have started in 1999, but the elimination of customs duties would not take effect until 2001.

The 1999 CFSP Report highlighted, as a result of this meeting, the importance of the political dialogue based on a 'strategic partnership' fostering democracy, sustainable development and economic growth with social justice.<sup>44</sup>

However, this summit was held at a difficult moment for negotiation. Firstly, although Mercosur had managed to achieve a reasonable (although incomplete) customs union in 1998, in 1999 it underwent a serious crisis owing to the devaluation of the Brazilian currency, which, in turn, had negative effects on the Argentinean economy. The lack of institutional mechanisms to solve intra-bloc problems opened spaces in which national problems created obstacles to the bloc's own evolution. Thus, the development of the integration process, as well as the solution to the conflicts between the States of the bloc, was left in the hands of the presidents of member countries. The Argentinean government, in response to the devaluation of the Brazilian Real, imposed customs barriers on Brazilian products and implemented measures to increase relations with the United States. The Brazilian government, in turn, withdrew from the integration process and interrupted its participation in Mercosur institutions until Fernando De la Rúa took office at the end of the year.

Secondly, from the European perspective, various reasons hindered the negotiations. The crisis in Mercosur raised doubts on the possibility of creating deeper interactions in the economic, political, and institutional spheres. It also revealed the poor co-ordination of macro-economic and fiscal policies in the bloc. It also showed that it was not a market with a high growth potential or a future model for South-South integration. On the one hand, in solely European terms, the incorporation process of Central and Eastern European countries increased the internal challenge to carry out structural reforms to unify the currency and to incorporate new members.

Finally, negotiations to open agricultural markets remained stalled. The EU's stubborn stance on agricultural policy reflected internal reasons. The resulting impossibility of deeply reforming the CAP in order to achieve an effective reduction in protectionism and agricultural subsidies became an object of tough criticism by the Latin Americans. The failure of the Millennium Round of the WTO, which would have liberalised trade in the multilateral ambit, also contributed to delaying the negotiations between the two sides.

Nonetheless, after the Agreement came into force, ten negotiation rounds were held in the economic area between 1999 and July 2003 aiming to structure the interregional association agreement.<sup>45</sup> The talks focused on the model of political dialogue that was to be implemented in terms of the future agreement, as well as co-operation and trade issues.

In terms of political dialogue, questions such as democracy, the rule of law, human rights, economic development with social justice, and environment, have been the main issues of debate, together with actions within international organisations and political co-operation including questions of security. However, these debates have not created concrete actions.

Co-operation issues were also discussed. The Agreement provided economic co-operation in different areas, and, during the period, the EU was the principal donor of non-repayable aid to the Mercosur Member States. This aid was aimed, mainly, at reinforcing the institutions of the bloc, making economic and commercial structures more dynamic, and supporting civil society in areas related to information and employment. The promotion of investment, at the time, was aimed at the purchase of public companies and the service sector.<sup>46</sup>

**Table 4: External Co-operation to Latin America (US\$ million)**

	1994	1996	1998	% (1994-1998)
EU + MS	1,984	2,530	2,014	46.4
US	986	344	492	13.6
Japan	808	938	508	17.6
Others*	688	930	853	17.4

Source: Ribeiro Hoffmann, 2003, Table 20, p.109.

\* Including multilateral donors

The trade field appeared to be the most complex, and it advanced very slowly. Actually, the trade between the EU and Mercosur did not progress in relation to the European total external trade.<sup>47</sup> The EU proposed that Mercosur should liberalise the service trade, and should open public tenders to European firms, requests that Mercosur did not attend. Trade and direct investment maintained the same levels of previous years.<sup>48</sup>

**Table 5: EU trade in goods with Southern Cone States (Million euro and % )**

	1980	1990	2000
Imports (share EU total)	7,705 (2.8)	14,208 (3.3)	24,374 (2.4)
Exports (share of EU total)	5,954 (2.9)	5,657 (1.4)	24,200 (2.5)
Trade Balance	-1,751	-8,551	-173

Source: Ribeiro Hoffmann, 2003, Table 38, p.150.

In political terms, the dialogue was unaffected. Annual ministerial meetings in the UN General Assemblies were held, as well as specific meetings in 2000, 2001, and 2003. Discussion covered recurrent issues, as well as the increasing occurrence of international conflicts and the creation of joint initiatives on the matter of international security and the fight against terrorism.

The second summit in 2002 between the Heads of State and Government of the EU, Latin America and the Caribbean was also included a meeting between the EU and Mercosur, which proposed a deepening in the political dialogue. It was a meeting that not only raised many expectations among the Mercosur countries, but also motivated the business and social sectors (Com 2002a). Various parallel meetings between non-governmental actors were also held.<sup>49</sup> Nonetheless, this summit took place at an even more complex time and offered few incentives to the Mercosur countries.

The September 11 attacks in the United States and its war against terrorism reinforced these questions in the international political scenario, as well as in the European foreign policy agenda debates. South America—seen as a region with few problems of this type—lost even more importance in the international arena.<sup>50</sup> The results of the negotiation round in the WTO are still pending, while the EU's negotiations with Mercosur have made little headway. The economic, social, and political crisis in Argentina has raised further doubts on the future of Mercosur, causing problems for several European companies—especially Spanish ones—which had invested capital in the country.

The results of the summit were considered modest. In the economic field, negotiations towards trade liberalisation continued. In this field, expectations raised related to possible favourable results on agriculture in the WTO negotiation round—set for late 2005, where the Mercosur countries were openly against subsidies on agriculture. This year, the end of negotiations and the beginning of the operation of FTAA are also scheduled. It is important to notice that the Mercosur Member States have also problems with their agricultural exports towards the United States, which might be an impulse to

bringing the EU and Mercosur closer. The Commission document (Com 2002b), which traces the strategy for Mercosur up to 2006, raises the same issues treated in previous documents. It calls attention to the political dialogue implemented under the CFSP. In this case, the same dynamics were followed as in the second summit–interministerial meetings in the UN Assembly and a meeting in Athens in March 2003. In November 2003 in a ministerial meeting, both parties agreed on a negotiations schedule in order to sign the Interregional Association Agreement before the end of 2004. But until May of this year, the negotiations of the Agreement have not progressed enough.

In the political field, references to the Mercosur countries in CFSP Declarations became even more sparse. They focused exclusively on a vague and fairly inconsequential Declaration supporting the Argentinean government of Eduardo Duhalde and expressed the hope that this government could organise a realistic strategy to solve the country's economic and social problems. There were two other Declarations welcoming both Luiz Inácio Lula da Silva's triumph in the Brazilian presidential elections and Néstor Kishner's triumph in the Argentinean.<sup>51</sup>

Meanwhile, the Commission's references to Mercosur members highlights the importance of a 'political and economic association'.<sup>52</sup> This association process has slowly advanced within the framework of the European project to expand its actions as an international actor. Without seeking to mobilise significant resources, it takes a different position to the United States' stance toward developing countries through interregionalism and has the purpose of maintaining these relationships once the FTAA has been established.

## 6. Conclusion

Eight years after the signing of the Interregional Co-operation Agreement and after two summit meetings, relations between the EU and the Mercosur countries are still focusing on the aim of achieving the necessary conditions in order to sign the interregional association agreement.<sup>53</sup>

The adhesion process of the ten new states to the Union has brought about a new challenge in recent years. The fall of the Berlin Wall took place when the EU was in the midst of a process to deepen integration, and this meant a shift in priorities: a new approach targeting security and the incorporation of new areas into the EU. This structural reorganisation of the Union intensified during the nineties and the beginning of the twenty-first century and resulted in the Amsterdam and Nice Treaties.

Mercosur, as a regional bloc, has experienced several problems throughout the nineties, especially because of serious economic crises and the lack of articulation between the macroeconomic and fiscal policies of the Member States. Another trouble is the absence of supranational institutions that could act as the engine for the integration process. Instead, intergovernmental relations among national leaders, who do not always favour integration, would be responsible for this low level achieved. Domestic interests and the reluctance to share sovereignty are still obstacles. The EU's initial expectations of rapid development of a common market in the region was replaced by a scepticism on the future of the bloc.

The Mercosur countries still have divergences with the CAP, so results would depend, instead, on the outcome of the next round of WTO negotiations. For these countries, these divergences imply a fundamental problem. Greater economic opening without compensation in this area would be dangerous.<sup>54</sup>

The September 11 attacks triggered changes in the international scenario, while the fight against terrorism took centre stage. In this process, Latin America lost importance in the strategic concerns of the United States and the EU.

In this context, despite the fact that Mercosur is the region with which the EU has had the most political and cultural proximity, and despite it is the Latin American sub-region whose principal trade partner is the EU, the bi-regional relations progressed very slowly.<sup>55</sup> A definitive conclusion about these bi-regional relations can only be set once the interregional association becomes a fact.

This process of approximation between both regions and the obstacles challenged raise some questions on the actions of the EU as an international actor.

The first one relates to Weiler's (1985) classification of foreign policy, as well as the identification of the main part of European actions as reactive behaviour. In fact, faced with critical situations, the EU has sought to reach a consensus and it formulated common positions, although this policy is often difficult due to the ambiguity existing in political and strategic questions of security and defence among the Member States.<sup>56</sup> Regarding Mercosur, in contrast, the EU has adopted an active policy stance, although it still lacks priority. The region has not experienced any conflicting situation requiring rapid responses, and the EU has taken the initiative to establish a political dialogue based on the basic principles of the CFSP. In this case, the initiative has been taken as part of an effort to expand its international presence and also to increase its global responsibilities. The Union is also trying to establish its own position *vis-à-vis* developing countries, that contrasts with the American position towards these countries.

This also involved a reflexive policy. As a common behaviour based on European principles, the approximation with Mercosur contributed to the formation of a broader foreign policy and can be seen as a step in the evolution of the European integration process.

The second observation refers to Hill's (1990) definitions of the EU's foreign behaviour as a civilian power, a power bloc, or a flop. In this case, the dialogue with the Mercosur countries can be considered an example of the EU acting as a civilian power. The new European interregionalism aims to develop mechanisms which favour the regulation of developing countries, besides their integration with the international economy, through the consolidation of principles such as democracy and peace. Grugel (2002) considers that the Mercosur countries were a field of action which demonstrated the EU's civilian power dimension, the commercial expansion, and the strengthening of its role as an international actor.

The importance of the political dimension and the view to disseminate a European vision of the world through diplomatic instruments is based on the logic of rejecting politics of power and the use of military resources. Instead, the EU presents a policy of a contractual nature. In this case at least, the hardliner stance on security that the EU took in the nineties was not evident.

The definition of European behaviour towards Mercosur as a power bloc is inadequate. Although there was a willingness on the part of European countries to expand the EU's international presence based on economic power; in practice, with respect to Mercosur, neither instruments of a military nature nor those linked to soft power (as some authors attributed to the Union) were used.

In fact, political dialogue has been a part of the process which includes economic links. In this case, the EU's movements have been guided, mainly, by its own economic interests in the area of exports and investment. Economic co-operation has experienced some advances. A case in point are the growing links between the civil society of both regions and the initiatives of businessmen in the privatisation of public companies. However, trade negotiations neither brought any significant results nor provoked the EU action as an economic power bloc. In general, the influence exerted over other States has generated some costs. The CAP, which the EU has not managed to reform due to different perceptions and internal interests, has acted in this case as an obstacle to the use of economic resources as an instrument of power. In the case of the Mercosur countries, it would be the ace in the hands of the Union if it were to act as a power bloc. It would surely consolidate the EU's position as a foreign partner of Mercosur, in detriment to the FTAA (Gratius 2002b,5).

The idea that the process of strengthening ties with Mercosur has failed does not seem fitting, even though it has not achieved a significant result, especially in the economic field. It is important to return to Jorgensen's (1998,96) idea of the relativity of success and failure, as well as to bear in mind the 'multiple realities' of the initiative. The resources for this initiative were not huge. In contrast, they were quite limited, and so were the results. In fact, the use of First Pillar resources as supporting instruments for political initiatives was always identified as a limitation imposed by the division of European foreign policy into two dimensions. However, in this case, it does not involve an obstacle

arising solely out of this division. The use of economic instruments in order to reach political objectives in the international scenario is complex, and the example of Mercosur has been linked more to purely European interests and the lack of an internal consensus among the Member States.

On the other hand, in the political field, the interregional dialogue has advanced, although it did not mean a European involvement with the issues of the region. The EU has managed to achieve a convergence with these countries on questions relating to the defence of democracy and human rights, international security, nuclear weapons, and co-operation in multilateral fora. Even though the rhetoric has not produced significant results, political approximation, at meetings and exchanges at various levels, have had an important symbolic value for these countries. They have favoured the development of interregional links towards non-governmental actors. And, in fact, for the Union this process was both an example of the EU's active and reflexive policy, and a cross-pillar.

In spite of the importance of the political dialogue, the idea of failure in the European action can be seen more frequently among the Mercosur countries. A limited progress has been made until today in the most urgent issue for these countries, which is trade liberalisation. But the dynamics of European interregionalism, in linking the strengthening of economic relations (that is sometimes very slow) to advances in the political, social, and environmental fields, presents a long-term alternative to the FTAA model of integration—which involves only trade issues. The European interregionalism can also bring more benefits to the Mercosur.

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## Notes

- 1 I am grateful to Capes/Brazil for its financial support and to the European University Institute.
- 2 The titles European Community (EC) or European Union (EU) are used in accordance with the usage of the period being discussed.
- 3 The article considers the Mercosur countries, the EU, and the Member States as international actors. It assumes that many internal differences exist within the two blocs, and within each State individually, as well as the development of important links between the civil societies of the two regions. However, the objective of this article is to structure a more general approach. The individual foreign relations of the Member States with the Mercosur countries goes beyond this article.
- 4 K.E.Smith (1997) observes the possibility for the EU to influence other States without a military force.
- 5 See Zielonka (1998a, 226-229) for a good discussion of the concept.
- 6 On European defence, see Hill (2001).
- 7 On group-group dialogues, see Regelsberger (1990) and Flaesch-Mougin (1990), as well as other articles in the same collection. Regelsberger (1991) also contributes to this theme.
- 8 The TEU defined the procedures for imposing sanctions.
- 9 On the European view of integration processes, see Saraiva (1996, 131-134).
- 10 On the issues of the European new regionalism, see Grugel (2004).
- 11 On the Commission's expanding role in foreign policy, see Forster and Wallace (1996).
- 12 In 1993, a structured dialogue was organised with Eastern and Central European countries. See Nuttall (2000, chapter 4).
- 13 This paradigm is based on the notion that democratic States tend not to fight among themselves, so the best way to pacify an anarchic international society is to promote democracy throughout the world (Hill 2001, 324-325).
- 14 Grugel (2002, 6) establishes a connection between these principles and the new EU interregionalism.
- 15 During this period, the expression 'diagonal relations' was used, though it was progressively left aside for failing to live up to its expectations.
- 16 The economic impact of Spain's incorporation into the EU was felt by Latin American countries, above all in the nineties when Spain invested in the region. The Dominican Republic and Haiti were able to be included in the Lome Convention thanks to Spain's efforts. Portugal's incorporation had less impact. It has political links with Brazil through the Community of Portuguese Speaking Peoples, but this does not translate into a policy for the region in general.
- 17 The document (Com 1986) called attention to the political agreements, possibly due to the democratic transitions and the values shared by the two.
- 18 The activities of NGOs have been an important instrument in transmitting European support for Latin American democratisation. See Grugel (1999).
- 19 Until 2002, there had been only one common position adopted in 1996 relating to a Latin American theme, condemning the lack of democracy and human rights in Cuba. According to the Declarations, the most recurrent issues have been the situation in Colombia and Cuba. However, the priority areas (Central and Eastern Europe, the Balkans, the Middle East, and Russia) occupied most of the common positions and in the CFSP concerns. See the EU-DG External Relations Homepage about the Council of the EU and General Affairs and External Relations Councils.
- 20 H. Smith (1998) highlights an increase in the European interest in the region in response to globalisation, the increase in the weight of the EU as an international actor, and actions to organise the FTAA.
- 21 The first two meetings of this mechanism occurred in 1999 and 2002. Another one is expected in May 2004.
- 22 See the speeches by the Commissioner Chris Patten on the EU-DG External Relations Homepage Commission, especially Patten (02/11/2000).
- 23 See the *Joint Communiqué* of the Summits in 1999 and 2002 Com, 1999 and Com, 2002a.
- 24 Commissioner Manuel Marín affirmed that Latin America is a continent with which the EU shares values, unlike other areas (with which the EU also co-operates), where religious and cultural differences exist, not to mention conceptions of democracy and human rights. *Jornal do Brasil*, 23/06/1999 p.10 *Não há uma Europa-fortaleza*.
- 25 'Basic Document concerning the Relations of the EU with Latin American and the Caribbean States'—cited by Müller (2000, p. 568).
- 26 H. Smith (2002, 212) considers the Andean countries developing states with average incomes with which the EU should seek more extensive co-operation.

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- 27 Formed by eight countries with the aim of creating a permanent and broad mechanism for political consultation in Latin America, the Group has increased to the point that it now encompasses practically the entire region.
  - 28 On the dialogue between the EU and the Rio Group, see Saraiva (1996).
  - 29 On security issues in EU-Latin America relations, see Tvevad (2002).
  - 30 In an internal document Bataller (1992,7) states that, within the EU, the Commission and other institutions are more favourable to Latin America than the majority of the Member States.
  - 31 These data can be seen in Com 1998a. The document also highlights that the European Foreign Direct Investment (FDI) in the Member States of the group grew at an average annual rate of 46.5% between 1993 and 1997. In terms of EU imports and exports, in 1995 Latin America accounted for around 5%, with Mercosur being responsible for 3%.
  - 32 Grugel (2004) makes an interesting comparison between the European and the American interregionalism.
  - 33 A Commission document (Com 1998b) refers to the ministerial meetings of 06/1996, 09/1996 04/1997, 09/1997, and 02/1998.
  - 34 More recently, the fight against terrorism has occupied a priority space in debates.
  - 35 In 1990, the total EU-12 imports of goods from Mercosur represented 13,678 million ECU; in 1996 the total of these imports (EU-15) increased to 14,865 million ECU (Com 1998b).
  - 36 In 1996, 52% of Mercosur exports to the EU were agricultural products, of which 37% were considered to be 'sensitive' products (Com 1998a).
  - 37 The provision for the liberalisation of agricultural trade was meant to be defined in the WTO round. Later, the EU would be able to structure its policy *vis-à-vis* Mercosur, regarding these decisions.
  - 38 This question is complex. Only a brief reference to the problem will be made in this article. The lobbies are composed mainly of French and Germans, and of some sectors of Italian and Spanish.
  - 39 Of all the countries in the region, Brazil has been the most reluctant to promote the FTAA negotiations.
  - 40 Declaration of the Presidency, 10/02/1995.
  - 41 See the reports of CFSP Declarations.
  - 42 The opposition of the French government appeared in various articles (Muller 2000, 571; Gratius 2002a,16).
  - 43 From the 1st until the 6th round (1999-2001), the EU negotiated this agreement both with Mercosur and Chile, which lately continued its negotiations separately.
  - 44 See Annual Report–CFSP, 1999.
  - 45 The documents relating to the negotiation rounds can be seen in the Commission (2003a).
  - 46 On economic co-operation and the promotion of EU investment in Mercosur, see Ribeiro Hoffmann (2003).
  - 47 In 1990, the EU imports from Mercosur represented 3.3% of total EU imports, while in 2000 they represented 2.4%. During this period, the balance of trade showed a trade surplus for Mercosur: 8,551 million euros in 1990 and 173 million euros in 2000 (Ribeiro Hoffmann 2003, Table 38 p.150).
  - 48 In 2001, imports from the EU corresponded to 25% of total Mercosur imports, while 24% of exports went to the Union. In terms of FDI, 58% of the total came from the EU. *Comisión Europea/Delegación en Montevideo. Unión Europea-Mercosur. Una asociación para el futuro*— cited by Valle (2003,127).
  - 49 The Mercosur-EU Business Forum, created in 1999, has played an active role in the approximation process between the two.
  - 50 The region has many problems of other types—such as drug trafficking and poverty.
  - 51 See Declarations of 31/01/2002, 29/10/2002 and 22/05/2003.
  - 52 See the speeches by Commissioner Chris Patten, especially Patten (09/11/2000).
  - 53 At the end of 2003 a new deadline was set: the end of 2004, in order to sign this new agreement.
  - 54 In 1999, President Fernando Henrique Cardoso recognised that in case of a rapid opening of the Brazilian economy to the EU, Brazilian industries would not yet be prepared to compete. *Jornal do Brasil*, 04/07/1999 p.10. *Temos que enfrentar a concorrência*.
  - 55 Page (1999, 53) calls attention to the tendency of the EU to maintain what she calls 'normal' treatment in regard to Mercosur.
  - 56 According to Zielonka (1998b,12), this ambiguity resides in the persistence of differences among Member States about the nature of integration, its functional objectives, and competition among national agendas.



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