

THE EUROPEAN UNION AND THE MERCOSUL: A NEW PARTNERSHIP

The history of relations between the European Union and Latin America goes back a long way. These relations, however, have and will continue to suffer a qualitative change now that some of the Latin American countries have embarked on the path of integration. It would be interesting to see the impact these relations might have on the international system. The question, however, is whether the European Union has interests which might lead it to support the experience of the Mercosul or which might lead the Mercosul to forge closer ties with the Union.

It is not difficult to identify the common aims of the European Union and the Mercosul when re-thinking the role of integration as a factor contributing to the reorganization of the international system. The formulation of a common agenda between these partners should be based on the awareness of key issues shaping the current international context:

- Latin America is not at present a priority for the European Union. Issues such as the integration of central Europe as well as the political and economic stabilization in eastern and southern Europe are priorities affecting the security and survival of the Union.
- The European Union has developed strategies of cooperation or competition with its international partners, within this framework of priorities. Thus, while the Central European and Mediterranean countries fall within a cooperation policy, the United States and Japan enter the trade conflict strategy once cooperation has been assured in the security sphere.
- The volume of trade between the European Union and Latin America has decreased in recent decades, and the traditional situation of large trade surpluses from Latin America to the European Union has ceased to exist.

Faced with these facts, the Union's overall Latin American strategy needs to be re-thought in order to determine whether the appearance of Mercosul constitutes a new fact of real significance requiring the European Union adopt a new position towards the region? Is this is the time to adopt a new strategy of closer relations between the two international partners?

European Union Support for the Mercosul

There are key interests prompting the European Union to keep abreast of the evolution of the Mercosul. The Mercosul is the second concrete experience of an integration process seeking to create a common market. As such, it has intrinsic value for a group of countries which embarked upon an unprecedented experience of integration almost forty years ago. Although the two integration processes are very different, it is obvious that the model developed by the European Union has become a point of reference for how or how not to proceed. In other words, the successes and failures of the European Union affect the aspirations of other countries embarking on a similar course with similar objectives.

Successful integration processes are based on the essential pre-condition that the experience be shared between democratic countries. Indeed, integration itself serves as a guarantee that democracy is not only maintained, but strengthened. The European Union has an interest in the Mercosul experience to the extent that it represents a factor contributing to democratic stability in a region which a few years ago experienced a period of authoritarian rule and inter-state conflict.

The experience of integration obliges partners to establish instruments for cooperation and it promotes the search for the peaceful resolution of differences. The conflict-ridden past of the Latin American countries, although less violent than Europe's, clearly demonstrates the importance of the role of integration as a way of organizing a group of countries which can contribute to a new phase of stability, not only in bilateral relations but also at the international level.

When integration between democratic states is strengthened, open areas rather than closed blocs tend to emerge at the international level. Trade, investment and technology interests, driving forces in today's world, together with strengthened economic globalization processes tend to create a world which favours cross-cutting interests between integrated areas in particular.

Open integrated areas can maintain favoured status relations with other regions, such as those which the European Union has with the Central European, Mediterranean, African, Caribbean or Pacific countries, as well as with the Mercosul and NAFTA.

The success of the Mercosul is of interest to the European Union because the area assumes a new and different weight within international organizations. The European Union has already demonstrated the power of cohesion in trade matters, particularly within the GATT. With the Treaty of Maastricht it is currently embarking on the new experience of seeking to achieve cohesion in foreign affairs. Individually, the countries of Latin America have little weight in international negotiations given the relative size of their economies. As an integrated area, however, Mercosul acquires new weight and

greater leverage not only in trade and foreign policy matters but also in the context of the United Nations.

The models of the present European Union and the future Mercosul both transcend the free trade area model. Thus, the resulting pattern of bi-regional relations could shape the form that future inter-regional relations at a global level may take in the context of the WTO.

Finally, the European Union's interest in the Mercosul stems from the fact that this market will, if successful, require new imports from the European Union. These will be products with greater value added and technological content such as capital goods which the European Union is certainly interested in exporting.

Mercosul Rapprochement with the European Union

The Mercosul also has reasons for engaging in a new relationship with the European Union. Despite prolonged relations with the European Union, Latin America is not a Union foreign policy priority as are the countries of Central and Eastern Europe, the Mediterranean and the ACP which suffer from pressing problems with economic and security implications for the European Union. However, if the relationship between the European Union and Latin America was once fragmented and diffuse due to the heterogeneity of Latin American countries, this approach has now changed noticeably.

Now that a new form of dialogue based on the discussion of new issues has been instituted between the European Union and the Mercosul, the latter is in a position to change the course of negotiations and to replace the former "agenda of aid cooperation" with an "agenda of common interests".

Rather than focusing exclusively on the issue of aid for the worst-off regions of Latin America, cooperation between the two areas can be based on a more equal partnership between integrated areas with common interests to be negotiated. They can focus on resolving operational problems in the integration process, finding solutions for technical problems arising from the creation of a customs union and instruments for the protection of trade within integrated areas. Issues of mutual concern such as combatting drug trafficking and environmental questions can also be dealt with. Even the problems emerging from diverging trade interests acquire an integrated nature, transcending relationships between individual countries.

The creation of Mercosul gives its member states a new bargaining position relative to the other Latin American and NAFTA countries. The Mercosul strengthens the position of its members *vis-à-vis* the

NAFTA. More specifically, it gives the Mercosul greater bargaining power in an possible future negotiation for hemispheric integration.

A major question is how to develop a new form of diplomacy between these integrated areas and which kinds of relations will emerge between such areas. More concretely, how will relations between the European Union and the Mercosul, the European Union and the AICSA, the Mercosul and the NAFTA, as well as relations between the European Union and the NAFTA develop? The emergence of new integrated areas poses a challenge of multi-regionalism for international relations - the relations between the various specific instances of regional integration.

Finally, it is important to note that the creation of the Mercosul places the whole trade relationship between the European Union and the former in a very different light.

The European Union is Brazil's main trading partner. Nonetheless, Brazil considers itself to be a global trader, since the United States, South America and Asia are also important partners. The main products exported by Brazil to the European Union are foodstuffs mainly soya complex, orange juice and meat as well as from minerals and metals. Meanwhile, the European Union is Argentina's main trading partner outside Latin America and well ahead of other trading partners. The main Argentinean exports are foodstuffs, mostly meat and soya based products.

The European Union is the Mercosul's prime trading partner particularly in the export of agricultural products and foodstuff. Conflict between the two stems from the impact of the European Common Agricultural Policy on access to the European market of the products that the Mercosul exports. Health and environmental barriers also increase the Union's protective barriers in this sector.

The trade agenda between the European Union and Mercosul is changing. There is the question of how to increase the flow of investments as well as technology between the two blocs. More importantly, there is the issue of how to encourage economic agents to participate in the promotion of technological development and in the growth of investment and trade to create new industrial products and allow for intra-industry exchanges in which the Mercosul is an active partner.

For this to happen it is necessary to develop intense horizontal cooperation in the field of finished scientific and technological products. Scientific and technological know-how should be protected. Moreover, common standards or regulations should be implemented within the context of the World Trade Organization.

A New Horizon for Relations between the European Union and the Mercosul

It is possible to identify points of convergence between the European Union and the Mercosul. These are part of the joint endeavour to understand the consequences of globalization and increasing complexity and inter-dependence, without forgetting cultural or other differences nor the need to maintain and protect open societies.

On the one hand we have Europe, a rich repository of experiences strengthened by the democratization of the Central and Eastern European countries. On the other hand, both North and South America are a natural extension of the old continent. Although Latin American has its own specific reality it also shares many of Europe's cultural roots, now enhanced by dialogue and cultural interaction. Hence, international cooperation between Europe and the Americas, based on democratic values and a shared heritage, should be based on:

- Total support for the development of open, parallel and complementary regional integration processes;
- The use of regional cooperation and integration processes as the basis for the future reform of the United Nations system;
- Improvement of the various forms of regional integration and inter-regional association, for the purpose of promoting free trade and cooperation for economic and social development;
- Active support for democratic and constitutional reforms and for the creation of regional and inter-regional mechanisms for protecting human rights and democratic legitimacy;
- Establishment of new mechanisms for the resolution of trade conflicts both inside and outside GATT and supporting reforms which can encompass economic integration processes within the World Trade Organization so as to create a new framework for expanding trade and investments;
- Creation of formal and informal structures intended to enhance reciprocal information, identifying all shared and diverging interests between the two parties;
- Support for a more active role in collective world security for the UN with effective sharing of responsibilities, adapting the organization to new post-Cold War circumstances.

It is a question of defeating the logic of closed blocs, replacing it with the creation of open integrated areas which counter fragmentation and which contribute to the establishment of new instruments for the democratic resolution of conflicts.

Integration processes are not a panacea; rather, they are a rational choice based on a creative exchange which the problems of globalization demand and which the internationalization of economies and markets makes absolutely essential.

It is essential that cooperation not be limited to the official institutions leading the process of integration or to governmental agencies if the relationship between the European Union and the Mercosul is to develop successfully. Inter-societal relations must play a prominent role, particularly when cultural affinities already exist. This will permit contact between different strata of the various civil societies. Apart from the entrepreneurial classes whose areas of mutual interest are easily identified, efforts must be made to develop ties at the non-governmental organizations, university and other social and cultural institutional levels. A contribution would thus be made not only to the reinforcement of relations between the two regions but also to the development of joint actions in other areas of the world.

Through integrated blocs contacts with other societies increase thus permitting a circulation of ideas and cultural exchange. In the same way, relations between different integrated blocs should permit inter-societal contact, thus contributing significantly to the growth and development of open societies.