

Why does Latin America matter?

Why does Latin America matter?

Coord. Carlos Malamud - Informe 22 | January 2018

Elcano Royal Institute - Madrid - España
www.realinstitutoelcano.org

El Real Instituto Elcano es un *think-tank* español de estudios internacionales y estratégicos que analiza el mundo desde una perspectiva española, europea y global.

El Real Instituto Elcano nació en 2001 como una fundación privada, bajo la presidencia de honor de S.A.R. el Príncipe de Asturias. Su Patronato está compuesto por figuras destacadas de la vida española vinculadas a la política exterior, los representantes de las grandes empresas que hacen posible el funcionamiento del Instituto, así como los ministros de Asuntos Exteriores y de Cooperación, Defensa, Educación, Cultura y Deporte, y Economía y Competitividad.

Los informes Elcano, cada uno de ellos fruto de la reflexión de un amplio grupo de trabajo de especialistas que representan a diferentes ámbitos y visiones de la sociedad, responden a la necesidad de aportar propuestas concretas a temas relevantes para la política exterior española.

CONTENTS

EXECUTIVE SUMMARY	5
INTRODUCTION	11
WHAT IS LATIN AMERICA?	21
LATIN AMERICA'S GLOBAL PRESENCE	47
HOW IS LATIN AMERICA LINKED TO THE WORLD?	55
WHAT DOES THE EU EXPECT OF LATIN AMERICA?	63
CONCLUSIONS	79
ANNEX	85
I. Members of the Working Group	87
II. List of participants in the Working Group's extraordinary meetings	91

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

The main object of this report is to draw the attention of the EU –meaning both the institutions of the organisation and the governments of its member states, their politicians, news media and public opinions– to the potential offered by Latin America and the various benefits the EU could derive from strengthening bi-regional relations. In order to throw more light on these issues, a range of pertinent data, analyses and observations will be offered over the course of the report that highlight the unity and diversity of Latin America, as well as many of its strengths and some of its weaknesses.

In contrast to the instability prevalent in a large part of the Mediterranean, the Atlantic –and in this particular case the Latin American region– offers greater predictability compared to other parts of the world. This means that the current circumstances and opportunities are highly auspicious for attempting a reassessment of Latin America, something that would undoubtedly enable headway to be made in the strengthening of bi-regional relations. It is here where certain strengths may be found because, in spite of what is commonly believed, bi-regional European-Latin American relations have rested on extremely solid foundations for quite some time, and manifest themselves in a multitude of ways in a wide range of fields (in social, diplomatic, economic, security and defence, international development, demographic, cultural, technological, academic, scientific and sporting activities, among many others).

It is often the case, however, that the most fruitful exchanges are the least visible, because they take place below the radar of governmental organisations, and thus often pass unrecorded in the official statistics. Hence the present attempt to portray the wealth of such exchanges and the opportunities that the region as a whole and the various countries that comprise it offer the EU.

The 2016 EU Global Strategy refers to the existence of a “wider Atlantic space”, and declares that the EU will expand cooperation and build stronger partnerships with Latin America and the Caribbean. Although this statement is less forthright than the one some years ago that declared the existence of a strategic alliance between the EU and Latin America,¹ it should be pointed out that, despite some significant progress, there have been no great advances in many of the fields mentioned above in terms of bolstering bi-regional relations. And this is despite

¹ The “strategic alliance” concept continues being used, as shown by the Santo Domingo Declaration issued on 26/X/2016 after the meeting between EU Foreign Ministers and CELAC.

the fact that Latin America is, due to its geographical position and its economic, political and social potential, a major actor in the Atlantic space and in the current circumstances could be an important partner for the EU. If these impediments to progress remain present on both sides of the relationship it is in good part due to the EU not having a clear idea of what it wants of Latin America, although it might be argued that the obverse is also true, that Latin America lacks any clear idea of what it wants of the EU.

This report is based on a fourfold perspective that seeks to emphasise the interests of every type that Europe already has with Latin America and the potential benefits that could derive from a considerable improvement in bi-regional relations (without forgetting the increasingly important Latin American interests in Europe, starting with the presence of multi-Latin businesses). The report is, in fact, structured on the basis of these four perspectives.

The first perspective considers the reality of Latin America and tries to answer the question: what is Latin America and what does it represent on the global socio-economic stage of today? A series of pertinent facts are provided that try to answer the question, especially from the European viewpoint. The second is the outcome of its predecessor and investigates the standing of Latin America in the world. Or, to put it another way, what is the global presence of Latin America? Is it consistent with its potential? A series of data included in the Elcano Global Presence Index constitutes the main source for this section. The third perspective involves European expectations of Latin America and Latin Americans, both in economic terms and in terms of their contribution to global governance.

Lastly, the fourth perspective looks at how Latin America understands its connection to the world and how its leaders and citizens interpret what they need to do to be present in it and relate to globalisation in a much more effective way. This involves being aware of the way in which the world's main actors, starting with the US and China, interact on the international stage and what the implications of these actions are for the EU. This is a reality that is borne in mind throughout the report, which at no time assumes that a prerequisite for greater European presence in the region consists of unbridled competition with other global powers.

Based upon these considerations, and acknowledging the close European cooperation with the US, it is noted that Donald Trump's protectionist rhetoric, although it remains to be seen whether it ends up manifesting itself in Latin America, could also be profitably leveraged, including in the unlikely event that his policy leads him to abandoning certain regional markets. Notwithstanding this, the strengthening of the Atlantic Triangle (Latin America, the US and the EU) stands worthy of greater consideration on the part of those responsible for EU foreign policy.

China is the other great international actor with an ever-increasing presence in Latin America. Trade between China and the various countries of the region has not stopped growing and investments are increasing all the time. It is nowhere decreed, however, that as long as the EU plays its hand astutely it cannot exploit its advantages and opportunities, even laying the ground for bilateral cooperation with Beijing. Identifying both advantages and opportunities is indeed one of the aims of this report.

The opportunities that emerge from the bi-regional relationship for the EU, as becomes evident over the course of the report, have various manifestations. After the end of the super-cycle of natural resources, Latin America is going through a key time that is not devoid of problems. Politically there has been a rotation in some of the region's governments while economically, due to lower income stemming from reduced commodity prices, the need has once again arisen of diversifying exports (in terms of both products and markets) and improving productivity.

The need to resolve certain existing shortcomings and the transformations that are taking place in specific sectors and countries is another point to highlight. It is here, in relation to the construction of infrastructure and the diversification and modernisation of the energy network, as well as greater cooperation in everything related to the digitalisation of the economy and the technological revolution, where Europe can aspire to improving relations with Latin America.

INTRODUCTION



INTRODUCTION²

It is often said that Latin America is a land of opportunities or, to be more exact, great opportunities. The most positive views of the region's potential and its promising future usually emanate more from Spain, and to a lesser extent Portugal, than any other part of Europe or even the US. The traditional, innumerable and often intangible ties that bind the Iberian Peninsula with Latin America are the origin of the large number of clichés about Latin America, some of which, of a positive nature, have led to the idealisation of a 'promised land'. Despite this, the prevalence of such clichés has not been able to prevent the emergence throughout Europe of certain prejudices towards the region, particularly evident in criticisms of 'events condemned to the repetition of failure'.

This refers to experiences that often stem from the negative impact of certain problems such as the lack of law and order, the lack of dependable justice, the extreme inequality and the political and economic instability and its repercussions for daily life and business activity. But together with the existence of these contradictory perceptions, it is important to focus on this diverse, complex and often contradictory reality, and on the options that might open up to a Europe that was much more alert to what is going on there, enabling it to play a much greater role on the Atlantic stage, especially in its southern half.

Thus, the goal of this report is to highlight, beyond the commonplaces about the shared values that exist between Europe and Latin America, those aspects of Latin American reality that need to be considered by European political leaders and business representatives, remaining fully aware of the interests of the EU and its member states. European-Latin American relations have existed for a very long time, and despite not being fully appreciated by the public opinion of many European countries, they are remarkably intense, notable from an economic as well as a social, demographic, cultural, scientific-technological and artistic perspective.

In the case of several EU countries, however, conveying the importance of Latin America to their societies, to their public opinion and even to their politicians has proved a difficult task. This difficulty is directly linked to certain negative

2 This report is the fruit of work by Félix Arteaga, Ángel Badillo, Gonzalo Escribano, Mario Esteban, Carmen González Enríquez, Manuel Gracia, Lara Lázaro, Salvador Llaudes, Ignacio Molina, Iliana Oliví, Miguel Otero, Aitor Pérez, Lara Santos, Elena Sotos and Federico Steinberg and the contribution of the working group set up for the purpose at the Elcano Royal Institute, the members of which are listed in Annex 1. The efforts of María Dolores de Azategui to coordinate the working group were fundamental to the project's successful outcome.

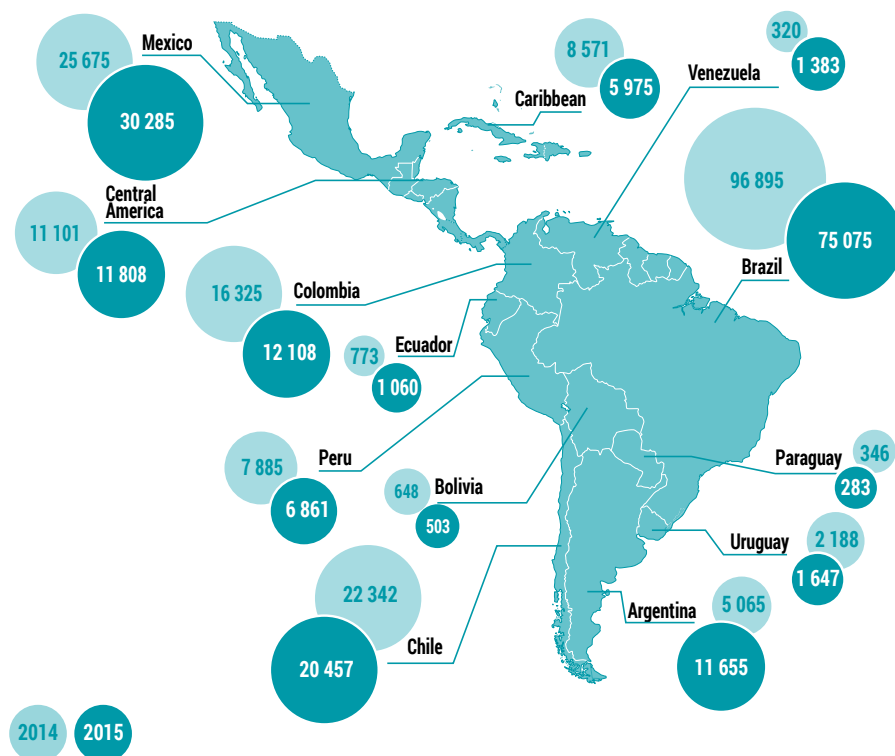
aspects in Latin America's image in Europe, such as the impact of violence, drugs, organised crime and corruption, and with many widespread stereotypes that need to be overcome. Meanwhile, the idealisation of other values (the myth of the noble savage and the revolutionary potential of its oppressed sectors) does not help in making an appropriate assessment of Latin America's reality or what the region can do for Europe and the Europeans.

For this it is necessary to stress certain essential issues that go beyond historical ties and migrations, but that reflect positive aspects of Latin American reality. It is important, for instance, to highlight the fact that European investment tends to create more employment in Latin America than other sources of investment from more diverse parts of the world, and that European investment in the whole of Latin America exceeds what it invests in India, China and Russia combined, despite the region not being a priority for EU foreign policy. And the reason for this to a large extent is the absence of actual or potential conflicts of any importance, whether in the bilateral or intraregional context. And this is because, despite the impact of violence, in general terms the region can be described as an area at peace, free from nuclear weapons and barely or minimally scarred by international terrorism.

Many official EU documents claim that relations with Latin America are strategic and highly important for the EU, although little light has been shed in terms of clarifying what is understood either by strategic or highly important. While it is true that based on the existence of the EU-CELAC Action Plan, ratified in 2010, 10 priority areas have been identified in terms of political dialogue and bi-regional cooperation, there is a lack of clear definition on the EU side regarding the strategic significance of Latin America in the context of its global policy.

This is joined by another important fact. For many member states of the EU, especially the majority of those that joined in the latest expansions, relations with Latin America are not strategic, and are not even a priority. Thus, an essential issue linked to the subject under investigation here is how to express in actual deeds the political will to strengthen bi-regional relations. This involves admitting that although a shared European-Latin American strategy is possible and needed, it cannot be tackled from all perspectives or cover all the issues. It needs therefore to be much more selective in terms of including in the agenda essential questions accepted by both sides.

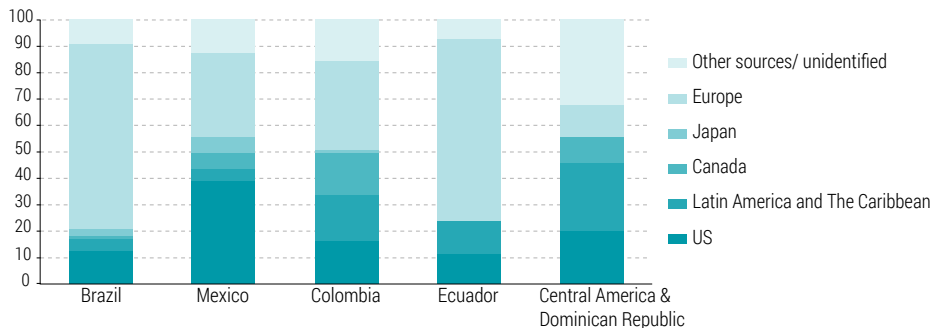
Map 1. Direct foreign investment received, 2014-15 (in US\$ mn)



Note: The figures for Venezuela and Trinidad & Tobago (included in Caribbean) are for the first three quarters of 2015.

Source: Economic Commission for Latin America and The Caribbean (ECLAC) using figures and estimates as at 27 May 2016.

Graph 1. Source of the direct foreign investment in five selected countries, 2016 (%)



Source: Economic Commission for Latin America and The Caribbean (ECLAC) using figures and estimates as at 15 June 2017.

A worrying situation that emerged in the last decades of the 20th century and the first decade of the 21st century was the steady loss of Latin America's importance for the companies and public opinion of some countries that had traditionally enjoyed excellent relations with the region or at least part of it.³ This was the case for, among others, the UK, Germany, France, the Netherlands, Italy and Sweden.

This report does not by any means seek to overlook the Caribbean or its great importance. For analytical purposes, however, it has been decided to concentrate on the reality of Latin America, which, despite its great complexity, involves a greater degree of homogeneity from various perspectives than the idea of the broader region. That said, with the forthcoming prospect of Brexit and its possible effects on the Anglophone Caribbean countries, it is clear that the EU should not disconnect itself from the area. Doing so would send a terrible signal to both Latin America and the Caribbean, as well as the rest of the world.

It is often said that from a Spanish perspective Latin America matters, indeed matters a great deal. In fact, on a number of occasions when various European governments have looked towards the region great emphasis has been placed on the Spanish position.⁴ This is why the authors believe that Latin America should

³ Latin America's loss of importance, especially for the US but also for the EU, became more evident in the wake of the September 11 attacks in 2001.

⁴ One of the guiding principles of this report is to avoid, insofar as it is possible, the special perspective that accompanies Hispanic-Latin American relations (including Ibero-Latin American relations if Portugal is added), to focus on European-Latin American relations and on the view that exists in the EU member states as a whole.

similarly concern the EU⁵ as a whole and that this is a unique moment for taking such concern forward. Certain initiatives are being undertaken both at the EU level and within some European countries with the tendency of strengthening European-Latin American relations. But the importance that Europe attaches to such relations should not reflect a question of identity or tightly restricted interest, but should go far beyond this. There are indeed an overwhelming number of reasons, starting with political and economic ones, for this to occur, while avoiding the trap of paternalistic and Eurocentric attitudes, or grandly invoking dialogue between the two parties on an equal footing, an area where significant progress has thankfully been made.

That being said, beyond the broad range of shared values and interests, there are often contradictory perceptions of a great variety of issues and of the very status of the other party. It is thus noticeable that the same problems can be seen very differently by each of the two parties. The role of the state and the market in public life, the 'responsibility to protect', the extent of governments' protagonism on the international stage and relations with the US are clear examples of this reality. As Charles Powell points out, in a 'large part of Latin America... the international liberal order is perceived above all as a system conceived to perpetuate an American hegemony that fundamentally serves its own national interests'.⁶

At another level of perceptions it is evident that whereas for Europe the problem of drugs and drug trafficking is an issue of public health and the fight against organised crime, in many Latin America countries it is increasingly seen as a systemic threat. Similarly, the arrival of immigrants *en masse* and concern about the refugee issue give rise to distinct interpretations depending on the viewpoint of the observer. This diversity of perceptions makes it incumbent upon each party to seek a better understanding of the other and appreciate the differences that exist.

It is not a case of presenting an idealised image of Latin American reality in an attempt to underline its value. As already mentioned, one of the main goals of this report is to highlight those elements of its reality that are of greatest interest to Europe and the Europeans, contrasting its structural framework with the international context and reasserting its potential, but also its limitations and the elements that may hinder its development. It is a case of thinking over the medium-to-long term but without overlooking the context. All this is particularly important at

5 The drawing up of this Elcano report coincided with the updating of the European Parliament's European Strategy for Latin America and other similar initiatives, both public and private, and it had been due to mark the CELAC-EU Summit, which was scheduled to be held in San Salvador in October 2017, despite the difficulties that subsequently emerged surrounding its organisation that ended up causing it to be postponed.

6 Charles Powell (2017), '¿Tiene futuro el orden liberal internacional?', ARI, nº 56/2017, Elcano Royal Institute, 29/VI/2017, http://www.realinstitutoelcano.org/wps/portal/rielcano_es/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/zonas_es/ari56-2017-powell-tiene-futuro-orden-liberal-internacional.

Latin America makes up the Atlantic space together with the US and the EU.

a time of uncertainty and transition such as the one currently being witnessed, stemming from the referendum result in favour of Brexit in the UK, the change of government in the US and the emergence of nationalist and xenophobic populisms in Europe and elsewhere. The advent of a new president in the White House has sown greater confusion about the role of the US in the world and, more specifically, in its relations with Latin America

There are two preliminary issues that should serve to lay the groundwork for the main question. The first is the set of ideas and values that we share with Latin America. Secondly, Latin America makes up the Atlantic space together with the US and the EU. Both factors will have a future bearing on the evaluation of the European democratic project and of open societies, challenged from various perspectives in a global context characterised by growing uncertainty.

Nobody can be unaware of the protectionist strain that drives the US Administration or the consequences of a policy that may lead to the US becoming more isolated, especially after pulling out of the Trans Pacific Partnership (TPP), the almost terminal paralysis affecting talks surrounding the Transatlantic Trade and Investment Partnership (TTIP) and the difficulties in renewing the North American Free Trade Agreement (NAFTA). Hence the importance of a headline that appeared on a New York Times article on the consequences of an APEC meeting held in Lima in November 2016 and President Xi Jinping's visit to four Latin American countries: 'As Trump talks wall, China builds bridges to Latin America'.

It follows from this that the new circumstances, correctly used, may prove to be an excellent opportunity for the EU to improve and consolidate its positions in Latin America and for the latter to reset its links to the EU, given that, in contrast to the instability of the Mediterranean, the Atlantic offers the prospect of greater predictability. This involves remembering, in spite its obviousness, that the will of the EU alone is not enough to relaunch bi-regional relations. The task must be joint one and therefore it is necessary for both sides to join forces. Whatever happens it is important to stress that European-Latin American relations should not be conceived in terms of the current situation, thinking solely of the EU-CELAC Summit due to be held in El Salvador or the window of opportunity presented by the protectionist zeal of the Trump Administration. A strategic perspective should therefore prevail, conceived over the medium and, more especially, the long term.

Over the next decade Latin America could prove to be one of the most stable, secure and dynamic regions of the planet for international investment, especially for European companies if the reassessment of the region, the outcome being advocated here, finally comes about. This is particularly valuable in a context

of growing protectionist pressures in advanced countries. Added to the latter consideration is the fact that the main Asian emerging economies, with their state-based capitalism, continue placing certain obstacles to the entry of goods and capital from the EU. Nor should it be forgotten that the African continent and the Arab-Muslim world, barring some exceptions, represent greater risks for investment; hence the pertinence of asking where Europe should look and what advantages would derive from subjecting Latin America to much more careful scrutiny.

If in addition to all this, one considers the growing geopolitical rivalries between China, Russia, the EU and the US, manifested in various conflicts in peripheral regions, then the attractions of an association with a region like Latin America –in the ascendant, increasingly convinced of the rewards of inserting itself into globalisation, stable and aligned in values and ideals with the rest of the Atlantic space– are assured. The partial and temporary recession that afflicted the continent in 2016, from which it is now starting to emerge, should therefore not be allowed to obscure the major present and future economic opportunities.

In order to be able to formulate the question underlying this study appropriately it is necessary to start from a fourfold perspective, which will present an image of Latin America that is not always positive. Not to do so, succumbing to a rose-tinted and idealised view of the regional reality, would be totally counterproductive for the purposes of this report.

The first perspective focuses on the reality of the region and raises the question of what Latin America is (see Map 2) and how it fits into the global socio-economic context. The second is an outcome of its predecessor and focuses on the region's standing in the world. Put another way, what is the global presence of Latin America? Is this consistent with its potential? The third perspective addresses the way Latin America interprets its connection to the world and what its leaders and citizens believe must be done to increase its international presence. Lastly the report analyses global, and in our case European, views regarding what can be expected of Latin America and the Latin Americans, both economically and in terms of their contribution to global governance (not for nothing is Latin America represented at the G-20 by Argentina, Brazil and Mexico, for example).

A very important issue that emerges throughout the analysis that follows is the cost to the EU of not taking into account –or not being concerned about– Latin America.⁷ Put another way, what would be the consequences for the future of our global interests, for human rights, for freedoms and democratic values if the EU disregarded the region?

⁷ For the cost of Europe failing to pay attention, see the pioneering work of Paolo Cecchini, known as the "Cecchini Report", published in 1988 by the Commission of the European Community under the title of: "Europe 1992. The Overall Challenge".

Map 2. Political map of Latin America



Source: https://www.maps_world.net

WHAT IS LATIN AMERICA?



WHAT IS LATIN AMERICA?

Some facts about the region

Latin America covers a territory of some 20 million km², which means that its surface area is double that of Europe, China or the US taken separately. However, apart from its complex geography (large mountain chains spanning the continent from north to south, extensive hydrographical basins, such as those of the Amazon, the Orinoco and the Plate-Paraná, and vast plains suited to agricultural exploitation) (see Map 3), its diversity of climates and certain obvious considerations about undeniable national specificities, the fact is that Latin America has a specific existence as a region and has a strong sense of identity. It is rightly said that there is not one single Latin America and that it is important to desegregate the analysis, but in an exercise of this sort it is not appropriate to overdo the segmentation of the regional reality.

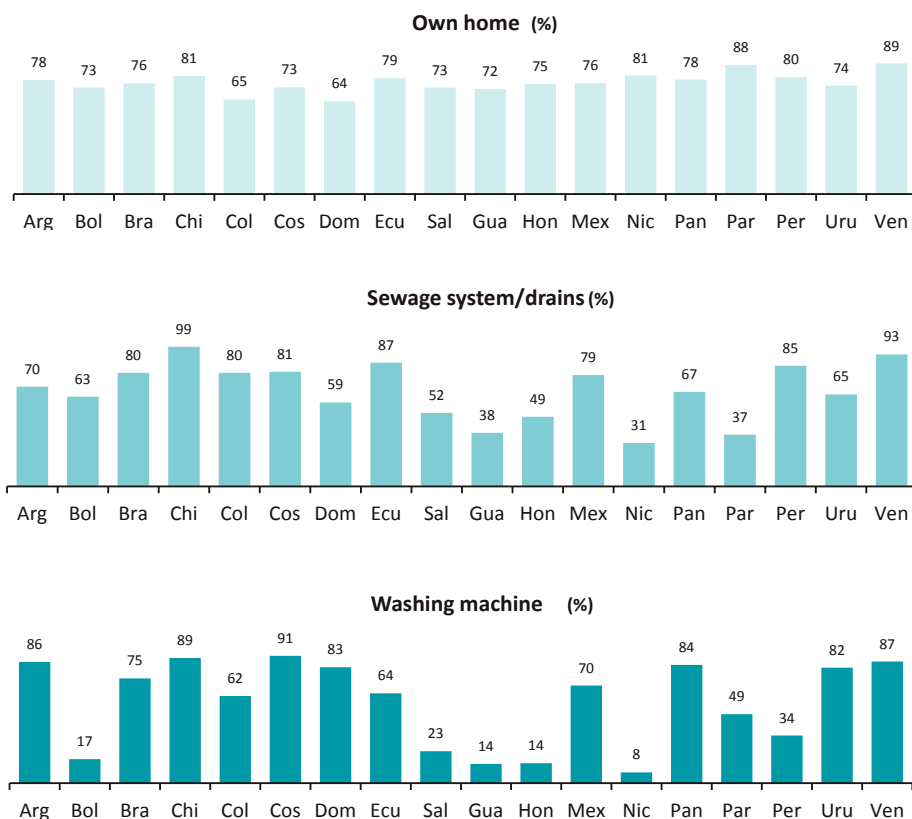
Despite this, it is important to put on record the great diversity and asymmetry that exists between the various countries of the region, evident not only in their size, productive specialisations and wealth, but also in their social composition, in their different levels of ownership (see Graph 2) and in the qualifications of their human resources. Such differences also emerge in their relationship with globalisation, in their perception of Europe and how they view European-Latin American relations.

Map 3. Physical map of Latin America



Source: <https://kirkliv.wordpress.com/2009/06/02/latin-america-physical-map/latin-america-physical-map-2/>

Graph 2. Ownership: “Do you or any member of your household own one of the items mentioned below?”



Source: *Latinobarómetro*, 2015.

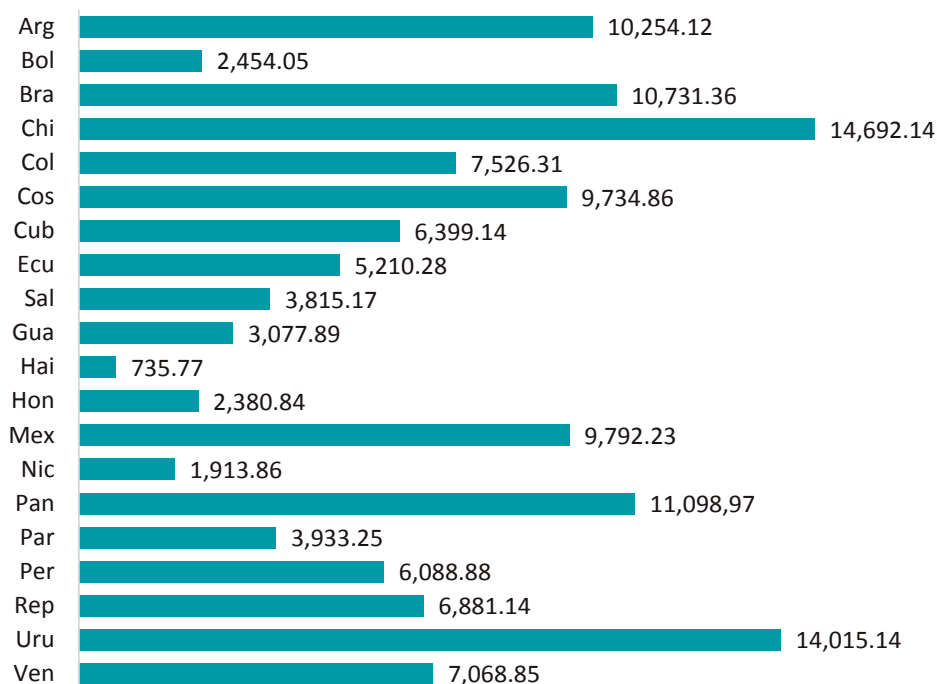
Beyond its diversity and heterogeneity, Latin America is much more than a mere geographical or regional entity. It is not even an artificial intellectual construction dating back to the start of the 19th century. For many and varied reasons, Latin America as a region has its own identity, although there are many with a wide range of arguments who prefer to deny its existence and unity. There are even those who prefer to refer to South America rather than Latin America, a relatively widely-used concept. Despite its geographical emphasis however, this idea is not adopted by the present report because it excludes Mexico and Central America. It may be said therefore that by considering Latin America as a region with its own entity we are not referring to the imagined product of a near or distant observer's imagination, but an objective and objectifiable reality. Despite its level of regional integration, which is still weak, its unity, anchored in strong historical, cultural, religious and linguistic roots, is much more evident than in other parts of the world

In addition to the already-mentioned cultural unity there is also significant economic homogeneity, which is even greater if the Caribbean is left out, with the previously-noted exceptions of Cuba, the Dominican Republic and Haiti. The political homogeneity is also considerable, given the predominance of democratic systems, which revolve around republican and presidential institutionalism. Data and indices analysed below will bring these points out more clearly.

Barring certain highly individual cases, the income differences between countries (not within them) are smaller than those to be found in Asia and Africa, and are no greater than those of Europe. The regional per capita GDP average measured in purchasing power parity (PPP) is around US\$15,600 (here including the Caribbean), according to IMF figures for 2015. ECLAC estimates for 2016 suggest that at constant prices, Chile is located at the upper end of the spectrum (see Graph 3), reflecting its status as the Latin American country with the highest income (US\$14,692), while at the other extreme is Haiti, with the worst figures by some distance (US\$735), followed by Nicaragua (US\$1,913).⁸

⁸ In the European case it is important not to overlook the great difference in income between Luxembourg and Romania, despite the existence of the internal market and income transfer mechanisms.

Graph 3. Total annual per capita GDP at constant prices (US\$ mn)

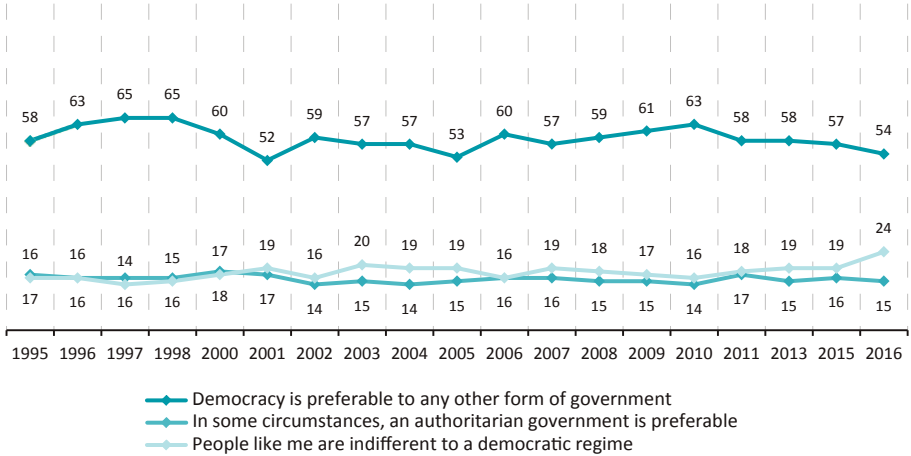


Source: Economic Commission for Latin American and The Caribbean (ECLAC)- own estimates based on official sources

Meanwhile, the political differences have been diminishing and the region exhibits, despite its fragmentation and the existence of some anomalies, a notable and enduring democratic stability, which has remained evident since the start of the transition to democracy in the 1980s. Opinion polls repeatedly show a clear preference for the democratic system and appreciation of democracy ahead of other political options. However, the 2016 edition of the Latinobarómetro showed a significant weakening in support for democracy, prompted by among other factors corruption and the persistence of inequality (see Graphs 4-7).⁹

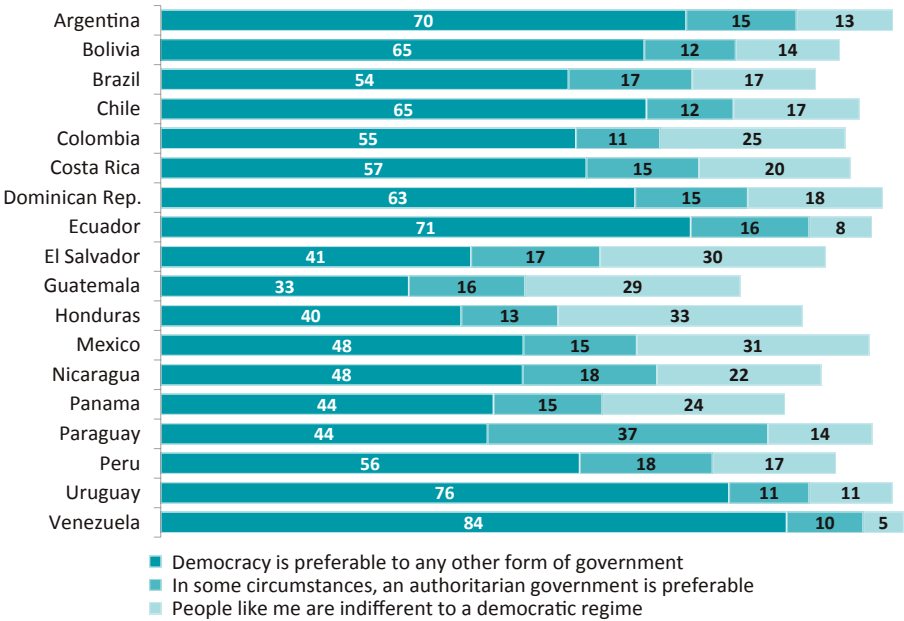
⁹ <http://www.latinobarometro.org/latContents.jsp>

Graph 4. Support for democracy (1): democracy vs authoritarian regimes (%)



Remainder up to 100% = no answer.
Source: Latinobarómetro, historical series.

Graph 5. Support for democracy (2): democracy vs authoritarian regimes (%)



Remainder up to 100% = no answer.
Source: Latinobarómetro, 2015.

Graph 6. Level of satisfaction with democracy in Latin America



Source: Latinobarómetro historical series.

Graph 7. Guarantors of democracy (averages)

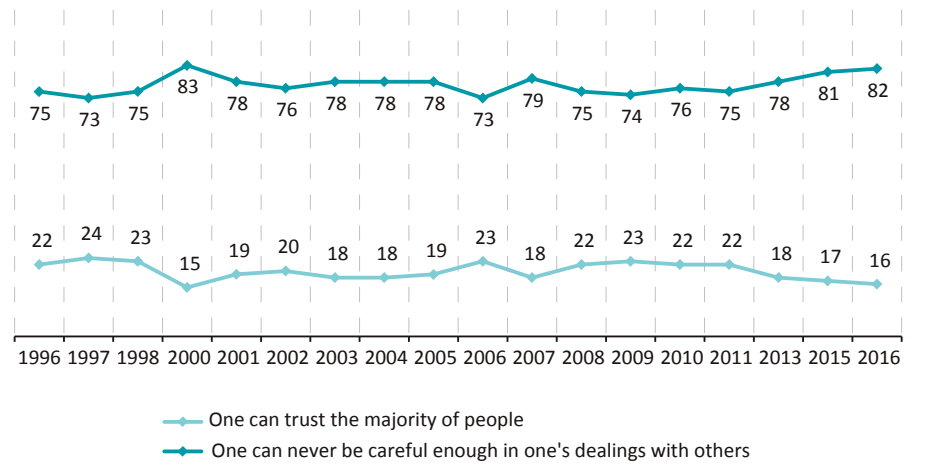


Scores: completely guaranteed = 10; somewhat guaranteed = 6; hardly guaranteed = 3; not at all guaranteed = 0. Authors' own compilation.

Source: Latinobarómetro, historical series

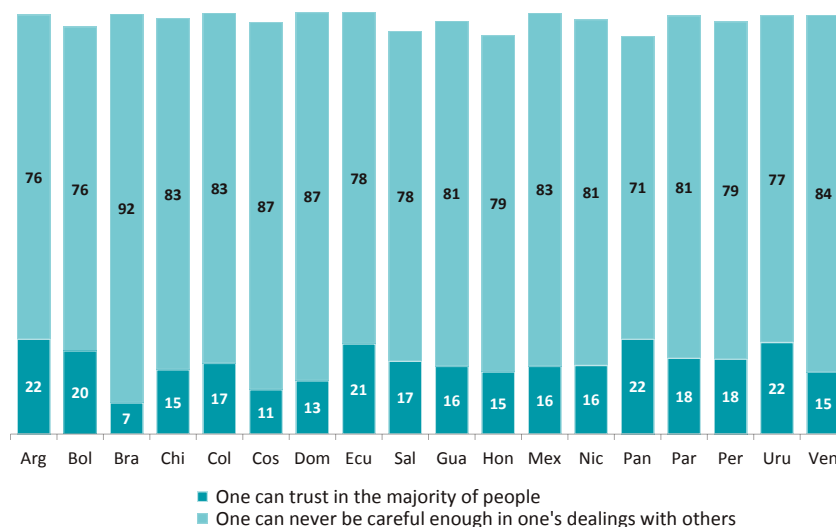
This, however, does not prevent trust in some of the key institutions of democratic systems, such as political parties, parliament and the judiciary, being extremely weak. With certain exceptions, the institution of the presidential office emerges with the best rating. As the Latinobarómetro's findings also show, low levels of interpersonal trust, particularly evident in the case of Brazil (see Graphs 8 and 9), is a major obstacle across most of the continent to the construction of solid institutions with strong popular backing.

Graph 8. Interpersonal trust (%) (regional average): "In general terms, would you say that it is possible to trust the majority of people or that one can never be careful enough in one's dealings with others?"



Remainder up to 100% = no answer.
Source: Latinobarómetro historical series

Graph 9. Interpersonal trust, (2015), by country (%)



Remainder up to 100% = no answer.

Source: Latinobarómetro, 2015.

Only Haiti features in the Fragile States Index 2017, drawn up by The Fund for Peace¹⁰, among the countries on 'high alert' (it occupies position number 11, the first being South Sudan, the state considered to be the most fragile of the 178 investigated). Of the remaining Latin American countries, the most vulnerable are Guatemala (57) and Venezuela (58), with the remainder occupying much more stable positions. According to the Freedom House Index, the only two countries deemed to be 'not free' in the entire region in 2017 are Cuba and Venezuela. On a scale of 0 to 100, 0 being the worst, whereas Cuba scores 15 points, Venezuela has 30.¹¹ Also significant is the position that Latin America occupies in the United Nations Development Programme's 2016 Human Development Index (HDI), with virtually all countries included in the very high, high or medium Human Development categories, except Haiti, which is classified as low.¹²

That said, despite their many specific features and points in common with European culture, Latin American countries cannot automatically be linked to Europe as though they were proximate and homogenous entities. While there are powerful factors that strengthen their internal unity and facilitate their identification with

10 <http://fundforpeace.org/fsi/data/>.

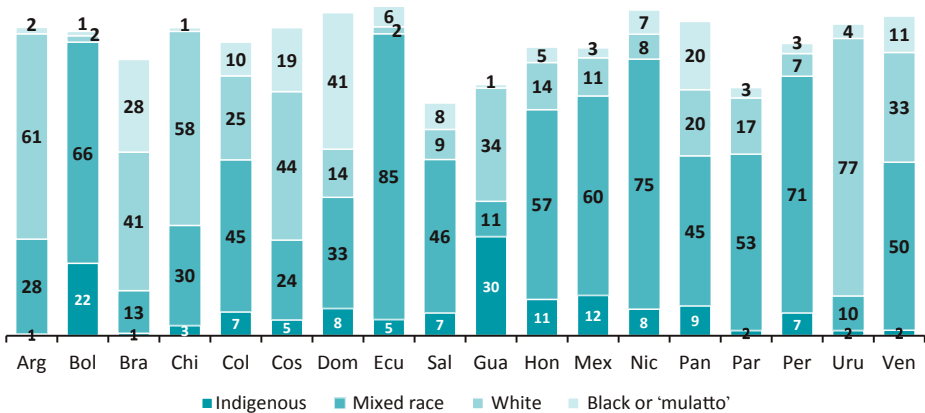
11 <https://freedomhouse.org/report/freedom-world/freedom-world-2017>.

12 http://hdr.undp.org/sites/default/files/HDR2016_SP_Overview_Web.pdf.

Western culture (such as languages, culture and religion), there are other significant elements indicative of a fragmented scenario including considerable autonomous development beyond the historical ties with Europe.

Among the factors that link Latin America to the West on the basis of the European conquest begun in 1492 there are such specific issues as Graeco-Roman culture and law, Catholicism, scientific rationality, democracy and its institutions, defence of the rule of law and the prevalence of freedoms and the market economy, among others, albeit with different levels of state intervention. All this, of course, is filtered through a fusion with indigenous populations, who maintain a significant presence in many countries, and immigrant populations, among others Afro-American groups, who give Latin Americans their own profile. Guatemala (30%) and Bolivia (22%) are two countries where a significant part of the population considers itself to be indigenous (see Graph 10).

Graph 10. Ethnic composition of Latin America: self-identification (%)



Note: the 'I do not know ethnic group' reply accounts for 28% in El Salvador and 22% in Guatemala and Paraguay.

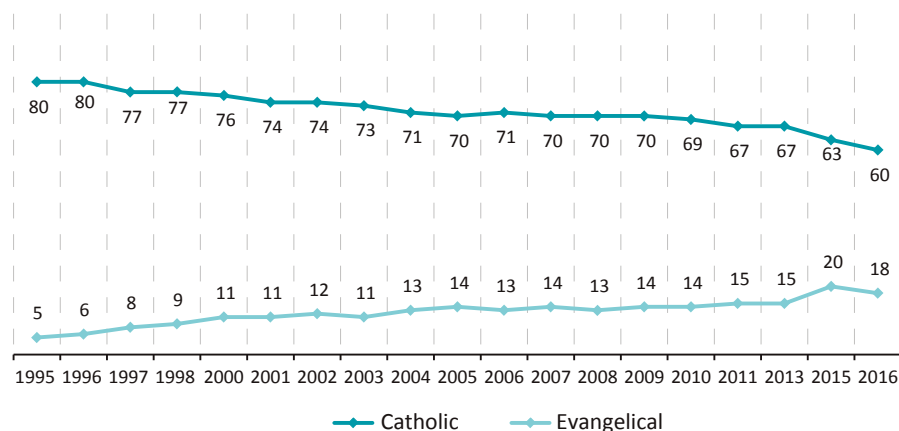
Source: Latinobarómetro, 2015.

Remainder up to 100% = no answer.

The Roman Catholic denomination of Christianity is the main religion practiced in virtually all the countries of Latin America, although in recent years significant inroads have been made by evangelical churches, especially evident in Central American countries. Even so, Guatemala is the only country in the region where the number of Evangelical-Protestant believers exceeds, albeit by a very small margin, the number of Roman Catholics (44% as opposed to 43%). Meanwhile, figures from

the Pew Research Center show that Pope Francis is given an extremely positive rating, with favourable opinions among Roman Catholics in excess of 78% and in six countries above 90%, reaching as high as 98% in Argentina.¹³

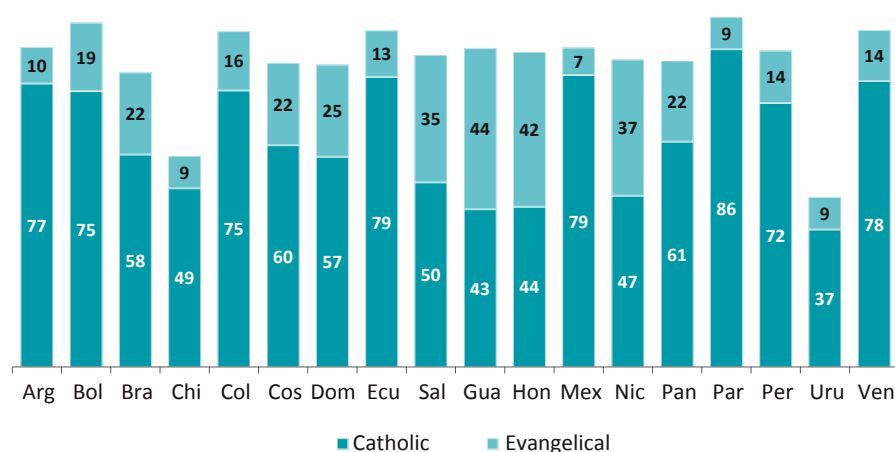
Graph 11. Religion (1): Roman Catholics and Evangelical Protestants (%)



Remainder up to 100% = no answer.

Source: Latinobarómetro, historical series.

Graph 12. Religion (2): religion practised (%)



Remainder up to 100% = other religions, atheists, agnostics, no answer and no religion. In Chile and Uruguay the answer 'none' accounts for a significant percentage (36% and 33%, respectively).
Source: Latinobarómetro, 2015

¹³ Pew Research Center (2014), 'Religion in Latin America: Widespread Change in a Historically Catholic Region', 13/XI/2014.

Beyond its specific identity, Latin America is important in the world and for the world and in the medium-to-long term could play a fundamental role on the international stage. Its geographical position is decisive. By simultaneously jutting out into both the Atlantic and Pacific Oceans it bisects the two great oceanic spaces. In this way, Latin America has ceased to be the 'far West', as Rouquié used to say,¹⁴ in a world that seems to be gravitating more and more towards the Pacific and towards the south. And without overlooking the development that Africa may undergo in the future, given the importance of Latin America, the South Atlantic continues to be a space that demands attention and it is there that Europe needs to have a much more systematic approach to the region.

Beyond its specific identity, Latin America is important in the world and for the world and in the medium-to-long term could play a fundamental role on the international stage.

As already pointed out, Latin America is more important than some European analysts and observers give it credit for and also more important than the main international actors tend to believe. In colloquial terms it may be said that the continent is boxing below its weight, among other reasons because many countries in the region have systematically neglected their foreign policy. There are certain problems however that prevent a more accurate assessment of their standing in the world. One of the most important is that Latin America, due to its traditional isolation and

its habit of looking in on itself, is hardly present on the international stage. In this sense, its main foreign policy priorities tend to focus on the strictly regional sphere or at most the pan-American context, with far less attention placed on the global setting, apart from specific issues that are of particular concern.

14 Alain Rouquié (1989), *América Latina. Introducción al extremo occidente*, Siglo XXI Editores, Mexico.

The economy

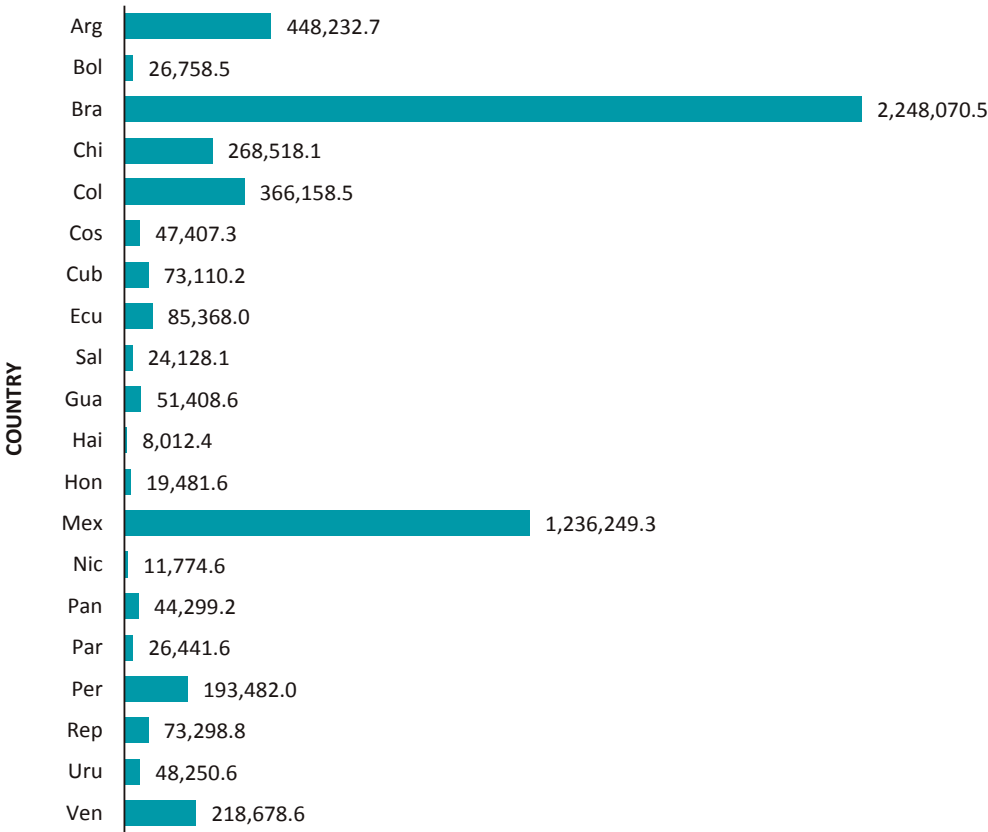
The absolute and relative importance of Latin America has grown in the globalised world. Although the region does not act in a sufficiently coordinated way, its principal countries have increased their presence in the global economy. This trend has been bolstered in the last three decades following the adjustments made in the 1990s in the majority of Latin American countries and the ongoing absorption of relatively hard-up groups into the middle classes. The latter factor has led to the socio-economic transformation of their countries and the region as a whole. In this context it is important to highlight the major achievements made in the majority of Latin American countries in reducing the numbers of people in poverty and extreme poverty.

Latin America is today the richest and most prosperous region among the group referred to as 'emerging economies'. It has a GDP of US\$4.5 trillion (US\$5.1 trillion according to the World Bank), rather more than Japan (US\$4.1 trillion), Germany (US\$3.3 trillion) and the UK (US\$2.8 trillion), and twice that of India (US\$2 trillion). This accounts for slightly more than 7% of global GDP, although in 1980 it was 9%, signifying a worrying decline compared to its most direct competitors, something that is also evident in the results of the Elcano Global Presence Index.¹⁵ Despite this, Brazil and Mexico number among the 15 largest economies in the world ranked by PPP.

Latin America is today the richest and most prosperous region among the group referred to as 'emerging economies'.

¹⁵ See section 2 of this report: 'Latin America's global presence'.

Graph 13. Total annual GDP at constant prices (US\$ mn)

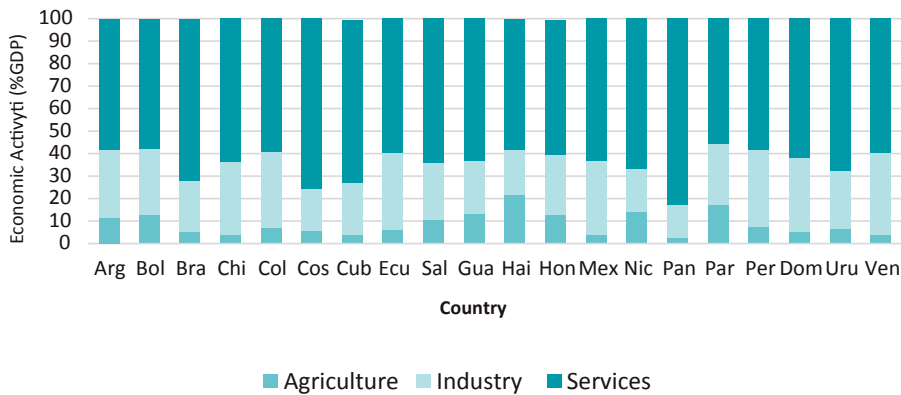


Source: Economic Commission for Latin America and The Caribbean (ECLAC). Own estimates based on official sources.

As far as its production base is concerned, there is great regional and national diversity (see Map 4 and Graph 14). Whereas the output and exports of South American countries, including Brazil and Argentina, focus to a large extent on raw materials (energy products, minerals, food and other agricultural products), Mexico and Central America exhibit a much more diversified structure of outputs and exports, something that makes them far less dependent on the cycles of commodity prices, as was evident in the rates of growth in the most recent boom (2004-14) as well as in the subsequent bust. The countervailing factor, which involves both risks but also

considerable rewards, is their greater proximity and dependence on the US market. As diversification of exports and markets continues to strengthen, Latin American economies should take the path leading towards greater productivity, something that entails more attention being placed on education, technology, innovation, the digitalisation of their economies and the development of infrastructure projects. This fact undoubtedly presents major opportunities to European companies seeking to enhance their presence in the region.

Graph 14. Latin America: main economic activities



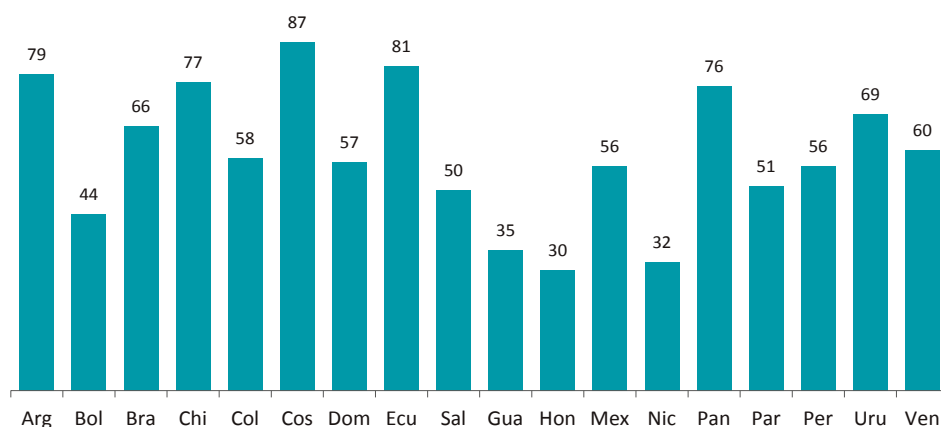
Estimated data for 2016, Colombia estimate for 2015
Source: <https://www.cia.gov>

Map 4. Main economic activities



Latin America offers significant growth potential in the digital economy. According to data from 2017, only four of the region's 12 countries have internet penetration figures below 50% (see Graph 15). In digitalisation terms, and despite the considerable progress made in recent years, this represents a major gulf vis-à-vis more advanced economies. Even so, digitalisation has contributed to the region's economic growth (accounting for 4.3% of Latin American GDP between 2005 and 2013).

Graph 15. Internet usage (% of users)



Source: Internet World Stats, June 2017

The region is blessed with major reserves of natural resources, albeit unevenly distributed. Latin America accounts for 40% of the planet's biodiversity, 25% of its natural forests and 28% of the world's drinking water. It also boasts almost 85% of the world's reserves of lithium (concentrated in Chile, Argentina and Bolivia), 43% of copper (Chile, Peru and Mexico), 40% of nickel, 30% of bauxite and 30% of silver. The regional deposits of oil are 20% of the global total, exceeded only by those of the Middle East, while natural gas deposits account for 4.3% of the total. This is not to overlook the deposits of shale gas, which are considerable in the case of Argentina (Vaca Muerta), and rather less so in the case of Mexico and Brazil. Lastly, Latin America boasts abundant renewable energy resources, enabling it to project itself as a different type of energy powerhouse, with a highly significant renewable element.

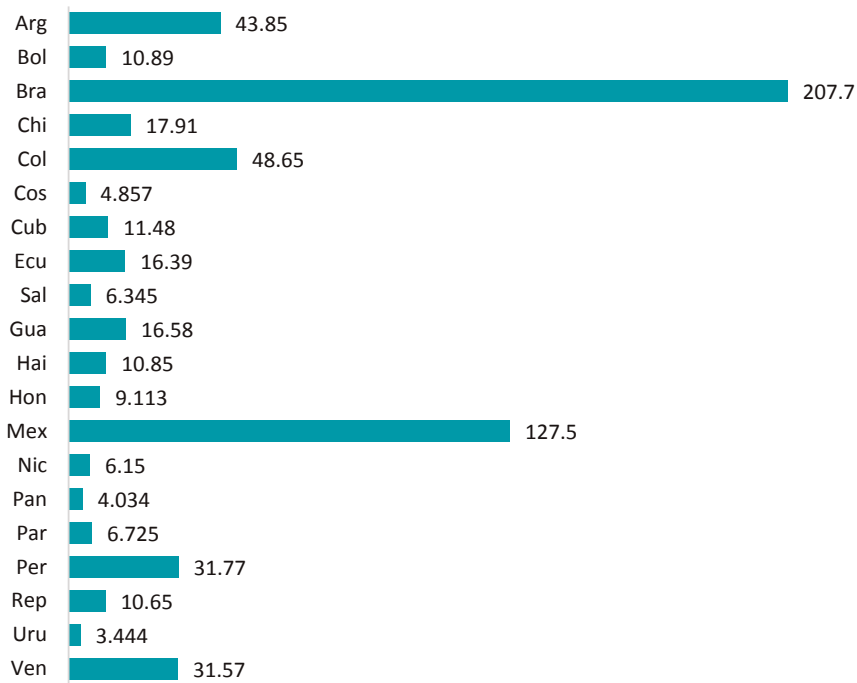
Its share of world trade is less than 6% (somewhat less in terms of exports than in terms of imports) and it attracts almost 8% of total international investment. Europe's share of trade with Latin America is hugely important. For some countries and regional trading blocs, such as Mercosur, the EU is the largest exporter of goods and services and one of the largest importers of Latin America's output, including a by no means negligible percentage of services and manufactured and semi-manufactured products.

One surprising development of recent times revolves around the process of creating and expanding a significant number of multinational companies of Latin American origin, also known as 'multi-Latins'. There are 55 multi-Latins among the world's 500 largest companies (including 18 Brazilian and 15 Mexican companies), which together with other multinationals from the region account for almost 3% of global investments made outside Latin America. In recent years both the presence of the multi-Latins in the EU and their investments in some of the member states have grown considerably, starting with Spain, although they are increasingly going beyond its borders.

Demography and migratory flows

Latin America has a per capita income close to US\$9,000 (US\$15,000 calculated at PPP), a population of more than 634 million (almost 9% of the global total) and a density of 2.31 inhabitants per square kilometre (see Graphs 16 and 17). After Asia and Africa it is the third most heavily-populated region in the world, and has more inhabitants than the EU, even if the UK is included. Demographers do not predict significant changes in its composition until 2100, when it will account for just 7% of the total population, in a process distinct from that of Europe, which will fall to 6% from the current 11%. Despite this, by 2050 Mexico and Brazil will be among the 10 most heavily-populated countries in the world, whereas not a single European country will feature in this group. A certain ageing of the population is already evident however, most notably in countries such as Argentina, Cuba and Uruguay; this will become more exacerbated in the decades ahead and could present serious economic and social problems in the future.

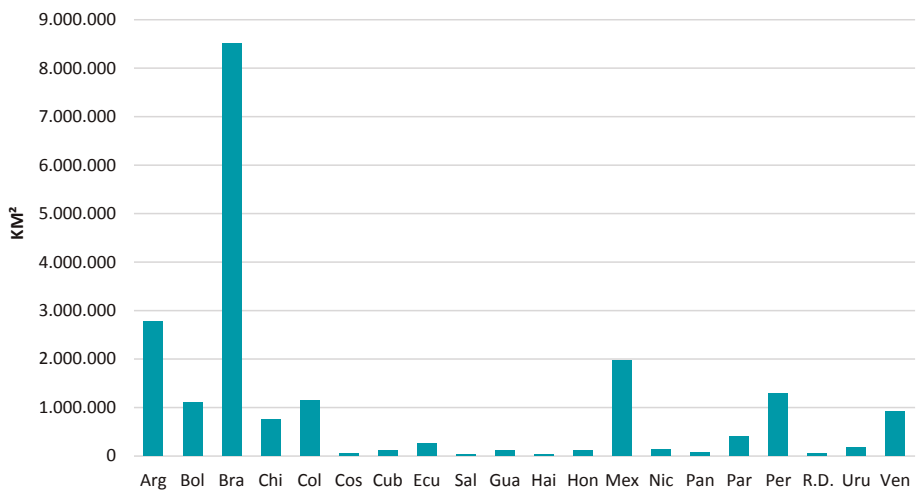
Graph 16. Population, 2016 (millions)



Source: World Bank

Due to its still youthful age structure (something that is set to change, however, as has just been pointed out), the combined Latin American population will continue growing over the next few decades (in 2050 it will have 784 million inhabitants), but its relative weight in the global picture will decline slightly due to the much faster growth of the African population. Another important demographic characteristic is the high proportion of city-dwellers. Rather more than 80% of Latin Americans live in cities, which is an important circumstance to bear in mind for certain investments.

Graph 17. Latin America: surface area (km²)



Source: Economic Commission for Latin America and The Caribbean (ECLAC).

Migratory flows between Latin America on the one hand, and North America and Europe on the other, are significant. Altogether in 2015 almost 36 million Latin Americans, 6% of the total population, were emigrants living in other parts of the world. The most popular destination is the US (where 68% of emigrants live), followed by intra-regional migration (16.5%), which has grown apace in recent years, boosted by the economic and social improvements experienced by various countries in the region. Occupying third place is Europe, which is the destination for 4,650,000 Latin American emigrants, 13% of the total, the bulk of them living in Spain –the main host country with 2,300,000 immigrants– followed by Italy and the UK. Travelling in the opposite direction, 1,306,000 Europeans live in Latin America.

Apart from academic emigration to the UK, and the Venezuelan middle classes leaving their country for political reasons, most Latin American emigrants to the EU have a medium or low educational level and occupy secondary employment positions, mainly in the services sector and domestic work. This means that their contribution to the competitiveness of the European economy is currently lower than it might be. In addition, the low average level of education makes Latin American emigrants in the EU highly vulnerable to technological transformations and changes in the economic cycle. This circumstance may lead it, at times of crisis, to having to suffer high rates of unemployment. Europe needs to develop more appropriate policies for attracting Latin American graduates and university students, most of whom are currently heading towards the US in search of more

prestigious education, while trying to avoid a potential brain drain that would damage the future development of Latin American societies.

In this way the EU would benefit from highly-qualified immigrants who tend not to have problems of cultural integration. In light of the fact that English is and will continue to be the dominant language in science, technology and international business, the EU could take advantage of and strengthen the growing range of bachelor's and post-graduate degrees in English offered throughout its member states to attract the finest Latin American students. It should simultaneously offer its programmes in local languages, such as Spanish, Portuguese, French, German and Italian, which continue to be highly valued among Latin American students.

Some Latin American countries continue being seen as 'lands of opportunity' by immigrants hailing from various parts of the planet.

With this goal in mind, it should be possible to design a post-graduate residence and work permit that would allow such students to remain in Europe for a suitable time once their studies have ended. A similar formula could be applied to entrepreneurs and the owner/managers of SMEs. The current climate in the US, with a President who favours a reduction in immigration, including the most qualified, creates comparative advantages for Europe in this international competition to attract innovators and the finest talents.

At the same time, some Latin American countries continue being seen as 'lands of opportunity' by immigrants hailing from various parts of the planet. Here, the largest population flows are made up of movements within Latin America.¹⁶ However, groups of European immigrants continue having a significant presence throughout the continent. All this provides the region with greater ethnic and social diversity.

As already pointed out, the favourable way many of these indicators have performed has enabled Latin America to claim higher rates of human development than other more or less comparable regions of the world. This situation has benefited from its human capital, with well-educated middle classes, the existence of good transport infrastructure, the widespread use of new communications and the success of social innovation. The significant presence of an increasingly thriving middle class with growing purchasing power is another important factor to be borne in mind.

¹⁶ In some cases, the pressure of certain migration flows within Latin America, including such Caribbean countries as Haiti and the Dominican Republic, has started to cause negative reactions in the host societies, especially with respect to demand for public services and competition in the jobs market.

Latin America comprises a cultural space of extraordinary wealth and diversity, ensuring its role as an important contributor to the global circulation of content in Spanish and Portuguese.

There has been ongoing growth in the region in recent years, especially during the raw materials boom (2004-14). Its growth was proportionately lower, however, than other parts of the world, such as South-East Asia, its direct competitor among emerging countries. Despite this, one of the main challenges faced by all the economies in the region is that of overcoming the constant threat of the 'middle-income trap', a challenge that still exists; to this end they need to redouble their efforts to improve productivity, place greater emphasis on technology and innovation and improve and strengthen infrastructure construction programmes, together with the need to undertake other structural reforms, ranging from institutional strengthening to diverse areas such as education, justice and regulatory mechanisms.

Culture

Latin America comprises a cultural space of extraordinary wealth and diversity, ensuring its role as an important contributor to the global circulation of content in Spanish and Portuguese in the years ahead, although given the educational level that exists in other countries in the region there will also be significant market share in other languages. Latin America boasts 145 places that have been recognised by UNESCO as world heritage sites (102 of which are explicitly cultural). In addition to these there are also 63 intangible heritage awards (dances, musical traditions, popular celebrations, craft techniques and traditions).

All these considerations make Latin America an ideal setting for the production and distribution of cultural content and products, stemming from both the advantage of the majority languages and the fact that socio-demographic developments mean that most producers and consumers are potential digital natives.

However, no Spanish-speaking country in Latin America has an authentic digital policy or displays any clear leadership in the area (either in the manufacture of devices, the design of software or the creation of content and services), and it was only in 2014 that the Ibero-American community, operating through the Ibero-American General Secretariat (SEGIB), launched an Ibero-American Digital Agenda, the impact of which has so far been limited.

The extraordinary cultural wealth of Latin America, which can be encapsulated in the idea of *mestizaje*, or ethnic blending, is the result of the amalgamation of

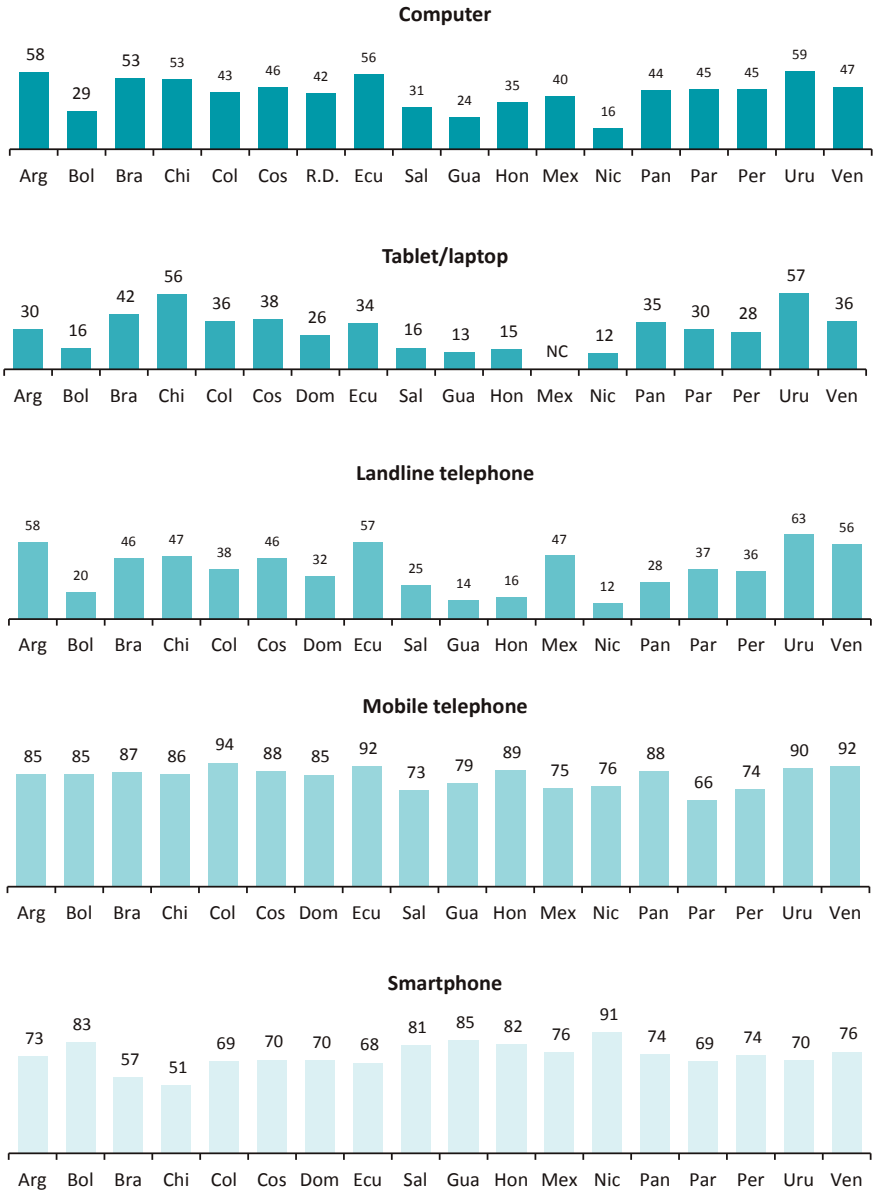
the ancestral traditions of the Indo-American peoples, of the formidable influx of European, Asiatic and African migration over the three centuries of colonial expansion and two centuries of republican rule and of the present century with its economic globalisation, the struggle for democracy and the establishment of an ever-more open market economy.

Spanish, with its many variants and riches acquired from more than five centuries of co-existence with indigenous languages, is one of the main elements of cultural cohesion. Alongside Portuguese it plays a dominant role, although the remarkable linguistic diversity of the region is evident from the almost 1,000 indigenous tongues spoken there, many of them it should be said in danger of dying out.

According to the Instituto Cervantes, Spanish is the third most-widely used language on the internet with 220 million users, 8% of the total, representing an extremely valuable economic resource. The significant growth in the number of users over the last decade augurs a promising future given that currently only half the Latin American population has access to the internet. This situation may change rapidly with the expansion of high-speed mobile networks in Latin America and the falling price of mobile devices (see Graph 18).

Lastly, it should be noted that many Latin American cities boast a wide range of European institutions devoted to the teaching and dissemination of the language and culture of their respective countries. Prominent among these are the Instituto Cervantes, the Cultural Centres of Spain, the British Council, the Alliance Française, the Goethe-Institut, the Istituto Italiano di Cultura and the Instituto Camões.

Graph 18. Access to various communication devices (by country)



Source: Latinobarómetro, 2015.

LATIN AMERICA'S GLOBAL PRESENCE



LATIN AMERICA'S GLOBAL PRESENCE

Using a basis of objective data, the Elcano Global Presence Index aggregates and quantifies the foreign standing and international positioning of the world's various countries in accordance with the three dimensions that comprise the index: economic presence (energy, primary assets, manufacturing, services and investments), military presence (troops deployed and military equipment) and soft presence (international aid, education, science, technology, information, culture, sport, tourism and migration). Global presence can be understood as the extent and the way in which countries are 'out there', beyond their borders, independently of the influence or power that they exercise or wield. In a sense a country's global presence can be the basis of power –the platform or asset to be transformed into influence or power– if the country in question has the capacity and willingness to do so.

The Latin American performance in the 2016 Elcano Global Presence Index,¹⁷ which uses data for 100 countries throughout the world, is relatively modest, in keeping with other aspects of the regional scenario already alluded to. This is reflected in the position it occupies in the 2016 Index: fifth out of the six geographical areas considered (only ahead of Sub-Saharan Africa) (see Graph 19), having fallen from the fourth position it held in the 1990s. These results are calculated using data from the 15 countries in the region¹⁸ included in the analysis, which jointly account for 97% of regional GDP and almost 93% of its population.

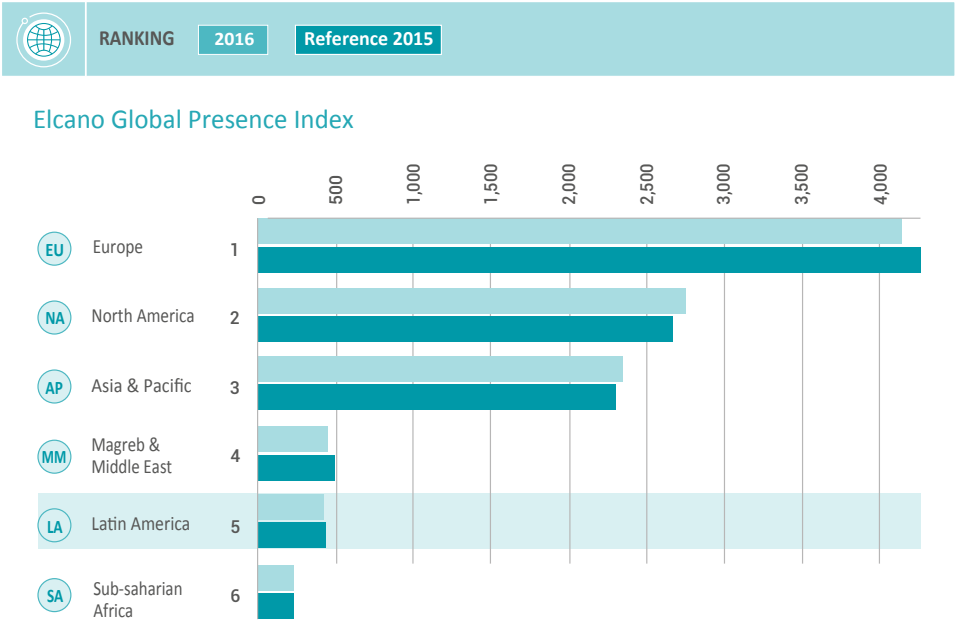
Two Latin American republics –Brazil and Mexico– are among the top 10 countries with the largest populations, occupying the 5th and 10th positions at a global level. These countries also stand out in terms of GDP, occupying equally notable positions in the world GDP ranking. They are in turn the Latin American countries that occupy the highest position in the ranking of global and regional presence: Brazil, the regional leader, comes in at 19th in the global ranking (with 118 points);

¹⁷ <http://www.globalpresence.realinstitutoelcano.org/es/inicio>.

¹⁸ The countries included are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Mexico, Panama, Peru, the Dominican Republic, Uruguay and Venezuela. Only Bolivia, El Salvador, Honduras, Nicaragua, Panama and Paraguay are absent.

while Mexico is the second country in the regional ranking and 23rd in the global ranking (91 points). And although these two combined account for 49% of the global presence of Latin America, they have a global presence ranking that is considerably lower than other countries of comparable size, something that is symptomatic of Latin America’s relatively low foreign standing. If Chile (46 points) and Argentina (43 points) are added to Brazil and Mexico, their combined share rises to 70% of the regional total.

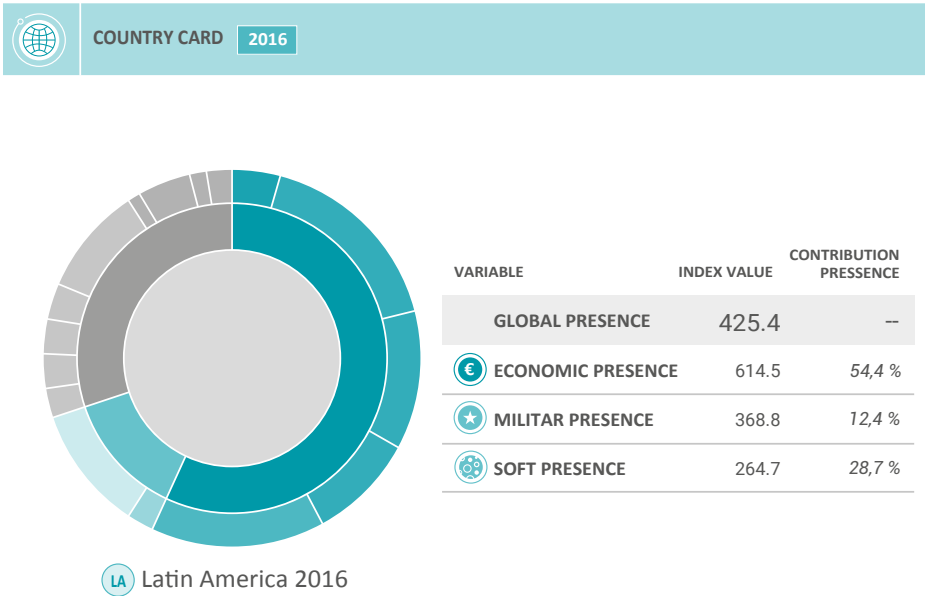
Graph 19. Global presence by regions



Source: www.globalpresence.realinstitutoelcano.org.

In general terms, the region’s global presence has diminished constantly since 2013. In 2016 it fell 15.4 points, declining from a score of 440.8 global presence points in 2015 to 425.4 in 2016. Barring Mexico, Panama, Costa Rica and the Dominican Republic, the global presence of all the other Latin American countries included in the Index fell compared to 2015. This was due fundamentally to the reduction of their economic presence, with the exception of Mexico –the country in the region with the largest economic presence–, Chile –which maintained the same position as the previous year–, Colombia –which climbed five positions since 2015– and Panama –which claimed 63rd position, as opposed to the 70th place a year earlier–.

Graph 20. Latin America's total and sectoral global presence



Source: www.globalpresence.realinstitutoelcano.org.

It is important to note that Latin America's global presence is overwhelmingly dependent on the economic dimension, which accounts for 54% of the total (see Graph 20). Playing an especially prominent role in this are energy products and raw materials, something that is set to shape its future evolution even more. Markets for these products form an essential component of its exports and of the growth prospects of the majority of countries in the region, to such an extent that exports of raw materials account for 16% of the global presence as opposed to the 14% accounted for by foreign investment. Energy and raw material exports together represent more than 36% of Latin America's global presence. This fact underscores the weakness of economic presence, which between 2015 and 2016 fell 32.3 points. Such weakness is all the more evident if it is compared with other parts of the world, where exports of manufactured goods and services and foreign investments have a greater bearing.

Soft presence accounts for 29% of Latin America's global presence, a figure much higher than that of Asia or the Maghreb and North Africa. That said, the main component of Latin America's soft presence comprises sport, tourism and information, with low contributions from technology (1.2%), education (1.4%) and science (4.3%). The 8.4-point increase in soft presence relative to the previous year

Latin America's presence in the institutions of international economic governance is significant, although not entirely consistent with what it ought to be.

has helped the region offset the fall in its global presence. Apart from Cuba and Brazil, all the Latin American countries increased their soft presence compared to 2015. This however does not change the region's main type of global presence, which remains economic.

In addition, Latin America's soft presence has increased above all in everything related to information. The increased number of references in news items published by the main media outlets to various Latin American countries –relating to the government replacement processes that have taken place in some of them, historic referendums, political and economic crises and milestones like the death of Fidel Castro– has been the factor that has most driven the increase in Latin America's soft presence in recent years. In some

cases, unfortunately, the increased media attention paid to certain Latin American countries cannot be viewed as a positive development.

Although the variation in the contributors to Latin America's global presence has been greater in the case of soft presence –almost two percentage points higher than the year before– than in the case of the economy –0.5 percentage points lower–, the variation in the index score of the soft presence was lower than that of the economy. Therefore, the tendency of Latin America to a greater importance of the soft dimension in its external projection is due not so much to the rise of its soft power components as the reduction of its economic presence. By being made up of countries that are predominantly raw-material exporters, the fall in raw material prices has made itself felt not only in its economic presence, but also in its global presence, which continues its downwards trend.

Latin America and international economic and political governance

Latin America's presence in the institutions of international economic governance is significant, although not entirely consistent with what it ought to be. In general, such presence is more the outcome of the individual initiatives of particular governments than coordinated regional action. Although Brazil, Mexico and Argentina are fully-fledged members of the G-20, they have proved incapable up to now, despite the regional over-representation, of putting common proposals to the group. The fact that Argentina is organising the 2018 G-20 meeting presents an excellent opportunity, which everything indicates will be well taken, for the three Latin American countries to start coordinating common positions among

themselves and with the rest of the region, or even with the European representation in the group (the EU together with Germany, France, Italy and the UK, as well as Spain, which enjoys the status of a permanently invited member).

Latin America has rather more than 8% of the voting power at the International Monetary Fund (IMF) and World Bank. In both institutions, the countries with the highest share of representation are Brazil, Mexico, Venezuela and Argentina. This weighting is similarly reflected in their respective executive directorships and board members. Of the 25 and 24 executive directors running respectively the World Bank and the IMF, four of them in both organisations are earmarked almost exclusively for Latin American countries, while four of the World Bank's 46 group directors and three of the IMF's 31 are also Latin Americans.

Latin America also boasts two multilateral development banks: the Inter-American Development Bank (IADB) and the CAF-Development Bank of Latin America.

Moreover, Chile and Mexico are members of the Organisation for Economic Cooperation and Development (OECD), while Colombia and Costa Rica are being examined by the various committees that make up the organisation as part of the process of becoming members. Argentina, Brazil and Peru have also applied for membership. Its current Secretary General is the Mexican Ángel Gurría.

Lastly both José Graziano da Silva, Director General of the Food and Agriculture Organisation of the United Nations (FAO), and Roberto Azevêdo, Director General of the World Trade Organisation (WTO), are Brazilians, and they are accompanied by another eight Latin Americans as chairs of one of the 43 councils, groups and committees that make up the latter institution.

Latin America also boasts two multilateral development banks: the Inter-American Development Bank (IADB) and the CAF-Development Bank of Latin America. The IDB has 15 European countries among its members, while the CAF numbers Spain and Portugal among its shareholders. Although 15 countries are shareholders in the IDB (13 of them EU members),¹⁹ the EU as such does not figure on its governing body. Greater involvement of the European institutions in regional development banks would enable bi-regional relations to be strengthened and simultaneously open up more effective pathways of collaboration in manifold cooperation initiatives, such as the construction of infrastructure, overcoming the digital gulf and the fight against climate change.

¹⁹ The countries in question are Germany, Austria, Belgium, Denmark, Slovenia, Spain, Finland, France, Italy, the Netherlands, Portugal, the UK and Sweden, which are joined by two non-EU countries, Norway and Switzerland.

Lastly, it is worth pointing out that two Latin American countries usually form part of the United Nations Security Council within the group of 10 non-permanent members. At the time of writing the regional representation is held by Uruguay, which was chosen for the 2016-17 period, and by Bolivia, for the 2017-18 period.

HOW IS LATIN AMERICA
LINKED TO THE WORLD?



HOW IS LATIN AMERICA LINKED TO THE WORLD?

As is the case with other aspects of the geopolitical, economic and financial reality, Latin America has undergone profound fragmentation over the last decade, something that hinders its linking to the world as a region. This should not, however, be allowed to obscure the fact that some Latin American governments are currently pushing national and regional policies more focused on strengthening their ties with a globalised world. In this context, it may well prove fruitful to ponder at a regional level the new international situation and the place that Latin America wishes to occupy in the world on the basis of its relations with the US, China and the EU.

In very broad terms it is possible to identify two groups of countries (with caveats and fluid criteria, often linked to the political leanings of their governments) which may be described as follows: a first group in which public policy and international activity are characterised by a stance of open nationalism and horizontal governance (Argentina, Brazil, Chile, Colombia, Mexico and Peru, among others); and a second group where a closed nationalism combined with hierarchical control and a strong predominance of the state still prevail (Bolivia, Cuba, Ecuador, Nicaragua and Venezuela). The boundary between the two groups is fluid however and there are significant numbers of Latin American countries that exhibit characteristics of both. Despite this, the divergences are clearly evident in various aspects of reality, as can be seen for example with everything related to the integration of energy supplies, strongly determined by the exaggerated influence of nationalism, which is particularly conspicuous in the way the main state-owned companies in the sector operate.

Energy

Latin America is an actor with a differentiated profile on the global energy stage. This is due to at least three factors: (1) its combination of hydrocarbon resources and renewables, ensuring a well-diversified energy mix; (2) its status as an exporting region but also with internal markets undergoing rapid growth; and (3) the existence of heterogeneous levels of energy governance but in relative terms significantly better than the other large producers of hydrocarbons, such as the Middle East, Africa and Central Asia. This enables it to have a multidimensional energy projection that is comparatively less sensitive (and prone) to certain geopolitical behaviours.

On the regional stage, the differences in resources and policies generate a geopolitics of fragmentation, with little energy integration and considerable interdependence with suppliers and customers in other regions. The more prominent role that is starting to be played by American liquefied natural gas (LNG) may reconfigure the pattern of energy interdependence in the American hemisphere: Latin America would transition from having been a supplier of oil to the US to becoming an importer of its gas. Depending on the development of non-conventional gas and renewables in the region, American LNG has the potential of substantially altering the Latin American energy landscape. Meanwhile, China will continue filling the vacuum left by the American market and extending its energy role in the region.

Climate change

Since the fight against climate change and economic development can be goals that are mutually reinforcing, it would be advisable to continue making progress in the Latin American economy's low-carbon transition, with the goal of making the region more attractive internationally. This requires preserving an energy mix with less dependence on fossil fuels compared to other regions of the world. In turn this involves taking advantage the existing opportunities for the deployment of renewable energies and electrical interconnections, gradually reducing subsidies for fossil fuels, making headway on energy efficiency and saving and streamlining policies that prevent deforestation.

Latin America is highly vulnerable to the effects of climate change. Among the most prominent risks are the consequences of hurricanes and the melting of Andean glaciers and its effects on the availability of water resources for consumers, agriculture and hydroelectrical energy generation. Its contribution to the emission of greenhouse gases is significant. Accounting for 10% of worldwide emissions in 2012, Latin America (with Brazil and Mexico the chief emitters) is at the level of the EU-28 (which released approximately 10% of greenhouse gases in 2015).

*Latin America
is highly
vulnerable to
the effects
of climate
change.*

In addition to this phenomenon is the change in precipitation patterns, which is also reducing the availability and quality of drinking water. The economic cost of climate for Latin America and the Caribbean is uncertain and exhibits significant differences depending on the country being analysed. The available estimates however point to a cost of between 1.5% and 5% of current GDP by mid-way through the century, although it is acknowledged that this calculation could underestimate the true cost of climate change for Latin America.

Latin America's vulnerability to climate change, the cost in economic terms, the region's strong dependence on natural

resources, the opportunities in renewables and the social pressure in favour of climate action are some of the factors that have caused it to take the lead in certain areas over the course of the international climate negotiations, despite the insufficiency of the nationally-determined contributions. Historically, Latin America has played a prominent role in the international climate agreements.

Following the announcement of the US withdrawal from the Paris Agreement, Latin America has the potential to become a strategic partner of the EU in the design of future climate multilateralism. The Spain-Latin America pairing, via the Ibero-American Network of Climate Change Bureaus (RIOCC), and the one comprising Europe and Latin America, via projects such as EUROCLIMA, can drive climate preparedness and strategic vision for the transformation towards a low-carbon development model consistent with the commitments made in the Paris Agreement.

Development aid

Development aid has traditionally been one of the foremost mechanisms by which Latin America has conducted relations with the world. Indeed, over the course of many years the majority of countries in the region were recipients of this type of aid in various forms. In recent years, and as a result of the transformations that have taken place in the region's economies and societies, and also of the interpretation that the donor countries have made of what Official Development Aid should involve, most Latin American countries, having acquired the status of middle-income nations, have seen their importance as recipients of aid reduced, while simultaneously witnessing a major move towards South-South cooperation mechanisms and three-way cooperation.

As far as the development agenda is concerned, between 2000 and 2015 the objectives of the Millennium Development Goals (MDGs) prevailed, and these made a major contribution to moulding the strategies and narratives of cooperation and development. The MDGs involved prioritising the attention paid to Sub-Saharan Africa and the relative loss of importance of Latin America. In this context, the EU approved the Agenda for Change and the idea of 'graduation' was introduced by the EU agencies responsible for cooperation, triggering a major controversy (which still persists) in Latin America and many of the European NGOs that work there through aid programmes and projects.

Following the announcement of the US withdrawal from the Paris Agreement, Latin America has the potential to become a strategic partner of the EU in the design of future climate multilateralism.

Latin America is contributing to the construction of the South-South cooperation and three-way cooperation system.

On this particular aspect there is no official dialogue between the two regions, although the ministerial meeting in Santo Domingo decided to submit a deliberation on the impact of the 2030 Agenda on bi-regional cooperation, a deliberation that would encompass the graduation issue, to the El Salvador summit. Therefore, the foundations are being laid for a dialogue enabling this issue to be addressed and a new model of cooperation to be formulated, adapted to the current circumstances. The deliberation on these issues should not overlook the role of certain extra-regional actors in the cooperation field, which are highly active in Latin America, such as China but also Japan and Korea.

Over the course of this decade and a half, however, major changes have taken place that blur the divisive conceptual line between North and South. The MDGs have been succeeded by a global development agenda (the Sustainable Development Goals, SDGs), which acknowledges global challenges (particularly important in Latin America) such as inequalities. It also involves a transition away from an aid-based concept of international development cooperation to another of constructing global public assets.

The active participation of Latin America is indispensable to achieving goals of this kind, such as climate action, life underwater and terrestrial ecosystems, and the efficient use of natural resources. The agenda has the potential to renew the role of Latin America in the global development system. It is clear that the region exhibits the maturity for driving forward the forthcoming forms of cooperation befitting the new context. In addition, it meets the conditions for being a partner of traditional and emerging donors in forms of cooperation that may not be viable in poorer regions, such as repayable financial cooperation requiring a certain degree of prior development in the financial system.

Lastly, Latin America is contributing to the construction of the South-South cooperation and three-way cooperation system. There are no other emerging donors that, individually or collectively, are making similar efforts to systematise and construct a strategic vision in this area.

Culture as a means of leveraging international standing

Spanish and Portuguese, especially the former, have been key factors in the international dissemination and development of Latin American culture. Data released by the Instituto Cervantes for 2014 show that eight out of 10 native speakers

of Spanish are Latin Americans, a figure that rises to 8.8 if those living in the US are included. Taking into account the demographic predictions of the United Nations, both as they refer to Latin America and the US, there can be no doubt that the future of Spanish as an international language will be played out on this terrain.

In the last decades of the 20th century, the increase in the worldwide circulation of culture as a consequence of the international trade in cultural goods broadcast Latin American creation throughout the world. This applied especially to literary creators, but also to visual artists, film makers, musicians and the performing arts.

The construction of intra-regional networks in recent decades has stimulated the formerly deficient circulation of cultural content within Latin America.

The commercialisation of culture serves to transform Latin America's creative importance into an economic importance. Latin America's cultural and creative industries account for 6% of the world total (some US\$124 billion). The value of the culture Latin America exports amounts to more than US\$40 billion every year. This has also brought about the consolidation of major companies in the cultural sector, some of them of international significance such as the Mexican businesses Televisa and Azteca, Cisneros in Venezuela and Clarín in Argentina.

Indeed, Argentina and Colombia are among the world's five largest exporters of television formats and screenplays (for example, the plots of Latin American soap operas to China), together with the UK, the US and Spain.

The construction of intra-regional networks in recent decades has stimulated the formerly deficient circulation of cultural content within Latin America. Cultural cooperation has paved the way to the progressive consolidation of a cultural space in which, courtesy of co-production and trade agreements, former barriers have been replaced by incipient cross-border flows.

Reflecting an increase and diversification in cultural demand in line with the increases in income and literacy, the indicators in the most recent decade, together with the steadily growing numbers of people accessing the Internet, seem to augur a major upturn in the region's cultural consumption; this is something that certain global American players appear best equipped to respond to, and they have already started to make inroads, although it is important not to lose sight of the growing Chinese presence in those aspects most closely linked to the ongoing digital revolution.

The role of cities in stimulating cultural policies and the creative economy is notable in cases like Buenos Aires, Mexico City, Bogotá and Medellín. In recent decades professionalisation and specialisation have enabled highly-qualified cultural jobs to emerge, a sector that now employs 2.5 million people, around 1.3% of all jobs, with Brazil accounting for almost half of this. The growth in employment has moreover served to make culture an essential element of public policy, not only for intrinsic reasons but also because of its economic impact.

Nor should the enormous potential role that tourism could play in the growth of Latin America be overlooked. The extraordinary biodiversity of some countries, such as Costa Rica and Colombia, could augur a great future in the field of sustainable tourism.

WHAT DOES THE EU EXPECT
OF LATIN AMERICA?



WHAT DOES THE EU EXPECT OF LATIN AMERICA?

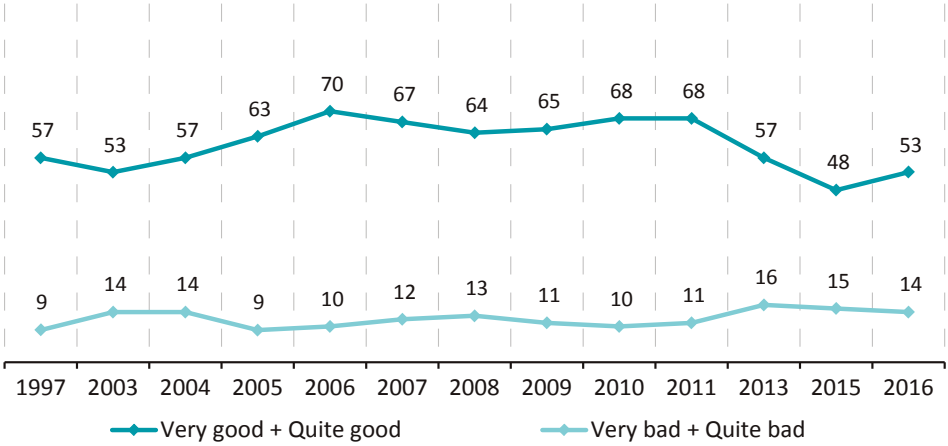
This is a difficult question to answer from the European perspective. Although the 2016 European Global Strategy makes reference to the existence of a 'wider Atlantic space', encompassing the European and American continents, and promises the establishment of 'stronger' partnerships between the EU and Latin America,²⁰ the progress that has been made in this area is not particularly impressive. This is because, in the first place, there is no single approach to the region, and the majority of EU member states prioritise their relations with certain countries in accordance with an accumulation of bilateral and sectoral interests; and secondly because in general terms the EU has no clear idea of what it wants and expects of Latin America. It is true that the obverse is also the case, in the sense that Latin America has no clear idea of what it wants or expects of the EU either. This latter issue takes on more importance given the ever-increasing presence of China in the region.

In recent years, partly due to the economic crisis, the positive assessment of the EU in Latin America has declined, although there was a certain recovery in 2016 (see Graphs 21 and 22). According to the 2015 figures, the countries with the worst perception of the EU were Venezuela, Ecuador and Argentina. In the latter case it should be borne in mind that the figures predate the change in government, when the discord between Brussels and the government of Cristina Kirchner was still a factor.

Despite these difficulties, and owing to the changes that have recently taken place in the international arena, the fact remains that Europe and Latin America are two regions that today need each other more than before, indeed much more than at any time since mid-way through the 20th century. A circumstance that became evident for many countries in the wake of profound crisis of 2008 was the need to broaden external markets, diversify exports and improve productivity. A new foreign outlook was required, even if 'abroad' proved less comfortable and secure than the more restricted world in which we were used to operating. From this perspective, Latin America represents an excellent opportunity for the EU and its member states.

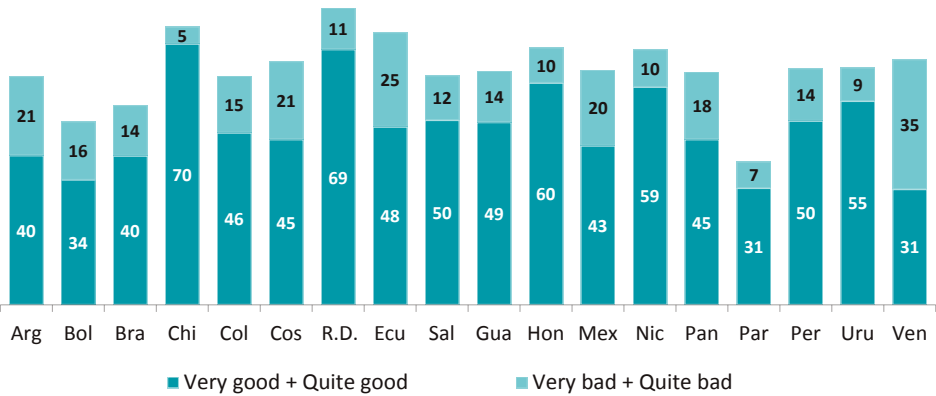
20 See the EU's global strategy for foreign policy and security: EU (2016), Shared Vision, Common Action: A Stronger Europe, June, https://europa.eu/globalstrategy/sites/globalstrategy/files/eugs_es_version.pdf. In section 3.4, 'Cooperative Regional Orders', the European strategy distinguishes between five geographical areas. What it calls 'A Closer Atlantic' includes the entire American continent, but not Africa, which is included in the same geographical category as the Mediterranean and the Near East.

Graph 21. Evolution of Latin America relations with the EU (Latin American average)



Remainder up to 100% = no answer.
Source: Latinobarómetro, historical series.

Graph 22. Assessment of Latin America's relations with the EU



Remainder up to 100% = No answer.
Source: Latinobarómetro, 2015.

In recent years a series of bi-regional and bilateral negotiations of major interest to both sides have been conducted. Among the most important it is worth highlighting those that aimed at securing the signing of the Treaty of Association between the EU and Mercosur and updating the previously-signed treaties with Mexico and Chile. Also meriting mention are the endorsement of the European Parliament of the Cooperation Treaty with Cuba and the visa exemptions for the citizens of Colombia and Peru wishing to enter the EU. These are all the successes of a window of opportunity that must not be allowed to close if the advantages of the present circumstances are to be fully exploited.

This is why, when it comes to identifying the advantages for Europe of strengthening relations with Latin America, other important issues cannot be overlooked. Included among these are the defence of democracy, the strengthening of the Atlantic space in the face of the rivalry with Russia and the instability of the eastern Mediterranean and the Middle East, although on these points there are no minimal agreements in the region, and there may even be openly contradictory stances, like the support given to North Korea by Bolivia and Venezuela. Mention should also be made of the support for multilateralism at a time like now and for other issues that are important for the agenda of global governance (climate change, renewable energies, trade policy, etc.), where it is possible to find common ground with a number of the region's major countries.

European-Latin American relations exhibit some persistent paradoxes, however. They are based on accepting the existence of a common set of values, which tend to strengthen the ties between their societies and governments, but at the same time the interest and priority accorded to the other is limited. In spite of everything, the relationship is built on the basis of incorporating certain automatic reflexes that insist on the existence of cultural affinities, a successful past and the unshakeable friendship of partners, which render making greater effort in the future unnecessary. If bi-regional relations are to prosper it requires that they revolve not only around common values (individual freedoms, representative democracy and human rights) but also shared interests, so as to overcome the customary rhetoric and enable a fair match of values and interests.

The expansion from 15 member states to 28 meant the EU becoming less concerned about Latin America. The attention directed at the centre and to the east of Europe intensified after the overthrow of Viktor Yanukovich in Ukraine in February 2014 and the subsequent annexation of Crimea by Russia. This process was also influenced by the migration crisis that Europe went through, amplified by the growing number of refugees originating from a wider range of places, all seeking entry. The change of government in the US in January 2017 was also conducive to European introspection in the search for solutions to its own problems.

Apart from the Iberian countries (Spain and Portugal), there are very few member states that have more or less intense relations or interests with Latin America.

In this context, apart from the Iberian countries (Spain and Portugal), there are very few member states that have more or less intense relations or interests with Latin America, either with the whole region or part of it. Here we are essentially looking at Germany, Belgium, France, Italy, the Netherlands, the UK and Sweden, to which it is necessary to add Poland. In some cases we are talking about solid economic and business ties, in others the presence of sizable emigrant communities, but also about a wide variety of bilateral connections between specific countries on both sides of the Atlantic.

It is important to consider the impact of Brexit, not only because of what it means for the medium-term evolution of the EU itself, but also because its consequences for bi-regional and bilateral relations between the EU and Latin America. The importance and solidity of the UK's bilateral relations with various Latin American countries, which revolve around different areas of interest depending on the country, is a circumstance that needs to be duly considered in assessing the future evolution of bilateral ties. Added to this there is also the clear commitment of successive British governments to free trade, such that the British absence could have a negative effect on the negotiations underway with Latin America.

Something similar to the situation in political relations is also evident in economic and business relations, as the distribution of Europe's business presence in Latin America shows, but also the still small, albeit increasingly important, arrival of multi-Latin businesses in Europe. What emerges from the distribution of European trade and investment in the region is the preference for a small group of countries, depending on the size of their economies. There are many European companies, of various national origins, that focus their activities on five or six of the region's countries (Mexico, Brazil, Argentina, Colombia, Chile and Peru). Generally it is a case of the countries that are largest or offer some sort of major attraction to investors.

For some European companies, especially small and medium-sized ones, language is often a barrier, in some cases decisive. In addition, there is a negative view about the impact of violence on Latin American societies and the cost that this entails for their activity²¹ and for the security of their employees. Be that as it may, careful scrutiny of the European business presence in Latin America reveals constant flux, with many firms leaving the region but just as many almost constantly taking up their place.

21 There are many businesspeople who do not distinguish between countries and the differing levels of violence prevailing in each. The persistence of stereotypes in the face of reality is also an important factor.

Thus, an area of growing interest in the EU and its member states are the prospects for business and investment, although the latter are normally seen in a more separated way, on the national level, rather than from a perspective where the region is assessed as a whole. One issue that firms pay a great deal of attention to, since it has a direct impact on their business, is that of regulatory and rules of origin differences between Europe and Latin America, and even between the various Latin American countries. The latter problem is not only a hindrance to Latin American regional integration but also for forming global value chains featuring a strong presence of European companies.

Together with the importance of the digital transformation, another two sectors with promising futures are infrastructure and energy.

Together with the importance of the digital transformation, another two sectors with promising futures are infrastructure and energy. The advice and consultancy and mining businesses also show promise. This is a time of great opportunities in the provision of infrastructure and logistics (including engineering companies), particularly due to the great shortfall that exists in this area in most Latin American countries. Currently the region spends an average of 3.5% of its GDP on the infrastructure sector, whereas the most conservative estimates suggest that over the next 10 years, if the existing shortfall is to be made up, it will be necessary to invest 10% of GDP in an ongoing manner.

Latin America has seen strong growth in the demand for energy and equally rapid increases are forecast for the future, especially in electricity and renewables. This offers growing markets for virtually all the generation technologies, but there is special potential for gas and renewables throughout the value chain, from generation to transport, distribution and energy services. Technological change will drive more direct contact between consumers and local governments, something that also represents a distinct field of investment, especially in terms of small and medium-sized energy infrastructure, constituting a new challenge for many European companies, including some SMEs.

From the geopolitical perspective, Latin America represents a future source of diversification in Europe's fossil fuel supply (as an alternative to Russian gas and Middle Eastern oil). The formation of an Atlantic energy space would enable this trend to be strengthened. In climate and sustainability terms, the EU expects Latin America to maintain an active role in climate governance and the energy transition, while Latin America hopes that the EU will strengthen its positions with greater investments, technology transfers and climate financing.

The EU hopes Latin America will play a much more active role on the international stage.

The EU hopes Latin America will play a much more active role on the international stage. Thus, at the G20 for example the three participating countries should coordinate more with each other and with the EU. Argentina, Brazil and Mexico could make more effort to look for consensus with the rest of the region and to defend shared postures on a range of issues, starting with promoting greater openness on general trade, and above all avoiding the effects of disorderly de-globalisation with a return to protectionism, including under a new guise. Other major objectives are education, the fight against climate change and the search for an equitable tax system –tax evasion and avoidance– which is needed for large businesses. An additional issue for the G20 agenda that is of special interest to Latin America is connectivity and the building of large infrastructure projects.

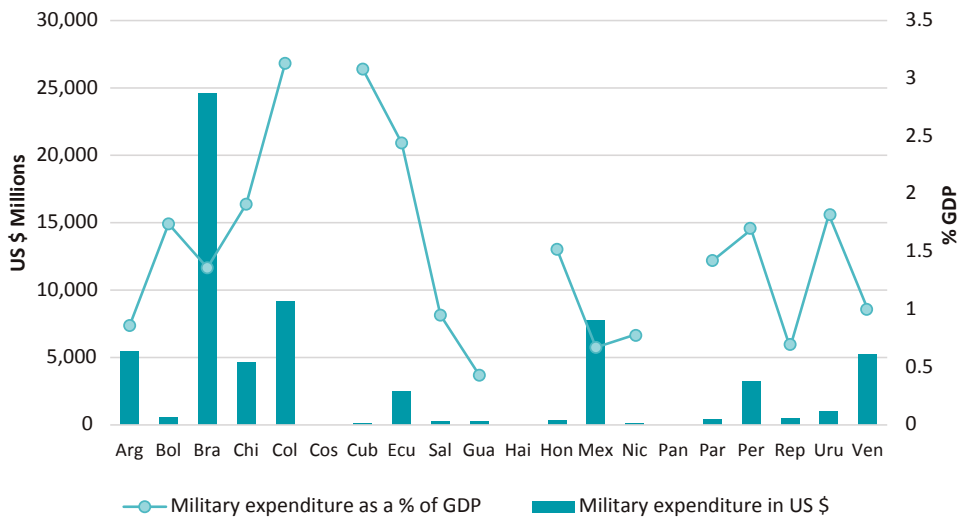
Latin America can also play a greater role in the field of security and defence, especially the former, if it adopts not only a regional but also and, in particular, a global role in the fight against organised crime, although at the moment Latin America is the weakest link in the EU's security policy. European-Latin American military cooperation is at a very early stage and fundamentally bilateral. This however has proved no obstacle to the EU being able to negotiate two Framework Participation Agreements with Chile and Colombia. At all events, UNASUR's ministerial councils, particularly the Defence Council, have proved to be rather irrelevant despite what was initially thought about their possibilities and potential, something that impedes making progress on greater bi-regional cooperation and coordination.

Making progress on the matter is a complex affair, given the markedly national nature of the regional armies and owing to the considerable differences in military spending (both absolute and as a percentage of GDP; see Graph 26) and the size of their armed forces. Although, more importantly, the region lacks a military structure on the continental scale, apart from the institutional (defence diplomacy) and emerging regional plans for military and industrial cooperation. To complicate matters even further, it needs to be borne in mind that the sophisticated military structures and capabilities of the European armed forces linked to NATO differ considerably from those of Latin America.

Despite all the expectations invested in strengthening the Atlantic space, the connection between Latin American countries and NATO is virtually non-existent, barring a few isolated cases like Colombia. Indeed, in some cases there is outright rejection of NATO, which is perceived as an imperialistic tool of the US and its European allies. Brazil is a notable, although not unique, case in point, despite Portugal's efforts to create a defence network in the Portuguese-speaking world. Nor does it help that, due to Brazilian resistance, NATO was unable to approve in

2010, in its new Strategic Concept, a possible overlapping of scenarios for the North and South Atlantic. This was undoubtedly a lost opportunity for strengthening ties between the North Atlantic Alliance and Latin America.

Graph 26. Latin America: military spending, 2015



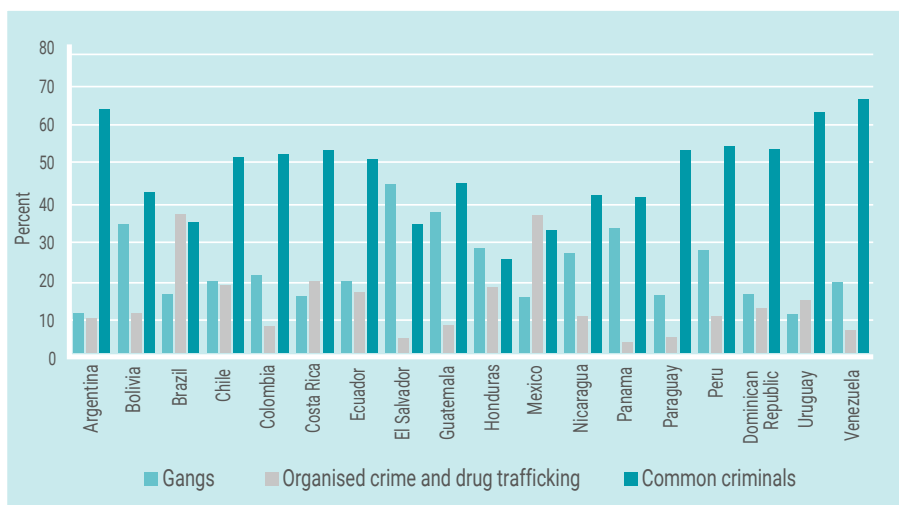
Military spending in millions of dollars at current value and exchange rate.
Sources: www.cia.gov, www.sipri.org

Latin America's military contribution to international security, especially as far as peacekeeping operations are concerned, can frankly be described as modest. Its participation mainly involves supplying officials, acting as observers or occupying command posts, but, with some exceptions, there is no thought of sending operational military units and never deployments to combat zones. Special mention should be made of the presence of military personnel from various Latin American countries in the Democratic Republic of the Congo²² and the patrol boat deployed by Colombia with NATO and the EU in the Indian Ocean and Gulf of Suez, as well as the Brazilian frigate off Lebanon leading a United Nations naval task force.

²² Bolivia, Brazil, Guatemala, Paraguay, Peru and Uruguay became part of MONUSCO (United Nations Organisation Stabilisation Mission in the Democratic Republic of the Congo) in May 2017, <https://monusco.unmissions.org/faits-et-chiffres>.

There is undoubtedly more cooperation in the area of security (the fight against organised crime, drug-trafficking, guerrillas, terrorism, gangs and arms dealing) and cyber-security than in there is in defence. Owing to the transnational nature of organised crime, it is in the interest of Latin America and the EU to increase cooperation in the security field even further and to combat trafficking. However, the varying assessments of the main threats to security among the various Latin American countries are a serious hindrance to bi-regional cooperation on defence matters (see Graph 27).

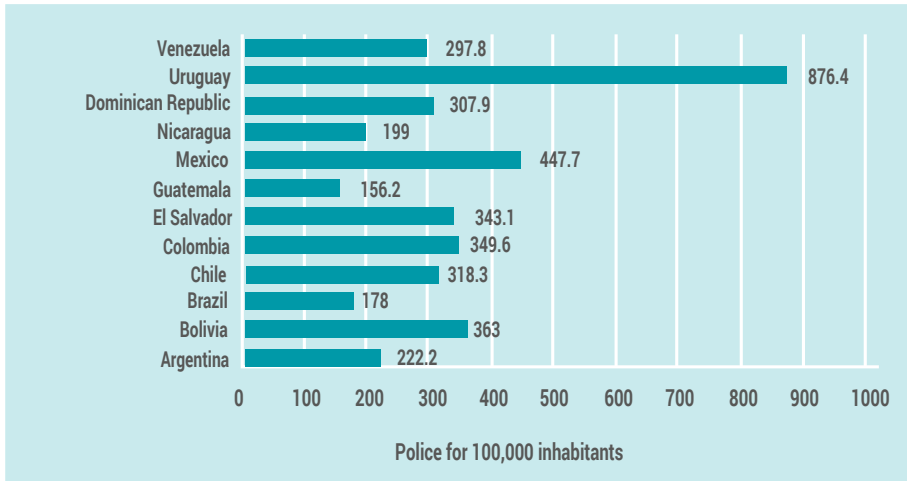
Graph 27. Latin America: main threat to security according to citizens, 2012



Source: LAPOP-PNUD (2012)

Despite this and the major recent advances, virtually everything remains to be done in this field, a no lesser problem being the scant cooperation that exists between the various security forces and their intelligence services, as well as the considerable budgetary and size differences between the distinct national cases (see Graph 28). Another major structural problem is the military character of most Latin American security agencies, something that is difficult to make compatible with the civilian nature of their European counterparts.

Graph 28. Latin America: police officers per 100,000 inhabitants, countries reporting data, circa 2012



Note: Argentina: 2008; Bolivia, Brazil & Mexico: 2010; Chile, Colombia, El Salvador, Guatemala, Dominican Republic, Uruguay and Venezuela: 2012.

Source: official administrative registers compiled by UNDP (2013)

The EU has regional centres specialised in the subject (like the one in Lisbon). The rational way of proceeding on this point would be to open such centres to the greater presence and participation of both parties. This would mean institutionalising and structuring the various cooperation mechanisms and processes so as to facilitate bi-regional cooperation. Up until now there have only been modest attempts at bilateral cooperation between states. Whereas in this area there has been meagre, albeit growing, cooperation between the EU and the US, cooperation between the EU and Latin America remains largely anecdotal.

One of the initiatives adopted in this area is the EU-CELAC Action Plan, which contains a chapter on public security and another specifically devoted to drugs. Within the framework of bi-regional cooperation, programmes such as COPOLAD (Cooperation Programme between Latin America, the Caribbean and the EU on Drugs Policies) are being developed, and the Assistance Programme against Transnational and Organised Crime (PACTO) is being implemented, which involves almost €19 million being spent by the European Commission's Development

Cooperation Instrument.²³ On the sub-regional stage it is worth mentioning the European support given to developing the Central American Security Strategy.

European-Latin American relations

European-Latin American relations express themselves at different levels, starting at the economic and trade level, but also at the political level, manifesting themselves in inter-regional and intergovernmental contacts. This, however, increases their complexity, since there are issues such as trade, which falls under the exclusive responsibility of the Commission, and migration, a shared and partial responsibility, while others rely on bilateral ties depending exclusively on the decisions of national governments. Given the diversity of interests that some of them maintain with Latin America it is hardly surprising that they should want to play a greater role and even exercise leadership on certain issues. In this context, varying degrees of government support for their respective companies are clearly observable, something that tends to increase the rivalry between different European countries. In addition to this there is the multilateral framework, where part of European-Latin American relations also unfolds.

Nor should the multiplicity of the elements in the relationship be overlooked, characterised as they are by a rich diversity. Some of them are directly managed by civil society organisations. There are other issues such as public safety, development and social cohesion, reducing poverty and the situation of women that are at the heart of public policies, or ought to be, and that a large number of European NGOs and other organisations, both voluntary and academic, are trying to put at the forefront of government action.

All this renders more complex, while simultaneously stimulating, a reality with a great deal of potential. Sometimes European countries confuse the whole picture, the many-sided reality of Latin America, with the stark emergency of one particular country, which despite its potential has its particular circumstances that differ from the others. This is a trap to be avoided, hence the importance of strengthening bi-regional ties. In short it is a case of constructing a stable and enduring relationship, approached from a perspective that is win-win (symmetrical and going in both directions).

In general terms it may be described as a positive, highly constructive relationship, characterised by the absence of serious conflicts. Another feature of the current

23 The Commission has appointed the Spanish Fundación Internacional y para Iberoamérica de Administración y Políticas Públicas (FIAPP) and Expertise France to manage the project, which will last five years. The Latin American countries that are participating in the project are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

circumstances is that the High Representative, Federica Mogherini, is very involved in relations with Latin America, which constitutes a considerable part of the activities of the European External Action Service (EEAS) and its Americas Directorate. The High Representative's journeys to Latin America and her direct involvement in the negotiations with Cuba are clear proof of this.

From a bi-regional perspective, the EU-CELAC Summits are responsible for setting the general terms of the relationship. Recently it has been decided to make these summits biennial, avoiding overlaps with the Ibero-American Summits, which are held in alternate years. Moreover, in the years that the EU-CELAC Summit is not held, the foreign affairs ministers get together, as in the Dominican Republic in October 2016. In this particular aspect, the Euro-Latin American Parliamentary Assembly (EUROLAT) plays an extremely important role.

The most recent EU-CELAC Summit, held in June 2015 in Brussels, agreed an Action Plan that identified 10 priority areas for bi-regional cooperation: (1) science, research, innovation and technology; (2) sustainable development and the environment, climate change, biodiversity and energy; (3) regional integration and interconnectivity to foster social integration and cohesion; (4) migration; (5) education and employment to foster social integration and cohesion; (6) the worldwide drugs problem; (7) gender issues; (8) investment and entrepreneurial spirit in terms of sustainable development; (9) higher education; and (10) public safety.

It had been planned to hold the next EU-CELAC Summit in October 2017 in El Salvador, something that was billed as a great opportunity to make major headway in consolidating European-Latin American relations. At the request of the Latin-American side however, the summit was postponed owing to the Venezuelan crisis. Despite this, there is still time for the two parties to continue working to ensure that the summit is a success. This involves making progress both on the contents and ensuring the presence of high-ranking representatives from both sides of the Atlantic.

The search for content and the need to draw up a bi-regional agenda that is shared and accepted by each party as important for its interests and international standing merits greater attention if the desire is to avoid these meetings becoming irrelevant

Some of the prominent themes of the bi-regional agenda might include public policies on gender and equality and energy issues, especially those related to the use of renewables and climate change.

Apart from China it is evident that other Asiatic countries, especially Japan, India, South Korea, and even Turkey, have increased their presence in Latin America.

exercises. Some of the prominent themes of the bi-regional agenda might include public policies on gender and equality and energy issues, especially those related to the use of renewables and climate change. It represents a good opportunity from the European perspective to show that Latin America matters to the EU.

An examination of the way China-CELAC summits have developed may be instructive, at least in terms of the way the symbolism of the relationship has been exploited. In any event, the Chinese presence in Latin America should be seen more as a field for cooperation than for confrontation, given the ample economic interests the Europeans have in China and the Chinese have in Europe. The existence of numerous Chinese-European companies (German-Chinese, Anglo-Chinese, Franco-Chinese, etc.) with

interests and investments in the region is another important reason for insisting that the current circumstances should be seen as an excellent opportunity for trying to extract the best from the EU's relations with Latin America.

In a way, the paucity of attention paid by the EU and its member states to Latin America, and the reluctance of some of them to make progress on bilateral and bi-regional free trade treaties depending on their national agendas, has ended up favouring Chinese expansion in the region and the presence of other extra-regional actors, such as Russia and Iran in years gone by. Apart from China it is evident that other Asiatic countries, especially Japan, India, South Korea, and even Turkey, have increased their presence in Latin America; hence the necessity to strengthen political initiatives that would enable the EU to be perceived as a reliable and enduring partner for all the countries of the continent.

This is why it is necessary to strengthen the business component as a major factor in the bi-regional relationship. The European business community is looking to secure a business-friendly environment, including judicial security, and to bolster a number of areas that include improving productivity and competitiveness, public-private partnerships, innovation, the digital revolution (its agenda and its links with the digital economy), the mobility of people, particularly mobility for training and the role of cities (smart cities).

One issue that must be raised in this section is how the EU authorities handle the challenge of European companies' presence in Latin America, including the natural competition between them. The central question is whether it is possible

to coordinate the European presence better, including more inter-company coordination, or whether it would be better to continue supporting the strengthening of bilateral relations, as until now. The establishment of strategic associations between the companies of different European countries could prove to be a highly important tool for improving EU firms' penetration of Latin America.

The convergence of Mercosur and the Pacific Alliance, despite the major obstacles in the way, is something else that matters to businesspeople. Many of them are keen for the negotiations with Mercosur to be concluded and the Association Agreements with Chile and Mexico to be updated. The significant European support for the Alliance is evident from the fact that, of the 53 observer countries, 20 are members of the EU and there are another four European countries from outside the EU.²⁴

Another important issue is the role of SMEs, a major factor in growth, development and job creation. This involves, once again, highlighting the need to link Latin American SMEs much more closely to global value chains. However, it is important not to forget the differences in productivity that exist between European and Latin American SMEs, which constitute a major obstacle to convergence between the two.

²⁴ The 20 members of the EU that are observers to the Pacific Alliance are: Germany, Austria, Belgium, Denmark, Slovenia, Spain, Finland, France, Greece, Hungary, Italy, Lithuania, the Netherlands, Poland, Portugal, the UK, the Czech Republic, Slovakia, Rumania and Sweden. The non-EU members are Croatia, Norway, Switzerland and Ukraine.

CONCLUSIONS



CONCLUSIONS

The deepening of bi-regional European-Latin American relations depends on the political will of the various actors involved, starting with the EU and the CELAC and the governments that make up the two organisations, despite their different degrees of institutional development. It is not a matter of starting a relationship from scratch, because it puts down its roots not only in common and shared values but also in a rich network of all manner of interests and exchanges. These are the ties that will enable decisive headway to be made in the search for common space that meets the expectations of both sides.

At the same time, it is important to acknowledge the existence of perceptions and sentiments in both regions, which are usually based on stereotypes and the mistrust that Latin American economies and politics generate in certain European actors, although they are frequently reciprocal prejudices. Clearly the lack of first-hand acquaintance with the other's reality helps these sorts of perceptions take hold. Despite such difficulties it should not be forgotten that in the current international circumstances, characterised by free trade in retreat, Europe and Latin America (or Latin America and Europe) are two regions that need each other much more than has been the case since the middle of the 20th century, and thus should be more disposed to understanding one another.

Some Latin American governments complain that if they were China the European approach towards the region, starting with comments about Latin American 'opportunities', which they perceive as paternalistic, would be utterly different and much more carefully thought through. The main problem with such an argument is that, for this to happen, it would be imperative to secure major advances in regional integration, such that the view of the whole carried more weight than any one of its parts. Alas the fragmentation and the lack of institutional organisation evident in CELAC and other similar bodies foster this type of reaction and feeling.

From the European perspective we are treading on delicate ground, given that some of the issues on which the relationship depends are the responsibility of the European Commission, while others depend on member state governments. In the Latin American case the role of national governments proves to be much more decisive, hence the need to arrive at a cross-cutting, intergovernmental consensus that enables the coordination of policies to be improved and the relationship to be moved on.

While Europe and Latin America share values, starting with the full validity of democracy and the rule of law, as well as cultural norms, it is also true that many asymmetries cut across bi-regional relations, covering a host of issues. If there is an honest desire for relations to prosper, however, it is necessary to acknowledge both the differences and the common interests that impinge upon them, while at the same time underpinning existing mutual dependences, the best way of strengthening a relationship with great prospects. This necessitates holding negotiations about the differences and getting rid of some of the hurdles in the way of specific advances, as is the case with trade. In some of the areas analysed in this report (trade, investments and services, migration, energy and climate change, security and defence, development aid and culture) there is major scope for improvement, although the situation in each area and indeed between countries clearly differs.

From the bi-regional point of view it is important to propel coordination and cooperation between the EU and Latin American and Caribbean countries, via the CELAC, both at the UN and other multilateral bodies. It is not a case of forming a bloc that operates reactively against this or that policy, but rather strengthening the forms of bi-regional convergence. This will enable great strides to be made in consolidating European-Latin American relations.

In each of the various areas addressed there are initiatives that can be put in place and measures to be tackled. From an economic perspective, investment and foreign trade are two prominent areas. As far as the former is concerned there are two important issues to be considered. The first is ensuring a greater presence

of SMEs in the bi-regional context. The second is increasing Latin American investment in EU countries, starting with the so-called multi-Latins, but without forgetting SMEs. In the current circumstances, the search for new markets represents a significant challenge for both European and Latin American economies alike; this is why it is appropriate for Europeans to ask themselves whether they should foster greater coordination between their companies in Latin America, even paving the way to the creation of a 'Europe brand'.

There are specific areas where European investment can considerably improve its position in Latin America, starting with the development of infrastructure, the drive towards digitalisation, engineering and renewable energy. From this perspective, the convergence

There are specific areas where European investment can considerably improve its position in Latin America, starting with the development of infrastructure, the drive towards digitalisation, engineering and renewable energy.

of the positions of the EU and the Latin American countries with regard to climate change is helpful. Development aid, despite the transformations that have taken place in recent years, continues being fertile ground for common initiatives, especially in everything related to three-way cooperation and some forms of South-South cooperation. It is important to move on as soon as possible from the debate surrounding the 'graduation' of middle-income countries in the hope that this controversy does not affect the foundations of bi-regional relations.

Security, in the fight against various forms of trafficking, and defence are also areas that should not be overlooked and, if possible, strengthened, although both have their own specific characteristics and give rise to some resistance, especially among certain Latin American countries. The conclusion of the negotiating process between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (FARC) enables a chapter of violent clashes to be closed and the terrain cultivated for the development of illicit activities to be reduced. This accounts for the importance of European cooperation in everything related to the peace process and post-conflict Colombia. Lastly the cultural field, in all its multifaceted diversity, starting with the distribution of audiovisual content and the preservation of heritage, provides ample scope for joint initiatives.

Although the challenges facing bi-regional relations are major ones, the situation characterised by Brexit and the emergence of protectionism in the US and other countries is highly propitious for considerable headway to be made in the relationship. The conclusion of negotiations with Mercosur and the updating of the Association Agreements with Mexico and Chile would be powerful signals for Brussels to send to its various Latin American counterparts. The negotiation of a multifaceted agreement with Bolivia is also pending, although this basically depends on the will of the Latin American side. For all the reasons outlined above, the window of opportunity that currently exists for strengthening European-Latin American relations must not be allowed to close without securing major and specific milestones.

Threats to free trade and globalisation could contribute to bringing together the positions of the more liberalising factions on both sides. The EU should thus continue supporting the Pacific Alliance. Meanwhile the new challenges posed to the EU by Brexit could provide an excellent opportunity to make bi-regional relations more profound. However, it is important not to lose sight of certain complications, such as those raised by

Conclusion of negotiations with Mercosur and the updating of the Association Agreements with Mexico and Chile would be powerful signals for Brussels to send to its various Latin American counterparts.

the English-speaking Caribbean, a region with which the EU should take pains to maintain ties despite the UK's withdrawal.

The moment is overwhelmingly favourable and it is crucial not to miss the window of opportunity while it exists. From this perspective, the talks the EU is currently conducting with Japan, Australia and Indonesia should not be a hindrance to the positive conclusion of or be used to postpone the treaties with Latin America. With the European parliamentary elections due in May 2019, if the Commission does not send these Treaties to the parliament for ratification before the end of 2018 it will be very difficult to complete the procedure within a reasonable timeframe.

Lastly, it is necessary for the EU and Latin America to be capable of developing a common agenda, without losing sight of the presence and activities of the two great economic superpowers, the US and China. The EU neither desires nor seeks a position of hegemony in Latin America, but rather wants it to be open to constant cooperation with other international actors, starting with the US and China. Moreover, the European commitment to the consolidation of the Atlantic space should be beyond question. Lastly, the Argentine presidency of the G20 ought to be an excellent opportunity for the three Latin American countries to coordinate more effectively with each other and the rest of the region, enabling them to do the same with the European representatives.

ANNEX



ANNEX

I. MEMBERS OF THE WORKING GROUP

Manuel Alabart, Vice President, Técnicas Reunidas Internacional

Manuel Alcántara, Professor of Science and Administration, University of Salamanca

Sonia Alda, Associate Researcher, Elcano Royal Institute

Jessica Almqvist, Lecturer, Department of Public Law and Legal Philosophy, Autonomous University of Madrid

Carlos Alonso Zaldivar, Senior Research Fellow, Elcano Royal Institute

Consuelo Álvarez de Toledo, President, Infolatam

Haizam Amirah Fernández, Senior Mediterranean and Arab World Analyst, Elcano Royal Institute

Francisco Andrés, Project Office Coordinator, Elcano Royal Institute

Alfredo Arahuetes, Dean, ICADE

José María de Areilza, General Secretary, Aspen Institute España

Lorea Arrizabalaga, Advisory Spokesperson on Inter-American Affairs, Spanish Ministry of Foreign Affairs and Cooperation

Félix Arteaga, Senior Security and Defence Analyst, Elcano Royal Institute

Anna Ayuso, Senior Researcher, Latin America, CIDOB

Gonzalo Babé, Director of Institutional Relations, El Corte Inglés

Ángel Badillo, Senior Analyst, Elcano Royal Institute

Daniel de Busturia, Secretary, Juan de Oñate Foundation

Esther del Campo, Professor, Department of Political Science and Administration II, Complutense University, Madrid

Carlos Carnero, Managing Director, Fundación Alternativas

Pedro Miguel Casado, Director, Atrevia

Raquel Chanto, Advisor, Cabinet, SEGIB

William Chislett, Associate Analyst, Elcano Royal Institute

Rosa Conde, Political and Constitutional Studies Centre (CEPC)

Ignacio Corlazzoli, Representative in Europe, Strategic Alliances Office, Inter-American Development Bank (IADB)

Gonzalo Escribano, Director of the Energy and Climate Change Programme, Elcano Royal Institute

Rafael Estrella, Deputy Chairman, Elcano Royal Institute

Guillermo Fernández de Soto, Director for Europe, CAF–Development Bank of Latin America

Carla Fernández-Durán, Strategic Alliances Office, Europe Office (ORP/EUR), Inter-American Bank (BID)

Fernando García Casas, Secretary of State for International Cooperation and for Ibero-America, Spanish Ministry of Foreign Affairs and Cooperation

Carlota García Encina, Analyst, Elcano Royal Institute

Carola García-Calvo, Senior Analyst, Elcano Royal Institute

Alicia García-Herrero, Senior Research Fellowt, Elcano Royal Institute

Luis García-Linares, Corporate Director General, OHL

José Gasset Loring, Director of Institutional Relations, Iberdrola

Pablo Gómez de Olea, Director General for Ibero-America, Spanish Ministry of Foreign Affairs and Cooperation

Carmen González Enríquez, Senior Demographics, Population and International Migration Analyst, Elcano Royal Institute

Jesús Gracia, Ambassador of Spain

Manuel Guedán, Director of the Office of Representation for Mexico, Cuba and the Dominican Republic, Ibero-American General Secretariat (SEGIB)

Enrique V. Iglesias, First Ibero-American Secretary General, Ibero-American General Secretariat (SEGIB)

Dolores Jaqueti, Vice Presidency of the Government of Spain

Trinidad Jiménez, Director of Global Public Affairs Strategy, Telefónica

Emilio Lamo de Espinosa, Chairman, Elcano Royal Institute

Lara Lázaró, Senior Analyst, Elcano Royal Institute

María Lázaró, Director of Corporate Development, Elcano Royal Institute

Patrícia Lisa, Analyst, Elcano Royal Institute

José A. Llorente, Founding Partner and CEO, Llorente & Cuenca

Alfonso Lucini, Advisory Spokesperson to the Director General, Casa de América

Maribel de Luis, Director of International Relations, Repsol

Isbel Makhoul, Strategic Alliances Office, Europe Office (ORP/EUR), Inter-American Development Bank (IADB)

Carlos Malamud, Senior Latin America Analyst, Elcano Royal Institute

Claudia Marí, Elcano Royal Institute

Frédéric Martínez, Latin America Sales Director, Iberia

Yolanda Mayordomo, Manager, International Relations Directorate, Iberdrola

Santiago Miralles, Director General, Casa de América

Ignacio Molina, Senior Europe Analyst, Elcano Royal Institute

Javier Molina, Vice Presidency of the Government of Spain

Natalia Moreno Rigollot, Director of Institutional Relations, Telefónica

Nguyễn Trâm Anh, Strategic Alliances Office, Europe Office (ORP/EUR), Inter-American Bank (BID)

Iliana Olivie, Senior International Cooperation and Development Analyst, Elcano Royal Institute

Íñigo de Palacio, Global Director of Institutional Relations, Indra

Vicente Palacio, Assistant Director, Spanish Foreign Policy Observatory (OPEX), Alternatives Foundation

Ludolfo Paramio, Spanish National Research Council (CSIC)

Pedro Pérez Herrero, Director, Institute of Latin American Studies

Elena Pisonero, President, Hispasat

Florentino Portero, Director, International Relations Degree, Francisco de Vitoria University (UFM)

Charles Powell, Director, Elcano Royal Institute

Fazia Pusterla, Lead Economist, Europe Office, Inter-American Development Bank (IADB)

José María Robles Fraga, Director, International Corporate Affairs, Grupo Santander

Celia Roldán, Manager, International Relations Directorate, Iberdrola

Yolanda Román, Director, Atrevia

Sebastián Royo, Professor of Government, Suffolk University

Felipe Sahagún, lecturer and journalist

Francisco Javier Sandomingo, Spanish Ambassador to Argentina

Luis Simón, Director of the Brussels Office, Elcano Royal Institute

María Solanas, Project Manager, Elcano Royal Institute

Asunción Soriano, President, Atrevia España

Federico Steinberg, Senior International Economy Analyst, Elcano Royal Institute

Claudio Vallejo, Director LatAmDesk Europe, Llorente & Cuenca

José María Vera, Director, Oxfam Intermón

Nuria Vilanova, President, Atrevia

II. LIST OF PARTICIPANTS IN THE WORKING GROUP'S EXTRAORDINARY MEETINGS

Donato di Santo, Instituto Italiano de América Latina (IILA),
3/III/2017: 'Italia y América Latina'

Javier López, Member of the European Parliament, Partido Socialista de Cataluña (PSC), 17/III/2017: 'La visión de América Latina del Parlamento Europeo'

Robert Capurro, Canning House,
19/V/2017: 'El Reino Unido y América Latina'

Günther Maihold, Stiftung Wissenschaft und Politik (SWP),
6/VI/2017: 'Alemania y su relación con América Latina y el Caribe'

Félix de las Cuevas, Wilm Langenbach & César Ortiz,
8/VI/2017: 'Francia y sus empresas en América Latina'

Joaquín Roy, University of Miami
30/VI/2017: 'EEUU y su visión de la relación entre la UE y América Latina'

Previously, on 2/II/2017, the project and the report's first draft were presented to a group of Latin American Ambassadors posted to Madrid. The following attended:

Miguel Calahorrano, Ambassador of Ecuador

Alberto Furmanski, Ambassador of Colombia

Norman García, Ambassador of Honduras

Alejandra Hernández, Minister-Counsellor and Chargé d'Affaires of the Dominican Republic

Mario Isea, Ambassador of Venezuela

Roberta Lajous, Ambassador of Mexico

Eugenio Martínez, Ambassador of Cuba

Fernando Molina, Ambassador of Guatemala

Doris Osterlof, Ambassador of Costa Rica

Antonio Rivas, Ambassador of Paraguay

Sponsored by



Bussiness Advisory Council



With the collaboration of





Príncipe de Vergara, 51
28006 Madrid (Spain)
www.realinstitutoelcano.org
www.blog.rielcano.org/en

