



Decoupling Trade from Politics: The EU and Region-Building in the Andes

Miguel Haubrich Seco

Abstract

In its external relations, the EU advances regional cooperation as a successful means of achieving peace and prosperity. In doing so, the EU promotes its own model as the most successful case of regional integration. A wide-reaching set of instruments, spanning from trade to political dialogue and aid, is used to promote regional cooperation and integration. Nonetheless, regional organisations supported by the EU are far from accomplishing their set objectives. Using as a test case the Andean Community, the oldest Latin American regional organisation and a prominent case of EU support for regional integration, this paper examines the reasons behind the EU's lack of impact in promoting regional integration. Stemming from this analysis, the paper proposes a recalibration of EU policy by decoupling trade relations from political engagement and by increasing support for physical and visible integration as opposed to formal institutions detached from the perceived needs of the public.

Keywords: *European Union (EU) / External relations / Regional integration / Andean Community (CAN) / Latin America*

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by Miguel Haubrich Seco*

1. Introduction

In its external action, the EU promotes regional cooperation and integration as a means of achieving peace and prosperity. The goal of regional integration beyond its borders is widely referred to in the Treaty on European Union,¹ the European Security Strategy (ESS),² the EU's development policy priorities,³ and in regional strategy papers and communications of Commission and European External Action Service (EEAS).⁴ Consequently, EU representatives also regularly voice the benefits of regional integration,⁵ emphasising regional integration as a core element of the EU's normative agenda in the world.

Despite its strong rooting, supporting regional integration is far from being undisputed. Preaching the virtues of regional integration may seem a rather unconventional and outdated approach at a time of emerging multipolarity. Persuading thriving economies such as Brazil, South Africa, Peru or Nigeria into regional integration with less

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¹ Art. 21 (1): "The Union shall seek to develop relations and build partnerships with third countries, and international, regional or global organisations which share the principles referred to in the first subparagraph", Art. 21 (2e): "encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade".

² "Regional organisations also strengthen global governance. [...] regional organisations such as ASEAN, Mercosur and the African Union make an important difference to a more orderly world". Cfr. Council of the European Union, *A Secure Europe in a Better World. European Security Strategy*, Brussels, 12 December 2003, <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>, p. 9.

³ See European Union, *The European Consensus on Development* (2006/C 46/01), Brussels, 20 December 2005, http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf, para. 49, 72-74.

⁴ See, among others, the following documents of the Commission: *Regional integration for development in ACP countries* (COM(2008)604 final/2), Brussels, 6 October 2008, http://ec.europa.eu/development/icenter/repository/COMM_PDF_COM_2008_604_F_EN_REGIONAL_INT_EGRATION.PDF, p. 3; *Andean Community. Regional Strategy Paper 2007-2013* (E/2007/678), 12 April 2007, http://eeas.europa.eu/andean/rsp/07_13_en.pdf, p. 1; *Regional Programming for Asia. Strategy Document 2007-2013*, Revision 1, 31 May 2007, http://eeas.europa.eu/asia/rsp/07_13_en.pdf, p. 10-12.

⁵ See Council of the European Union, *Speech by Herman Van Rompuy, President of the European Council, at the closing ceremony of the EU-LAC Summit* (PCE 97/10), Madrid, 18 May 2010, http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/114523.pdf; Commission of the European Communities, *Opening speech by President Barroso at the Africa-EU Summit: 'The EU and Africa: consolidating our strategic partnership'*, Tripoli, 29 November 2010 (SPEECH/10/697), <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/10/697>; Commission of the European Communities, *Europe and Global Governance*. Speech of Romano Prodi, President of the European Commission, to the 2nd COMECE congress (SPEECH/00/115), Brussels, 31 March 2000, <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/00/115>.

competitive neighbours as a condition for engaging with them may be a hard sell. In addition, the EU's own engagement with Asian, African and Latin American regional organisations has seldom evolved as expected, with most organisations falling short of the EU's expectations. Using the Andean Community (CAN, *Comunidad Andina de Naciones*) as a case study, this paper will review the instruments and tools the EU uses to promote regional integration and assess why these instruments have not achieved the intended results. CAN consists of Peru, Colombia, Ecuador and Bolivia and is one of the oldest and most advanced regional integration schemes outside Europe. It is also one of the organisations with which the EU has engaged most intensively, providing a good illustration to assess the EU's regional integration policies.

The remainder of this paper is organised as follows. Chapter 2 outlines the EU's goals in promoting regionalism abroad as well as the main instruments it uses. Chapter 3 introduces the case of the Andean Community, shortly outlines its strong orientation towards the EU and highlights the wide disparity between CAN's institutional development and its substantive achievements. Chapter 4 assesses the effectiveness of the different instruments used by the EU to foster regional cooperation in the Andes. Drawing from this analysis, the paper closes with recommendations to increase the impact of the EU's regional integration policies abroad.

2. The EU as an external federator? Instruments, aims and challenges

The EU's promotion of regional integration is far from being just declamatory but is rather pursued through a widespread set of instruments throughout the Union's portfolio of external policies. On the diplomatic level, the EU sustains a series of so-called biregional relationships with the world's most important regions, including East Asia, Latin America and Africa. Embedded in and alongside these relationships, meetings are held with subregional integration organisations (e.g. ASEAN or Mercosur) and common agendas are developed. International agreements are in place with most sub-regional organisations.⁶ From a trade perspective, agreements are in place or pursued with many regional organisations in the world.⁷ In the sphere of development assistance, support for regional cooperation and integration complements the assistance given by the EU to individual states and amounts to almost 10% of total aid commitments by EU institutions.⁸ Institutionalised parliamentary relations between the European Parliament and regional and sub-regional parliamentary assemblies are in place with almost every region of the world.⁹

Several reasons lie behind the EU's endeavour to promote regional integration abroad. First, the EU promotes similar entities to itself as a means to legitimate itself. When the EU claims that "[t]he European experience is a point of reference for many ACP

⁶ See *Treaty Database* on European Commission website: <http://ec.europa.eu/world/agreements/>.

⁷ See DG Trade, *EC Regional Trade Agreements* (<http://trade.ec.europa.eu/doclib/html/111588.htm>) and *FTA negotiations* (<http://trade.ec.europa.eu/doclib/html/118238.htm>).

⁸ Calculated for aid commitments in the years 2001-2009 (latest data available), using data of the OECD Creditor Reporting System for development assistance.

⁹ See European Parliament, *Delegations to parliamentary assemblies* (<http://www.europarl.europa.eu/activities/delegations/delegationsAP.do>) and *Non-Europe Delegations* (<http://www.europarl.europa.eu/activities/delegations/delegationsNEUList.do>).

[African-Caribbean-Pacific] regions¹⁰ regarding regional integration, it portrays itself as a case of success. Closely related is also the argument that a normative conviction exists among EU actors by which the EU's path to an unparalleled political and economic success ought to be promoted as a feasible and desirable solution for others as well. This idea, which is widely present in academic debate,¹¹ was also confirmed in interviews with practitioners.¹²

A second possible motivation for promoting integration abroad can be found in the Union's institutional development. Born as an economic endeavour to bridge political alienation and to overcome the economic ruin that followed World War II, European integration saw the step-by-step growth of external supranational competences, which were first introduced as complementary policies to the Community's common trade policy. Always eager to expand its competences, the European Commission could have sought to develop its own foreign policy competences in relative independence from the member states by promoting relations with other regional organisations.¹³ This argument is validated by the fact that development policy was the first non-trade external policy of the European Economic Community and that support for regional integration is one of the areas in which the EU can most easily achieve international visibility due to its recognised status as *the* frontrunner of regional integration.

Third, the EU may promote regional integration as a means of promoting international trade and opening new markets for European exporters, investors and customers. While most developing economies profit from the unilateral trade benefits granted by the EU under the GSP (Generalised System of Preferences) trade schemes, they also protect their markets with considerable trade barriers. This situation creates an EU interest to gain greater access to those markets. Engaging with regions rather than individual states should then ease the negotiation process considerably by limiting the number of counterparts with which the EU has to deal. But a closer look at negotiations shows that the EU's will to open up new markets does not justify the often very cumbersome process of negotiating with regional organisations, which often suffer from a great lack of internal coordination.¹⁴ From a trade perspective, the most rational approach would be to concentrate on those individual countries that have a sufficient trade potential to justify a trade agreement. Therefore, the trade aspect alone is insufficient to justify group-to-group relations.

¹⁰ Commission of the European Communities, *Regional integration for development in ACP countries*, cit., p. 3.

¹¹ See Federica Bicchì, "Our size fits all': normative power Europe and the Mediterranean", in *Journal of European Public Policy*, Vol. 13, No. 2 (March 2006), p. 286-303; Karen E. Smith, *European Union foreign policy in a changing world*, 2nd ed., Cambridge and Malden, Polity Press, 2008, p. 79-109; Charlotte Bretherton and John Vogler, *The European Union as a global actor*, 2nd ed., London, Routledge, 2006, p. 249.

¹² Interviews with senior EU officials as well as with Jorge Valdez, Peruvian ambassador to the EU, in Brussels in May 2011.

¹³ This motivation was mentioned by a senior Commission official as well as by Jorge Valdez, although it was rejected by a senior EEAS official during interviews conducted in May 2011 in Brussels.

¹⁴ While the European Commission has, after being granted a mandate by the Council, the competence to negotiate trade and association agreements with third parties, these negotiations are closely monitored by the Council and the member states, which have to approve and often ratify individually (in the case of so-called 'mixed agreements') the agreement. This leads to considerable tensions and makes negotiations more difficult than they appear on paper. On the other side of the negotiating table, the EU's counterpart is most often represented by all of its member states.

Finally, the EU's emphasis on supporting conflict prevention and resolution - especially but not only in reference to the African Union (AU)¹⁵ - shows that the Union conceives regional organisations as stabilising and pacifying factors,¹⁶ and as possible actors to increase local ownership in peace processes. Related to this approach is the conviction that regional organisations could play a stronger role on the global stage by acting as building blocks for global agreements within international institutions. While heralded in academia as one of the possible benefits of cooperation between regional organisations,¹⁷ overall empirical results in this area are so far modest according to EU sources.¹⁸

Regardless of these motivations, promoting regional integration is fraught by considerable challenges. Most prominently, the rise of individual developing states (particularly - but not only - of the BRICS) has hindered the EU's ability to engage with these actors only as part of regional groupings. These emerging global powers demand a privileged and individualised approach. The EU has reacted to these power shifts by promoting a series of so-called 'strategic partnerships' with South Africa, India, Brazil and others, an approach that has received further political backing recently.¹⁹ When the EU concludes strategic partnerships with states that belong to regional organisations, a considerable potential for conflict arises between the EU's goals of promoting regional integration and establishing a privileged relationship with one its members.²⁰ Beyond this, the EU's record of promoting regionalism is not one to be celebrated. As shown by the cases of ECOWAS or the Andean Community, the objectives set forth both by the EU and by its counterparts have largely not been achieved even in the absence of an individual state power of global relevance. Most - if not all - the regional organisations supported by the EU are far from achieving the objectives they have set themselves. Although it would not be fair to hold the EU responsible for the lack of development of regionalism, its evidently shallow impact calls for an assessment of the reasons and for an eventual recalibration of the EU's support for regional integration and cooperation.

3. Between rhetoric and practice: The Andean Community's pursuit of regional integration

Although support for regional integration plays a role in almost all of the regions with which the EU deals, the case of Latin America is prominent for a number of reasons.

¹⁵ A good example is the African Peace Facility (APF), through which the EU contributes to the funding of AU peace operations.

¹⁶ Interview with a senior EU official, Brussels, May 2011.

¹⁷ See, for example, Jürgen Rüländ, "Balancers, multilateral utilities or regional identity builders? International relations and the study of interregionalism", in *Journal of European Public Policy*, Vol. 17, No. 8 (December 2010), p. 1271-1283.

¹⁸ According to several EU officials interviewed in Brussels in May 2011.

¹⁹ Council of the European Union, *Conclusions of the European Council, 16 September 2010* (EUCO 21/1/10 REV 1), Brussels, 12 October 2010, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/116547.pdf, p. 1-6.

²⁰ This is recognised by the Commission when it argues that engaging with Brazil in the EU-Mercosur framework "inevitably restricts the scope and depth of our dialogue". Cfr. Commission of the European Communities, *Towards an EU-Brazil Strategic Partnership* (COM(2007) 281 final), Brussels, 30 May 2007. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0281:FIN:EN:PDF>, p. 15.

First, Latin American regional organisations have existed for a long time with its oldest still existing example being the Andean Community (CAN) founded in 1969. Second, local political ownership seems stronger than elsewhere because of both the aforementioned long history of regionalism as well as local political discourse in its favour.²¹ Third, the EC/EU model was and still is actively proclaimed by Latin American governments.²² Finally, of all the regions with which the EU interacts, Latin America is the one in which regional integration features the highest degree of EU political attention and EU aid spent. Because of the above reasons and of its *a priori* relative similarity to the EU in institutional terms, the Andean Community provides a salient case to assess the impact of EU policies aimed at promoting regionalism.

The Andean Community's history can be broadly divided into two phases.²³ During the first two decades of its existence it followed a policy of import substitution with the aim of protecting the economies of its then member states: Colombia, Peru, Bolivia, Ecuador and Venezuela.²⁴ Following the Latin American debt crisis in the 1980s, the CAN was relaunched as an organisation open to world trade. It was in this period that CAN became a potential partner for Europe and began to attract the renewed interest of the EC.²⁵

Seeking to further integrate into global markets, CAN's orientation towards regionalism inspired by Europe was not a straightforward decision. Instead of the relatively cumbersome option of deepening regional integration and the subsequent possibility of engaging into trade agreements with others as a group, the Andean states could have pursued the less ambitious model of a free trade area as the US, in particular, promoted. This historical precedent provides an interesting parallel to the current situation, where states in the region today seem inclined to pursue greater trade relations with the Pacific area. The "Alliance of the Pacific" announced by Peru,

²¹ Several locally rooted organisations, most prominently the Institute for the Integration of Latin America and the Caribbean (INTAL) of the Inter-American Development Bank (IADB) in Buenos Aires and the UN Economic Commission for Latin America and the Caribbean (ECLAC) in Santiago de Chile have played an important and decade-long role in promoting the virtues of regional integration. Brazil's constitution even mentions "economic, political and cultural integration of the peoples of Latin America" as one of the state's goals. Cfr. *Constituição da República Federativa do Brasil de 1988*, Art. 4 (http://www.planalto.gov.br/ccivil_03/constituicao/constitui%C3%A7ao.htm).

²² To cite one recent and one older example: the recently elected Peruvian President Ollanta Humala announced that he would increase cooperation in the CAN framework. See "Ollanta Humala reafirma que respetará acuerdos comerciales para consolidar mercados", *Agencia andina de noticias*, 24 June 2011, <http://www.andina.com.pe/Espanol/Noticia.aspx?id=atPRMqUflh0=>. In 2001 his predecessor Toledo defended that a region like the Andes, having had less wars than Europe and speaking a common language should be able to integrate as the Europeans had. See Secretaría General de la Comunidad Andina, *Palabras del Presidente electo del Perú, Doctor Alejandro Toledo Manrique, en su visita a la sede de la Secretaría General de la Comunidad Andina*, Lima, 24 July 2001, <http://www.comunidadandina.org/prensa/discursos/toledo24-7-01.htm>.

²³ Between 1969 and 1996 the organisation was known as the Andean Pact. For the sake of simplicity, it is referred to as the Andean Community throughout this paper.

²⁴ Chile was among the founding members but left the organisation in 1976. Venezuela became a member in 1973. It left the CAN in 2006 as a response to Peru and Colombia's pursuit of individual trade agreements with the US.

²⁵ Weaker relations between the EC/EU and CAN had been in place since the 1970s.

Colombia, Chile and Mexico in April 2011 aims to deepen regional integration with a view to inserting their markets into the Asia-Pacific region.²⁶

The Andean Community and its member states thus oriented themselves towards the European model, which offered considerable incentives both in terms of trade as well as financial and technical assistance for Andean integration. This orientation became clear after CAN's 1997 institutional reforms, which established a directly elected Andean Parliament and a Presidential Council as its highest political body. Then Secretary General of the CAN, Sebastián Alegrett's praise for Europe as "always a reference and model for the construction of our integration"²⁷ is representative of CAN's self-depiction.²⁸

Despite the repeated public commitments to deepen Andean integration, practice lags well behind. An impressive and complex institutional set-up (partly inherited from the times when import-substitution policies required detailed industrial programming and coordination) includes - among others - an Andean Court of Justice with supranational powers and the direct applicability of CAN legislation to its member states as well as a very broad agenda of policies and initiatives. Yet despite these supranational features, national sovereignty is alive and well in the region, with decision-making reserved to national ministers and heads of state, who, unlike officials and diplomats, frequently engage in political squabbles.²⁹

This dense institutional landscape coexists with CAN's poor record in achieving its own objectives. Taking the Andean Community's most prominent objective of promoting a common market as an example: CAN is currently far from achieving a customs union,

²⁶ Chile, Colombia, Mexico and Peru, *Declaración Presidencial sobre la Alianza del Pacífico*, Lima, 28 April 2011, <http://www.rree.gob.pe/portal/boletinInf.nsf/04dde7d02ffd7160052570700056ae25/e33431aaecd11469052578810004b1f8>.

²⁷ "Europa ha sido siempre una referencia y un ejemplo para la construcción de nuestra integración...". Cfr. Secretaría General de la Comunidad Andina, *Las relaciones andino-europeas: Desafíos y oportunidades. Intervención del Secretario general de la Comunidad Andina, Embajador Sebastián Alegrett en el Foro Euro-Andino 1998*, London, 26 May 1998, <http://www.comunidadandina.org/prensa/discursos/allegret5-98.htm>.

²⁸ Similar statements can be found in Secretaría General de la Comunidad Andina, *Palabras del Secretario General de la Comunidad Andina, Guillermo Fernández de Soto, en el II Foro Nacional ALCA 'Del ATPA a la oportunidad histórica del ALCA'*, Lima, 26 September 2002, <http://www.comunidadandina.org/prensa/discursos/fernandez26-9-02.htm>; *Intervención del Dr. Jorge Vega Castro, Director General de la Secretaría General de la CAN, en la Inauguración del Coloquio 'Organización Mundial del Comercio: Solución de Controversias'*, Lima, 26 August 2002, <http://www.comunidadandina.org/prensa/discursos/vega26-8-02.htm>; *Palabras del Sr. Presidente de la República de Bolivia, Jorge Quiroga Ramírez, con motivo de la inauguración de la Cumbre de Presidentes de la Comunidad Andina de Naciones*, Santa Cruz, 30 January 2002, <http://www.comunidadandina.org/prensa/discursos/SCQuiroga.htm>; *Palabras del Embajador Allan Wagner Tizón, Secretario General de la Comunidad Andina, con ocasión del Seminario 'Los Desafíos de la Integración' que conmemora 27 años del Tribunal de Justicia de la CAN*, Quito, 1 June 2006, <http://www.comunidadandina.org/prensa/discursos/wagner1-6-06.htm>; or *Intervención del Secretario General a.i. de la Comunidad Andina, Dr. Adalid Contreras Baspineiro, en la 47 sesión del Parlamento Andino*, Lima, 20 October 2010, <http://www.comunidadandina.org/prensa/discursos/adalid20-10-10.htm>. The will of the Andean States to pursue the EU's model was also confirmed in an interview with Jorge Valdez, Peruvian ambassador to the EU, Brussels, May 2011.

²⁹ For example, frequent low-level military conflicts on the border between Ecuador and Colombia have led to considerable disagreement within CAN since 2005.

the precursor of a common market.³⁰ The establishment of a common external tariff, which, together with a free trade area, is a prerequisite for a customs union, has been repeatedly postponed until the end of 2011.³¹ It was originally foreseen for 1995.³² This exemplifies the problems that have been hampering the development of the CAN. Decisions taken at the CAN indeed are seldom applied by its member states. As a consequence, two of CAN's member states - Peru and Colombia - have signed individual trade agreements with the EU (as well as with the US).³³ Albeit endorsed formally and ex-post by the Andean Community,³⁴ bilateral trade agreements almost inevitably kill the prospects for a common market.³⁵

Despite limited progress on trade, CAN, however, has witnessed an ambitious expansion of its political, social and environmental agenda since 2003, in what has been termed "integral integration" by the organisation. The EU's experience has been actively sought in pursuing this wider agenda.³⁶ Whereas the perceived need underpinning this expansion - delivering concrete added value for Andean citizens³⁷ - is certainly legitimate, in practice this has led to ambivalent consequences. While addressing, for example, social cohesion is amongst the region's most pressing issues, expanding the CAN into areas such as foreign policy and political cooperation (e.g. combating corruption) risks blocking progress on technical issues by adding politically contentious topics on the agenda and fostering the impression that CAN is more about declared intentions than concrete achievements.³⁸

This leaves the Andean Community in a situation in which the main objective of trade integration remains unaccomplished and the prospects for delivering concrete results are diminished further by an expanding policy agenda that delves into areas in which talk is cheap, but delivering difficult. Institutional hypertrophy adds to this sorry picture

³⁰ A common market is a customs union with freedom of movement for the factors of production.

³¹ Comisión de la Comunidad Andina, *Decisión 717. Política arancelaria de la Comunidad Andina*, Lima, 8 September 2009, <http://www.comunidadandina.org/normativa/dec/D717.htm>.

³² Comisión del Acuerdo de Cartagena, *Decision 370. Arancel externo común*, Quito, 25-26 November 1994, <http://www.comunidadandina.org/normativa/dec/D370.htm>.

³³ The US-Colombia and the EU's agreement with Peru and Colombia are awaiting ratification.

³⁴ Consejo Andino de Ministros de relaciones exteriores en reunión ampliada con la Comisión de la Comunidad Andina, *Decisión 598. Relaciones comerciales con terceros países*, Quito, 11 July 2004, <http://www.comunidadandina.org/normativa/dec/D598.htm>.

³⁵ This is the case because a common market requires a common external tariff. To establish common external tariffs, the other members of the CAN - Bolivia and Ecuador - would have to either adhere both to Peru and Colombia's existing trade agreements with other states or the existing agreements would have to be modified by their signatories to include preferences to newcomers. These are highly improbable scenarios for political and economic reasons. While Bolivia excludes signing any trade agreement with the EU, Ecuador has a more positive view according to EU officials interviewed in May 2011.

³⁶ A specific example is the organisation of a seminar on the EU's Charter of Fundamental Rights as an example for Andean integration. See Comunidad Andina, *La Carta de derechos fundamentales de la UE: Un reto para la Comunidad Andina*. Presentación de Julián Ariza Rico, Vicepresidente del Consejo Económico Social de España, en el Seminario sobre 'Carta social y derechos humanos: un reto para la Comunidad Andina', Bogotá, 18 May 2001, <http://www.comunidadandina.org/prensa/discursos/ariza18-5-01.htm>. The interest of CAN in the EU's experience was also confirmed in interviews with EU officials and with Jorge Valdez, Peruvian ambassador to the EU, in Brussels in May 2011.

³⁷ See Consejo Presidencial de la Comunidad Andina, *Acta de Quirama: XIV Consejo Presidencial Andino*, Recinto Quirama, 28 June 2003 (Declaración de Quirama), <http://www.comunidadandina.org/documentos/actas/Quirama.htm>.

³⁸ Interview with Jorge Valdez, Peruvian ambassador to the EU, Brussels, May 2011.

and increases the perception of CAN's lack of results. It is in this complicated context that the EU engages in the promotion of regionalism.

4. The EU's toolkit in action: A modest record so far

EU promotion of regionalism towards the Andean Community has made use of all of the three policy instruments mentioned in Chapter 2: the pre-negotiation of a so-called association agreement (a trade agreement including political and development dimensions) with the region as a whole, an EU-CAN political dialogue taking place at different levels, and the provision of technical and financial assistance to CAN's development.

4.1. Negotiating the association agreement

In 2008, just one year after they were launched, negotiations on an association agreement failed. The reasons include both disagreement on specific trade issues between the EU and CAN as well as differences within CAN itself.³⁹ In particular, CAN governments have pursued different economic policies, ranging from state-centric approaches in Bolivia and Ecuador to liberal policies advocating free trade agreements by Peru and Colombia. As a result of these disagreements, which reached their climax with Ecuador and Bolivia's boycott of an EU-CAN negotiation meeting on the association agreement,⁴⁰ Colombia and Peru (and initially also Ecuador) pursued negotiations with the EU on their own. In what can be seen as a final stab to interregional trade aspirations, this led to the negotiation of a trade agreement between the EU, Colombia and Peru in 2009-2010, which is currently awaiting ratification.⁴¹

4.2. Political dialogue

The Andean states undoubtedly have a closer proximity to the EU and its political values than other regions with which the Union deals - in the words of an Andean representative: Latin America and Europe "make for the majority of the occidental world".⁴² Still, the record of political dialogue fares no better than that on trade. Institutionalised political dialogue aims at pursuing agreements and a common understanding on a wide range of issues of global relevance, such as the commitment to multilateralism, human rights or environmental issues. Following the rationale behind such dialogues, the EU and its partners could also strengthen their voice within global institutions such as the UN by coordinating their positions. But in comparison with other political dialogues,⁴³ the EU and CAN could only agree on a very modest agenda without specific objectives. While in most agreements political dialogue includes

³⁹ Interview with a senior EU official, Brussels, May 2011.

⁴⁰ Interview with a senior EU official, Brussels, May 2011.

⁴¹ See European Union, *Trade Agreement between the European Union and Colombia and Peru*, 13 April 2011, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=691>.

⁴² Interview with Jorge Valdez, Peruvian ambassador to the EU, Brussels, May 2011.

⁴³ See for example the recently agreed dialogue with Central American states (Commission of the European Communities, *EU-Central America association agreement. Part II: Political Dialogue*, Madrid, 18 May 2010, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=689&serie=407>) or the political dialogue established with the Economic Community of West African States (ECOWAS) since 2000.

normative guidelines and specific goals, in the case of CAN it is limited to the assertion of common values such as multilateralism and the intention to discuss an unspecified range of issues of common interest. It basically simply institutionalises the former informal dialogue.⁴⁴ In addition, the agreement formalising this dialogue has not been ratified by any of the Andean states and thus talks continue in practice under the previously agreed informal setup.⁴⁵ This makes the dialogue hostage to the current political landscape and limits its impact as an instrument to foster regional cooperation.

Although political dialogues can rarely boast visible results, the record of the EU-CAN dialogue is worse than expected, especially considering the often-repeated like-mindedness between the two parties. Instead of finding “common responses to main development, security and human rights problems”,⁴⁶ the dialogue is severely hampered both by the deadlocked trade negotiations and by internal disagreements within the CAN on issues such as combating illegal drugs. While high-level meetings are said to be more productive,⁴⁷ meetings at ministerial level are hampered by the lack of time ministers can devote to them and by the insistence of every CAN state to have its word heard. Adding to this dark picture, disputes among Andean states have led individual CAN representatives to deliberately miss meetings and to quarrel on the setting of the agenda.⁴⁸

4.3. Technical and financial cooperation

For many years, the EU was the only donor to the Andean Community as an organisation, with other donors concentrating on its member states.⁴⁹ Today it remains by far its largest donor with the bulk of EU assistance being devoted to establishing and strengthening CAN institutions. The share dedicated to regional integration accounts for up to 40% in the current aid budgeting period (2007-2013, €50 million) and accounted for nearly 75% in the previous period (2002-2006).⁵⁰ The approach

⁴⁴ See European Union, *Joint Declaration - Political Dialogue between the European Union and the Andean Community*, Rome, 30 June 1996 (PRES/96/191), <http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/96/191>.

⁴⁵ See Council of the European Union, *Agreements Database - Ratification details: Political dialogue and Cooperation Agreement between the European Community ... and the Andean Community and its Member Countries ...*, Rome, 15 December 2003, <http://www.consilium.europa.eu/policies/agreements/search-the-agreements-database.aspx?lang=en&command=details&id=297&aid=2003127> (accessed July 5, 2011).

⁴⁶ Council of the European Union, *Andean Community-EU Ministerial meeting. Joint Communiqué*, Luxembourg, 26 May 2005 (9430/05 (Presse 128)), http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/er/84980.pdf.

⁴⁷ Interview with a senior EU official, Brussels, May 2011.

⁴⁸ Interview with a senior EU official, Brussels, May 2011.

⁴⁹ See Secretaría General de la Comunidad Andina, *Cooperación para fortalecer la integración regional. Cuadro 2: Evolución de la ejecución presupuestal de cooperación técnica por fuente financiera - Periodo 2001-2009*, <http://www.comunidadandina.org/cooperacion/index3.html> (accessed July 7, 2011).

⁵⁰ See Commission of the European Communities, *Andean Community. Regional Strategy Paper 2007-2013*, cit., p. 25-30, DG EuropeAid, *Andean Community: EU Aid programmes*, http://ec.europa.eu/europeaid/where/latin-america/country-cooperation/andean-community/andean-community_en.htm (accessed July 6, 2011) and Commission of the European Communities, *Regional Strategy: Andean Community of Nations, 2002-2006*, 17 May 2002, http://eeas.europa.eu/andean/rsp/02_06_en.pdf, p. 13-38.

pursued to strengthen CAN's institutions is to channel projects through its General Secretariat.

In practice, this approach has encountered the *de facto* opposition of CAN's own member states, which seldom allow the organisation to conduct projects on its own.⁵¹ Two main reasons motivate this lack of commitment in practice to strengthening the Andean Community. First, the generally strong attachment to sovereignty among its member countries⁵² coupled with distrust between them reduces CAN states' willingness to delegate even smallest decisions to a common institution. Second, the acrimonious disputes on the orientation and approach that CAN should pursue in its external trade relations have reduced trust between its member states and in the organisation as such.⁵³

In this context, cooperation projects aimed at strengthening CAN's institutions have not been able to circumvent the underlying political disputes that hamper regional integration, even despite the successful completion of the individual cooperation projects. For example, enabling the General Secretariat of CAN to manage EU-funded projects - as in the case of the FortiCAN project⁵⁴ - has not prevented CAN member states from splitting the projects up into pieces to be managed by their national bureaucracies. The recently launched InterCAN project ascribes CAN's lack of progress to a lack of bureaucratic capacity and aims at to solve this by financing a network of experts within national ministries.⁵⁵ It is however unlikely that this project will address the underlying problem: lack of political will to implement CAN's decisions.⁵⁶

The added value of support for regional cooperation has therefore been minimal as representatives from both the EU and the Andean side agree.⁵⁷ The same applies to the visibility of cooperation. Still, while the EU's cooperation with CAN is moving towards a stronger support for thematic issues (e.g. social cohesion and climate change), strengthening CAN's institutions remains, to date, a cross-cutting priority pursued by all EU-funded projects.⁵⁸

Projects with a more practical character have fared better (i.e. projects on building infrastructure such as roads, telecommunication connections, etc.).⁵⁹ These projects

⁵¹ Interview with Jorge Valdez, Peruvian ambassador to the EU, Brussels, and with Matilde Ceravolo, CAN desk, DG Development and Cooperation, European Commission, May 2011.

⁵² Interview with Jorge Valdez, Peruvian ambassador to the EU, Brussels, May 2011.

⁵³ Interview with a senior EU official, Brussels, May 2011.

⁵⁴ See Secretaría General de la Comunidad Andina, *Proyecto UE 'Fortalecimiento Institucional de la Unidad de Cooperación Técnica de la Secretaría General de la Comunidad Andina'. Informe Anual 2008*, <http://www.comunidadandina.org/cooperacion/fortican5.html>.

⁵⁵ See Comisión de la Comunidad Andina, *Decisión 723. Proyecto INTERCAN 1 de apoyo a la integración económica regional de la Comunidad Andina*, 10 December 2009, <http://intranet.comunidadandina.org/Documentos/decisiones/DEC723.doc>.

⁵⁶ Interviews with senior EU official and with Jorge Valdez, Peruvian ambassador to the EU, Brussels, May 2011.

⁵⁷ Interview with a senior official of the EEAS and with Jorge Valdez, Peruvian ambassador to the EU, Brussels, May 2011.

⁵⁸ Interview with Matilde Ceravolo, CAN desk, DG Development and Cooperation, European Commission, Brussels, May 2011.

⁵⁹ As for example the road connection between Ecuador and Peru, two states that had not settled their border disputes until 2008.

are conducted at a technical level and by experts from the involved states - thereby reducing exposure to day-to-day political influence from their governments.

Taking together the instruments analysed above, three reasons hinder the EU's impact on regional integration. Firstly, no shared interest exists among the Andean states in pursuing a common trade agreement with the EU. Secondly, political dialogue is blocked both by disagreements in trade matters as well as by broader political disputes. Thirdly, assistance has been mainly channelled through institutions that lack the trust of their member states and whose decisions are often not implemented. Cooperation has concentrated on boosting an already dense institutional structure. This institution-centred approach has hindered the emergence of tangible added value and a greater visibility of regional integration. The leitmotiv running across these reasons is the strong attachment of CAN states to their national sovereignty and the destructive interlocking of trade and political disputes.

5. Conclusion: Untying the knot by concentrating on substance

After more than two decades of direct engagement with the Andean Community, the EU's approach has not promoted stronger regional integration. The Andean Community lags behind its own objectives in economic integration, it does not pursue a common external trade policy (instead, individual states have concluded individual agreements with the EU) and the contrast between its institutional density and broad policy agenda on one side and the lack of substantive impact on the other is greater than ever. While the lack of success in Andean regional integration cannot be attributed to the EU, the latter certainly needs to adapt to the reality on the ground.⁶⁰

The EU faces two options in order to increase its impact on the region. It could either drop the promotion of regional integration as a whole and promote strictly bilateral relations, or it could recalibrate its regional approach to react more effectively to the reality of Andean integration.

Dropping the promotion of regional integration certainly has its appeal: the amount of negotiation time and support devoted to organisations that lack the necessary backing by their own member states is especially difficult to justify at times of growing multipolarity, which seems to justify bilateral approaches. However, dropping the policy as a whole would imply serious problems for the EU, especially in Latin America. Having almost concluded a trade agreement with Peru and Colombia, the EU would immediately be accused of having promoted regional integration only as a Trojan horse for trade liberalisation. At times when Venezuela, Bolivia and Ecuador pursue a discourse opposed to trade liberalisation, this would imply a strong loss of credibility and influence for the EU. Furthermore, dropping support for regional integration would deprive the EU of one of its trademark policies on which it has a clear comparative advantage.

⁶⁰ Although drawn from the analysis of EU-CAN relations, some of the proposals advanced here can be applied to other regions in which the EU promotes regional integration insofar as problems are often shared across regions (i.e. lack of ownership among the member states, lack of implementation, etc.).

Therefore, a recalibration of the existing policy represents the most desirable option. The EU should learn from the existing shortcomings and adapt to the region's reality, while at the same time aim at increasing its influence. This policy could be oriented along two main points.

First and paramount, a redesigned policy should seek to untie the knot between political relations and trade and economic integration. This would help to avoid the interlocking of diverging approaches to trade and political cooperation. The fact that the EU has managed to sign an association agreement with Central America⁶¹ hints at the possibility that negotiations are easier with regions that pursue a narrower political and institutional agenda than CAN. Such an approach could also encourage CAN to follow a similar path. This should be accompanied by a stronger EU engagement with UNASUR (Union of South American Nations)⁶² and CELAC (Community of Latin American and Caribbean States)⁶³, which promote cooperation without directly engaging in trade integration. Upgrading these eminently political organisations would allow sub-regional organisations such as CAN to progress in other areas of integration (trade, physical integration, etc.) on a less political and more technical path (provided there is a will to do so), while still promoting the EU's political interests at the regional level. In fact, conducting political talks with UNASUR and CELAC may also have an added advantage: insofar as these organisations have a broader membership and a less institutionalised character, the potential for vetoes is significantly lower.

Secondly, support for Andean integration should be pursued through a bottom-up approach instead of the current focus on top-down institutionalisation. Such a bottom-up approach would concentrate on tangible and visible regional integration and step up the already successful initiatives in physical integration. While this may imply a substitution of the currently preferred sub-regional framework by promoting bilateral cooperation between states, bilateral physical integration is not incompatible with regionalisation but an essential element of regional trade integration. It would also increase the added value of integration for citizens in the region, something that is difficult to achieve when promoting institutions. Furthermore, this approach would generate results even when national governments are reluctant to cooperate on a sub-regional level and devolve decision-making power.⁶⁴ In addition, concentrating less on institutions would allow the EU to react more rapidly to changes in regional cooperation formats, as they have often occurred in Latin America. Cooperation with CAN should continue in those areas in which assistance already provides a regional added value or visibility to its citizens such as disaster prevention. Complementing this approach, regional integration can also be promoted outside the CAN framework through

⁶¹ According to the EU, 'Central America' refers to the states of the Central American Integration System (SICA) except Belize, which belongs to the group of African, Caribbean and Pacific (ACP) states, with which the EU deals in a different framework.

⁶² UNASUR was launched in 2007 as a project centered on political dialogue, conflict resolution and physical integration but not on trade integration, which is to be pursued within the existing sub-regional arrangements. Its members are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela.

⁶³ CELAC encompasses all Southern American and Caribbean states.

⁶⁴ This approach would also meet the growing EU impatience in its dealings with the Andean Community (Interviews with EU high officials, Brussels, May 2011).

contributions to IIRSA⁶⁵ or through the recently created Latin America Investment Facility, which finances and mobilises further funding for infrastructure. Such a redesign of the EU's approach to regional integration in general and to the Andean Community in particular would still allow the EU to pursue most of its objectives, although it will make it more difficult for the Union to argue that regions elsewhere are actively seeking to emulate its own model.

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⁶⁵ The IIRSA (Initiative for the Integration of Regional Infrastructure in South America) promotes physical inetgration.

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