A biregional agreement between the EU and Central America? Negotiating an Association Agreement

By

Beatriz Véliz Argueta
beaveliz@ufm.edu.gt

Paper prepared for the GARNET conference “The European Union in International Affairs”

Brussels, 24-26 April 2008

WORK IN PROGRESS
Abstract

Regional integration schemes have proliferated around the world and with them the interaction between regions or interregionalism. The European Union (EU) has been supporting these integration efforts worldwide, putting special attention to Latin America (CARICOM and the Andean Community) and to the Central American case in particular. Relations with Europe have played an important role in the history of this region, especially in the last decades. Europe’s active participation in the democratic transition was instrumental for the consolidation of peace in the region. These efforts started with the Diálogo de San José (1984). The European perspective understood in that moment that a national and regional approach was needed in order to successfully achieve regional pacification and stability. The Dialog gave birth to an increasing biregional interaction that currently seeks to strengthen the relations with an Association Agreement (AA). This AA between Central American countries and the EU constitutes the first biregional agreement in the world; but why is the EU interested in strengthening its relations with Central America? Why is the EU negotiating an AA with this region? The present essay seeks to evaluate critically EU’s interest in CA giving priority to the political interest at stake considering that economic motivations are marginal given the trade exchange among these regions. This paper proposes that EU’s main driving force behind the negotiations is of political nature and its main goals are: (1) to strengthen its actorness in the international community, particularly within the triad and with strong competence with the US; (2) to promote its integration model and the echoing of its process or what some scholars call europenisation; (3) to promote inter-regionalism and region-to-region dialog by insisting in negotiating with CA as a whole; and finally (4) to use the AA as a tool to achieve and strengthen consensus within state members. Nevertheless it is important to bear in mind that due to the integral characteristics of this accord it strengthens relations on several fields: economical, political and of cooperation which for the EU vision are interdependent issues. Finally I conclude pointing out the main difficulties in exporting a model and suggest future research directions.
“Setting up a European foreign policy is not only ambitious and challenging; indeed it means building up Europe itself.”

Yves Mény 1998

**Introduction**

Integration processes have proliferated around the globe (Kühnhardt 2004 and Van Langenhove 2005) in the last decades with different outcomes. Therefore an increasing interaction among regions can be observed (Söderbaum & Van Langenhove 2005). The European Union¹ has emerged as the most successful process and leader in the quest for regional integration.

The Central American experience, with more than 15 integration attempts, formal and informal (cited by Schmitter 1970 and Carpio Nicolle 1998), has been characterized as disordered and fragmented (Malamud 2004 and Schmitter 1970) due to the unstable cycle that has followed.

International relations with Europe have played an important role for the history of Central America, especially in the last decades. Europe’s active participation in the democratic transition was instrumental for the consolidation of peace in the region. These efforts started with the *Dialog of San José* (1984). The European perspective understood in that moment that a national and regional approach was needed in order to successfully achieve regional pacification and stability (Sotillo 1997). The *Dialog* gave birth to an increasing biregional interaction that currently seeks to strengthen the relations with an AA. This AA between Central American countries and the EU constitutes the first biregional agreement in the world. The discussion of an Association Agreement began in May 2006 during the European Union-Central America Summit that took place in Austria.

But why is the EU negotiating an AA with this region? This paper claims that EU’s driving force behind the AA are of political nature considering that economic motivations are

---

¹ In this text by European Union I mean the twenty seven member states of EU and by Central America the five countries of the region (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua)
marginal given the trade exchange among these regions and that its main goals are: (1) to strengthen its actorness in the international community, particularly within the triad and with strong competence with the US; (2) to promote its integration model and the echoing of its process or what some scholar call europenisation; (3) promote inter-regionalism and region-to-region dialog by insisting in negotiating with CA as a whole; and finally (4) to use the AA as a tool to achieve and strengthen consensus within state members.

The structure of the paper is as follows. First I explain, from the European perspective, why the AA is not related to economic or cooperation issues. Then the political interests behind the AA are analyzed in detail in order to understand EU foreign policy strategy.

**The cooperation and economic pillar of the AA: Why this agreement is about none of them**

The EU’s economic interest in CA is minuscule. In 2004, two years before the negotiation of the AA formally initiated, CA’s exports share in the European market was of 0.04%, and the imports of 0.07%. According to SIECA during the 2000-2004 period exportations from CA showed a negative growth of 3.2%. For the same period CA imports grew in 13.5% (SIECA 2006).

It is important to acknowledge the fact that CA main exportable offer consists of agrarian products, especially coffee and bananas, which don’t enjoy benefits from the General System of Preferences (SGP in spanish). Let’s also not forget the special protections that agrarian products enjoy in Europe due to the Agrarian Common Policy and the preferential treatment that from which African, Caribbean and Asia Pacific countries (ACP) benefit from thanks to other agreements (Lomé Convention).

The question that follows would be why does Europe want to negotiate an economic agreement with a region with whom has a minimum economic exchange and whose main products may create conflict with inner economic policies? The answer to this lies in politics.
Several academics claim that economic tensions characterize EU-CA relations. These tensions manifest themselves through *a political encounter and economical disencounter* (Sotillo 1997 and Sanahuja) that comes from a contradictory support by the EU; on the one hand they promote economical liberalization and diversification of the Central American exports; but on the other the EU keeps protectionist measures on their own agricultural sectors. In this case the EU has offered a cooperation model of *aid without trade* that differs from the *trade and aid* given to ACP countries (Sotillo 1997 and Sanahuja 1999). The Free Trade Agreement that is part of the AA will transcend this economic disencounter; at the same time it will allow CA countries to enjoy an *upgrading* from the traditional SGP+ (General System of Preferences)\(^2\) towards a more stable framework (Véliz 2007).

On the other hand the cooperation agenda has already been settled. Although the negotiations are based on previous agreements (Luxemburg 1985 and San Salvador 1993) the EU launched its Regional Cooperation Strategy for Central America 2007-2013\(^3\) in April 2007, even before the formal negotiation of the AA started. This agenda emphasises equitable development, social cohesion, and the strengthening of civil society participation which go in line with EU’s integration model and values.

It is important to bear in mind that the EU gives almost sixty percent of the cooperation funds that the region receives; these funds target mainly the monitoring of human rights violations and fostering their protection, democracy and enforcement of legal institutions, rural development, prevention of natural disasters and reconstruction, social development, and regional integration (European Commission 2002).

This means that the EU, the most economically attractive region in world politics (Rosecrance 1998) is using its economic instruments in order to encourage institutional reforms (Zielonka 1998 and Smith 1998) with third parties. I will turn to this point in the next sections.

---

\(^2\) According to Sanahuja the General System of Preferences its a disfavorable and discriminatory treatment from the Latinamerican perspective (Sanahuja 1999: 6)

Strengthening EU’s actorness in the international arena

The EU as a new international actor is seeking to find its place in the international arena (Soderbaum and Van Langenhove 2005) and aspires to become a powerful actor (Zielonka 1998). It is interested in strengthening its participation in competence with other international actors such as the United States. For a long time the EU has offered an alternative to globalization in competence with the United States. It has stressed its integral approach and concern for human values. In the European Council’s words “The EU has a responsibility to help ‘set globalization within a moral framework’” (2001).

In order to assume a stronger role in international politics the EU must overcome several obstacles. One of them is its lack of operational capability commonly criticized. This presents EU as a paradox: it looks like a giant in normative terms, but when it comes to practice it looks like a dwarf (Zielonka 1998). It is also important to acknowledge that the complex institutional arrangement that has emerged from the EU has acquired its international personality though an internal and external dynamic (Sandholtz & Stone Sweet 1998:24)

One strategy to increase EU’s presence and reinforce its international personality, and at the same time avoid the operational trap, has been to strengthen its bonds with other regional schemes. It is especially interested in promoting integral partnership agreements different from the ones offered by the US. These integral agreements include cooperation and political issues besides the traditional economic ones. This is one of the main reasons why it is so important for the EU to step forward in the elimination of the economic disencounter that has for a long time characterized EU-CA relations.

As one authoritative scholar asserts, the EU uses its economic power as part of its foreign policy strategy as an incentive for achieving other objectives (Smith 1998), most commonly political ones. Such is the case with CA, where the EU prefers the strategy of reward and incentives rather than threats and punishments. In this quest the EU is trying to become an adopted regional leader, using Walter Mattli’s concept, a role that the US has traditionally played.
In other words the godfather of the integration process the way it did back in the 80s.

It is no coincidence that the EU is negotiating an AA with CA after this region just finished an economic agreement with the US. On this regard it is also useful to bear in mind that the creation of ASEM was partly motivated by European concerns of being left out of APEC and Asian concerns of being dominated by the United States in APEC. (Hänggi 2003: 206)

Along with increase in economic exchange this integral agreements promote EU’s integration model and values. We should bear in mind that Europe is more than a market; as cited by Habermas (2001:8) “[Europe] embodies a model of social organization that has matured throughout history…” I the next section of the paper I turn to this aspect.

**Promoting EU’s integration model**

Several academics claim that EU’s integration process is the regional answer to the globalization challenge (Malamud 2003, Rosamond 2005). It is the most successful integration scheme and as such it clearly supports regional integration processes around the world. It even claims to have successfully contributed to the reemergence of regional integration effort (Kühnhardt 2004). As Rosamond points out on this regard the EU represents a successful and exportable attempt to engage in the governance of globalization (2005 and Zimmek 2006). One of its major success rest upon the principles of pooled sovereignty and the creation of a series of supranational institutions (Van Langenhove 2005)

With the AA with Central America the EU is supporting and promoting a model that follows its own experience, one that has solved successfully its challenges. As Habermas, when he talks in *Warum braucht Europa eine Verfassung*, says:

> within a social dimension, modern Europe has evolved procedures and institutions to deal with intellectual, social and political conflicts. (…) This
resolution strategy is encapsulated by the concept of the “recognition of reasonable disagreement” (Habermas 2001:22).

By doing this the EU is exporting its integration model and developing a europeanisation strategy which is central to understand its current foreign policies. Europeanisation is a process that ranges over history, culture, politics, society and economics which affects different actors and institutions. It can also be understood as a defensive strategy regarding the globalization challenge (Featherstone 2003: 3, 9 and Cowles et al 2001). In this paper europeanisation refers to the process of exporting the ‘European model’ which includes institutional organizations and practices primarily in the political and economic arena.

The EU model illustrates the existence of a functional spillover effect from the economic to the political and social arenas (Bustillos 2002). Therefore the EU expects a similar outcome in the Central American region, especially considering that it is the process with whom most similarities shares with (Arrecis 2007). The EU hopes that Central American Custom Union (CU) becomes the corner stone of its integration scheme. That is the main reason why the EU has insisted on the CU from a long period and currently constitutes a condition in order to successfully conclude the negotiation of the AA. When exporting a model some adaptational pressures appear and the pressure for progress in the CU is an example of it. It is to bear in mind that in the case of the Custom Union, as in many other topics, the EU has come to reinvigorate and accelerate a regional internal process in which many sectors are interested.

By negotiating this integral agreement the EU is also promoting universal values that reflect Europe major successes in the integration process such as peace, prosperity, democracy, rule of law, a common market (Seeger 2007). These values are present in the Berlin Declaration that commemorates the 50th anniversary of the Treaty of Rome (March 25, 2007).

---

5 Cowles and colleagues apply the adaptational pressure concept as a process by which one set of institutions (European ones) interact with another set of institutions and the resulting pressure depends on the compatibility (fit) between them. Here I apply it to central American institutions in order to follow the EU model.
6 According to Wrinkler there are no European values as such, only Western values considering that Europe is a community of States that embrace Western values. This values are the product of transatlantic experiences (Winkler 2007)
As mentioned previously the EU has been supporting and giving cooperation to democratic projects and also to those protecting human rights. During the negotiation of the AA steps have been taken in order to promote civil participation and hear its demands. The involvement of civil society and entrepreneurs will take place using the modality of cuarto adjunto, which means that representatives of this sector will provide feedback to AA’s negotiators. This new negotiation modality is a positive side effect of the European demand.

**Promoting inter-regionalism and region-to-region dialog**

The proliferation of integration schemes around the world has increased the interaction between regions and formalized its relations. As Hänggi points out with regard to interregionalism

> [it] may be understood as a corollary of regionalism in the sense that the more regions become constituting factors of the international system, the more they tend to interact among themselves in order to balance and manage relations (2003: 203)

This is EU’s logic for supporting other regional schemes such as CAN (Andean Community), CARICOM and SICA. By doing this the EU is not only promoting regional integration but strengthening its own process. This strategy for *sister would be regions* has become a key feature of EU foreign relations (Malamud 2006). At this point it is important to bear in mind that some of these bi-regional cooperation agreements are remote echoes of colonial relations (Kühnhardt 2004)

From a region-to-region perspective the EU made it clear to CA from the beginning of the AA negotiations that this was a biregional agreement and thus designed to bargain with CA as a whole. Originally it was expected that CA would create a single negotiator representing

---

7 SICA refers to the Central American Integration System but not all SICA Members are negotiating the AA with Europe
the member states interests. This option was rapidly discarded by CA, not without causing some internal trouble in the region\textsuperscript{8} and an alternative was presented: a rotatory presidency.

In the XV Joint Commission that took place in Guatemala in April 2007 both regions clearly acknowledged that promoting regional integration represents a common strategic objective (Art. 4).

At the end the EU is offering al alternative for global governance (Rosamond 2005) expecting that regionalism can contribute to creating a more secure and just world-order and regional integration schemes in the quest of becoming “building blocs” in a global system (Van Langenhoue 2005). This process t the same time helps Europe present a common voice in international affairs and strengthens its internal consensus. I turn to this point in the following section.

The AA as a tool to achieve consensus within EU’s member states

An AA helps to create consensus among EU Member States considering the complex characteristics of its intergovernmental and supranational pillars, its difficulty for presenting a foreign common posture and its lack of operational capability.

The EU has frequently been criticized for not having a common voice regarding foreign policy which has lead some scholars to state that the Common Foreign and Security Policy (CFSP) is ‘neither common, nor foreign, nor dealing with security, nor can be called a policy’ (cited by Zielonka 1998).

Back in 1986 the European Parliament pointed out that the relations between Central America and the European Communities represented one of the most important achievements within its foreign policy (cited by Sotillo 1997). Inside the EU it helped the

\textsuperscript{8} Costa Rica constantly insisted on negotiating on a bilateral basis but the EU insisted on negotiating with CA as a regional bloc.
Member states and its citizens understand the complex foreign policy structure although the differences within national interests.

According to Seeger a way to achieve major civil participation is to develop a community of values in a quest to find Europe’s soul (Seeger 2007). This is precisely what the EU is looking for by promoting an integral agreement that protects western values abroad.

Conclusions

In this final section of the paper I will present some caveats regarding the adoption of a foreign integration model such as the EU and a few obstacles that the CA integration process faces will be analyzed in detail. I will end with some suggestion on future research directions.

There are several obstacles that Central America faces not only in relation to the negotiation of an AA with Europe but in its attempt to achieve its own regional integration. One of them is that although the efforts the EU has made to increase civil society participation, both in the integration and in the AA negotiation process there continues to be a lack of participation (Zimmek 2006 and Véliz Argueta).

Another and probably the most important obstacle for the integration process in CA is that its main engine lies in the hands of executive powers (Sánchez 2002 and Zimmek 2005). This means that the process follows an unstable cycle (Véliz 2007) with an interpresidential characteristic (Malamud 2003) that allows the Head of State to influence directly the velocity at which the process advances and therefore lacks institutional anchors.

At the same time this interpresidential characteristic is a valuable tool for third parties interregional strategy. It allows the EU to achieve its goal of promoting its integration model by signing political agreements with political institutions and policy makers that scarcely comply. In the CA case this institutions have not become institutional anchors although there are some independent actions in regional coordination towards supranationality.
(Schmitter 1970:39). In other words, the development of the regional institutions does not aim towards supranationality (Sánchez 2002).

Following this line of ideas another problem is the lack of political interests in order to pool sovereignty, one of the EU most important achievements in its integration process.

The previous problems become a major obstacle for the CA regions because the process advances due to external pressure showing a reactive nature (Sánchez 2002). The AA with the EU and the progress in the Custom Union clearly shows this. In some occasions the velocity at which the negotiations are taking place is higher than the velocity at which the Central American countries are willing to reach an internal bargain.

It is important to understand regional integration as a historical process. As Kühnhardt points out European integration and its institutions do not serve as a static model that can be replicated (2004: 3, 5). Different regions confront their own historical, economical, political and cultural challenges and each of them needs to find its own path (Véliz Argueta 2007). We should bear in mind, as Malamud points out, that “integration processes are not alike, and neither are their outcomes (2003).”

Following Langenhove and Söderbaum ideas, the EU by promoting interregional agreements is strengthening its own regionalist ideology, but I would also add that by doing this with CA the EU is in turn building and reinforcing its own foreign policy. By negotiating an AA with CA the EU is following political interests that will help build and reinforce its delicate and complex foreign policy while at the same time it is strengthening its integration process an the region-to-region dialog. In other words Europe is building itself.

---

9 President Arias for instance, confirms this point, when he claims that the AA should not force the CA countries to complete a CU they are not ready for. (El Diario de Hoy, El Salvador, 2nd of May)
REFERENCES:


Marchetti, Andreas (2007) ‘Policies of Europeanisation’ Panel discussion at the Deutsche Welle “Europe as a Role Model?”. Summer Academy on Comparative Regional Integration, Zentrum fur Europäische Integration Forschung (ZEI)


Rüland, Jürgen (2002) Interregionalism in International Relations. Conference Summary at the Arnold-Bergstraesser-Institute, on 31 January and 1 February 2002, Freiburg, Germany


Sarah Seeger (2007) Communicating European Values – The German EU Presidency and the Berlin Declaration, CAP Aktuell, No. 6 April


Véliz Argueta, Beatriz (2007b) ‘Reflections on Economic Principles of Regional Integration’ Revista Electrónica del Instituto de Estudios Políticos y Relaciones Internacionales (EPRI), Universidad Francisco Marroquín. ISSN 18159249


Winkler, Heinrich August (2007) Still a Community of Values? Historical thoughts of the normative basis of the West, Global Issues 56, Summer

Zielonka, Jan (1998) Constraints, Opportunities and Choices in European Foreign Policy’ in Paradoxes of European Foreign Policy, Jan Zielonka (ed.) Kluwer Law International, Italy.


Zimmek, Martin (2006) La UE como modelo. Deutschland Online