

IDEAS FOR A “POTENTIAL NEW MODEL” FOR THE COOPERATION BETWEEN LATIN AMERICA AND EUROPE

Perspectives of a bi-regional dialogue

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This policy briefing outlines the main issues covered by the discussion between trade union and progressive political party leaders in Europe and Latin America and the Caribbean (LAC) as part of the „Reorganising Global Trade and Value Chains“ joint project of the Friedrich-Ebert-Stiftung (FES) and the German Trade Union Federation (DGB).

ABSTRACT

Principles of cooperation. The weakening of democracy, which has been diagnosed as a general background is closely related to neo-liberal policies. Therefore, the creation of decent jobs appears as a central element for the salvation of democratic systems, while trade unionism is seen as “the last barrier against neo-liberalism”. Within this context, the distinctive value that would provide the European Union (EU) with an advantage in the competition with its partners could be to uphold certain principles of cooperation: the promotion of fair trade, the fundamental importance of employment and the promotion of social dialogue. The added value lies in cooperating with a democratic, “social Europe” that defends peace, decent employment and human rights – and demands that corporations from the EU with business activities in LAC do the same. As part of a policy of active non-alignment, a strong and autonomous Europe is very critical for Latin America.

An opportunity for a new stage of bi-regional cooperation.

There is a window of opportunity to move the relationship between Europe and LAC to a new stage, with a potential multi-level structure: 1) some form of remediation for the historical inequalities suffered by LAC; 2) some form of a win-win relationship that benefits both regions (energy sector); 3) some form of cooperation in areas where neither of the two regions has achieved any capital accumulation so far (artificial intelligence, platform economy, etc.).

Rebalancing a historically asymmetrical relationship.

The discussion of a “potential new model” of cooperation between LAC and Europe provides an opportunity to start rebalancing historical asymmetries by recognising the unequal

levels of development, the differential contributions of both regions to the climate crisis and the differences regarding their capacities to contribute to financing the transition. There is a need for the EU to ensure fair but not equal negotiating conditions for a possible transition, which might even bring advantages over other competing partners.

Transition and (re)industrialisation. It is impossible to think of a transition without considering the need for a process of (re) industrialisation in LAC, including the incorporation of technology and an increase in the complexity of regional production chains. If the aim is to sustain LAC exclusively in its historical role as a supplier of raw materials, no just transition will be possible. There are two paths: deepening LAC’s dependence or taking a leap in its right to development, which would benefit the strategic interests of both regions.

Regional integration without alternative. The regional integration of LAC is a *sine qua non* condition for a mutually beneficial cooperation with the EU. LAC needs to agree on a common agenda for bi-regional relations, and advance in its intra-regional productive and trade integration. Its regional integration strengthens the possibilities for cooperation with the EU and the region’s trade opportunities and should therefore be a priority process within the framework of the bi-regional relationship.

Financing the transition. LAC’s endemic debt means that neither industrialisation nor transition will be possible without financing and expanding its fiscal space. In LAC “we are the environmental creditors of our financial creditors”: the region’s debt stems from its historical role of geopolitical subordination and economic dependence as a supplier of raw materials to developed countries. Transforming or overcoming these asymmetries also implies reforming international financial instruments – or even creating new ones – to end their corporate capture and advance fiscal justice. Just transition and just trade require just global relations.

A bi-regional cooperation model for mutual development.

Based on these key elements, it is possible to envisage a bi-regional cooperation model that does not entrench

or deepen existing asymmetries, but rather aims to reduce them by promoting development in both regions based on their needs. This new stage requires a profound revision of the logic of negotiating agreements – moving away from free trade agreements (FTAs), overcoming the strictly commercial dimension – to move towards dynamics that offer greater equity in dialogue and result in alliances for cooperation in a broader sense for the promotion of human rights and decent employment, the protection of the environment and the defence of democracy, i.e. a more people-centred, less profit-driven model of cooperation.

Cooperation that includes political and social dialogue.

Broad cooperation agreements of this kind involve multiple actors: governments, trade unions, political parties, businesses, universities and other social actors. Cooperation takes place at all levels. Therefore, bi-regional cooperation cannot be limited to the commercial or institutional dimensions; it also needs to encompass the political and social spheres. Trade union internationalism is highlighted as a powerful tool to this end.

To address the challenge of developing a “possible new model” of relations and cooperation between LAC and the EU, which promotes the development of each region according to its needs, with the defence of democracy, decent employment and social and environmental justice as core elements, a viable answer could be that a strong and autonomous Europe is important for Latin America, and an integrated and increasingly developing Latin America is essential for Europe.

1. THE RELATIONSHIP BETWEEN EUROPE AND LATIN AMERICA AND THE CARIBBEAN

The relationship between Europe, and Latin America and the Caribbean (LAC) has gone through different stages. The first stage is marked by colonisation, which laid the historical foundations of the relationship’s lack of balance. The second stage is characterised by the European contribution to the industrialisation process in LAC countries. In this period, not only did Europe contribute to productive development, but also to social and community development. This model, where cultures come together and values are shared as part of an exchange that strengthens both sides, should serve as an example for a new stage in the bi-regional relationship

Right now, we are facing a moment of open perspectives and the opportunity to initiate a new stage in the relationship between the two regions, a new narrative. This new stage could be structured in various levels:

- Some form of remediation for the historical inequalities suffered by LAC;
- Some form of a win-win relationship that would benefit both regions. For example, the energy sector, as long as it involves the creation of decent jobs, the protection of

the environment and the incorporation of added value to the regional production chain in LAC;

- Some form of cooperation in areas where neither of the two regions has achieved any accumulation so far, i.e. areas where both regions could start moving forward and exploring together, such as artificial intelligence or platform work and its unionisation.

Progressive principles and values can be found on both sides of the Atlantic. There is agreement on principles, but it is more difficult to agree on mechanisms, priorities, timing and resources. More discussion about these practical issues is needed to move forward about shared or overlapping strategies.

Regional integration as a prerequisite for bi-regional cooperation

The commitment to Latin American regional integration does not exclude strengthening the ties with the EU. On the contrary, LAC regional integration is a *sine qua non* condition for mutually beneficial cooperation. First of all, because for now the regions are dealing with unequal negotiating conditions: LAC does not have a regional institutional framework for negotiation. A proper bi-regional relationship implies regional integration as a prerequisite. Far from it, the historical weakness of LAC’s regional integration processes persists, with productive and trade integration as one of the main weaknesses. Therefore, in order to think about any kind of bi-regional cooperation it is necessary to forge regional agreements on shared objectives and priorities: what is LAC’s agenda as a whole for its relationship with Europe?

The regional integration of LAC strengthens the possibilities for cooperation with the EU, and should therefore be a favoured process within the framework of the bi-regional relationship. At the same time, this integration process is in Europe’s interest, particularly for economic reasons and trade opportunities, especially because of its investments in the region (e.g. in the automotive sector) and the production opportunities for the regional market. In a non-integrated LAC, the EU’s chances of competing as a partner with other powers are weakened.

2. GEOPOLITICAL CONTEXT AND CONDITIONS FOR BI-REGIONAL COOPERATION

In geopolitical terms, LAC finds itself in a structural position of dependence, which increases the region’s exposure to the ups and downs of the international context and its crises. LAC does not benefit from a unipolar or bipolar geopolitical scenario, where being part of a bloc is inevitable. Brazil’s current position, for example, is one of active non-alignment; that is to say, it pursues positive agendas with China, the US and the EU, but also with the region.

Comparative advantages of a “social Europe”

At present, the EU is at a disadvantage with regard to trade agreements with LAC vis-à-vis the US and China. However, comparative advantages can be identified for the future. The EU’s distinctive value is based on its principles of cooperation: the promotion of fair trade, the fundamental importance of employment, the promotion of social dialogue and collective bargaining. The added value derives from cooperating with a democratic, “social Europe” representing peace, decent employment and human rights. The people of LAC have chosen democracy, and the European social State has been a reference for the region. This cooperation’s potential and comparative advantages can be found in the above-mentioned shared principles and values. Within the framework of a policy of active non-alignment, a strong and autonomous Europe is crucial for Latin America.

Cooperation with China and the United States

Within this geopolitical context, each power tries to advance its economic and trade relations with LAC, primarily through loans and investments. Alongside the long-standing relationship with the United States the more recent one with China is making rapid progress.

If we look at the particular case of Brazil, this country is moving ahead in an alliance for decent work with the United States (“Lula-Biden partnership”): common priorities and possibilities for cooperation beyond existing differences are identified, with a focus on promoting quality employment and strengthening the protection of workers.

By comparison, the negotiations with China put more emphasis on the idea of partnership. Incorporating Latin American countries into the “New Silk Road” seems inevitable, and Brazil is close to joining. The development of a regional governance space for infrastructure would give LAC a stronger negotiating position with China.

Crisis of multilateralism

Multilateralism is weak and in crisis. It is necessary to think about a global reform of the multilateral system and its organisations to end the corporations’ predominant position and to recover the power of states. There is a need to rethink international financing mechanisms and the role of multilateral financial institutions. “The IMF’s recipes have not worked anywhere in the interest of the people”; such a transformation would contribute to building better financing mechanisms for developing LAC countries. Fair global relations are necessary to achieve a just transition and fair trade.

3. SECTORS, VALUE CHAINS AND POTENTIAL TRADE RELATIONS

Industry. The industrial sector of Latin America and the Caribbean is in crisis. Argentina and Brazil, for example, have lost their leading roles in world industrial production. LAC is faced with the need to invest in reindustrialisation processes by incorporating technology that will enable it to provide added value and move towards more complex economies. One example is the current Brazilian industrial policy (Nova Indústria Brasil), which also implies a regional integration perspective. Discussing a positive LAC-EU agenda provides an opportunity to explore aspects of reindustrialisation that can generate mutual benefits.

Energy. Developing the energy sector in LAC means tapping into its potential and addressing its challenges. The region benefits from its access to raw materials and from the cleanest energy matrices of the world; however, many countries are not energy self-sufficient. In this sense, the energy transition in LAC cannot be based on commodity exports that would reproduce the region’s traditional role as a supplier of raw materials; instead, it must incorporate technology and seek to generate surplus value through productive integration and the development of regional value chains. For instance, the LAC representatives propose to agree that during an initial period the energy produced in European investment projects should be destined exclusively for national use in the country where the investment is located.

Infrastructure. Generating more and better regional production chains in LAC requires, first and foremost, the development of infrastructure. In particular, there is a need to develop the energy infrastructure to boost possible industrialisation processes that would be based on regional value chains.

In particular, Europe could contribute to such reindustrialisation and energy transition processes by transferring technology to LAC, among others. It can also contribute to the negotiation and funding of mechanisms for transition, the reform of financing instruments and the definition of fiscal spaces.

4. INSTRUMENTS AND PERSPECTIVES FOR A SUSTAINABLE AND MUTUALLY BENEFICIAL PARTNERSHIP

Overcoming the strictly commercial dimension of cooperation

It is necessary to go beyond the perspective of bi-regional relations with a focus on trade and think about broader cooperation agreements. FTAs are not alliances or “partnerships”, they are limited and asymmetric, generally benefit corporations only and perpetuate structural inequalities between the countries involved. Such an agreement cannot be called cooperation, because fair treaties imply fairness in negotiation and mutual benefits.

To advance sustainable and mutually beneficial partnerships, it is necessary to aim for cooperation agreements that go beyond trade to address other dimensions of development. It is possible to think of “partnership agreements” that involve trade, cooperation across agendas of common interest, and political dialogue.

Protection of human rights

The environmental and social impact of foreign productive ventures in LAC is a reason for concern. Quite often investments have a disruptive and conflictive effect on the territories in which they are located. LAC representatives would appreciate a more demanding attitude of the EU vis-à-vis European companies and the promotion of more and better mechanisms to make sure that human, labour and environmental rights are respected in Latin American territory as well. Apart from discourse-related aspects, the differences between standards depend on making sure that they are implemented, that they are binding and that there are control mechanisms in place.

Against this backdrop, mechanisms such as due diligence in supply chains are valued, although there are concerns regarding their implementation. Compliance with this kind of legislation is not automatic; instead, civil society and trade unions need to play an active role, as they act as tools for the organisations. A binding UN agreement is considered a suitable instrument to guarantee labour and environmental rights as a level playing field for multinational companies.

Employment as the core issue

Bi-regional trade and cooperation policies must place the labour agenda at the centre of the debate. Given the high levels of youth unemployment in LAC cooperation must aim to generate quality employment, especially for young people. These new jobs must also be open for unionisation. Trade policies must incorporate the interests of the working class, and from a progressive point of view it is necessary to consider strengthening the instruments of social struggle and guaranteeing the conditions that allow workers to negotiate with companies.

Negotiation with social dialogue

To make sure that cooperation follows these principles, negotiations must not take place between specialists or governments behind closed doors. Instead, cooperation needs to incorporate social dialogue, to democratise and enhance the negotiations. Workers are key actors in the discussion about production and trade, and their opinions are essential to incorporate a perspective of justice. Negotiation processes should be accompanied by a strategic relationship with trade unionism. Social actors also make international policy and can be an inspiration for institutional and/or governmental processes.

5. TOWARDS A “POTENTIAL NEW MODEL” FOR THE BI-REGIONAL RELATIONSHIP

The discussion of a “potential new model” for the relationship between LAC and Europe highlights the historical asymmetries between the two regions. In order to advance towards a just transition, this new model should aim to rebalance these relations and take the following aspects into consideration:

- the unequal development levels of each region;
- the magnitude of each region’s responsibility for contributing to the climate crisis;
- the differences in the regions’ capacities to contribute resources to finance the transition: “whoever has more contributes more.”

This framework of historical asymmetries imposes the need to build agreements based on the premise of “fair but not equal” that will contribute to undoing the relationship of dependence and achieving a *tabula rasa*, in order to be able to think about a transition that encompasses both regions.

Following the same reasoning, it is impossible to think about transition without considering the need for a process of (re) industrialisation in LAC, which incorporates technology, generates added value, diversifies production and adds to the economies’ complexity. On the other hand, transition will be impossible, as long as LAC is meant to maintain its exclusive role as a supplier of raw materials. If the „decarbonisation consensus“ is based on the exploitation of Latin America’s natural resources in order to enable Europe to reduce its carbon footprint, it is not a just transition. Therefore, this is the moment to decide between deepening the existing dependence or seizing the opportunity to take a mutually beneficial leap in the development of LAC. It has to be recognised that LAC’s (re)industrialisation objective is in line with Europe’s strategic interests, as it enhances the possibilities for bi-regional cooperation.

The (re)industrialisation of LAC is only possible, if it is accompanied by productive and trade integration, i.e. more enhanced integration. The transition process may provide an opportunity to create new regional value chains. A fragmented region favours bilateral negotiations leading to infrastructures that could contribute to turning regional integration into projects of disintegration, which reproduce the traditional problems of dependence and deepening asymmetries with respect to other regions. An integrated LAC not only improves its own negotiating conditions and the hierarchy of its interests, but also offers more advantageous trade opportunities for the EU.

It is not possible to think of a process of fair reindustrialisation and transition without considering LAC’s endemic debt. Without financing and expanding its fiscal space, no industrialisation or transition will be possible. In LAC “we are the environmental creditors of our financial creditors”: the region’s debt is fully related to its historical role of geopolitical subordination and economic dependence as a supplier of raw materials to the countries of the North.

It is not possible to think of a just and mutually beneficial transition without transforming these asymmetrical relations. This implies rethinking the role of multilateral financial organisations and reforming international financing mechanisms – or even creating new ones that involve higher taxes on capital and wealth, for example – to end corporate capture and advance fiscal justice in order to obtain resources for the sovereignty and development of the countries.

Based on these key elements, it is possible to think of a bi-regional cooperation model that does not set existing asymmetries in stone, but rather aims to reduce them by promoting development in both regions in accordance with their needs. This implies a great deal of politics: it is politics that can explain why the “fair but not equal” perspective leads to progress in global justice.

This new stage of the bi-regional relationship with a perspective of mutually beneficial agreements imposes the challenge of building broader alliances that do not only pursue short-term economic benefits, but include among their objectives the promotion of human rights, the protection of the environment and the defence of democracy. Cooperation must be more people-centred and less profit-driven, so earnings will benefit not only capital, but also peoples and workers.

Such cooperation agreements, which first of all should be tools for the development of both regions with environmental justice, decent work and solid democracies, involve multiple actors: governments, trade unions, political parties, companies, universities and social actors. Cooperation relationships evolve at all levels; therefore, it is necessary to work towards the democratic and political strengthening of intra-regional and bi-regional relations. Such relations should not be limited to the trade and institutional spheres, but include the political and social spheres as well.

As one of the integration mechanisms, trade union internationalism can recover the concept of the “global working class” and eventually enable agreements, which aim to protect and strengthen the rights of the working class in both regions. Trade union internationalism provides an opportunity to bypass the geopolitical limits and conflicting interests of the North and the South, whose logic responds to the interests of the big powers and corporations.

BIOGRAPHICAL NOTE

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