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## The Impact of the TTIP on Latin American and Caribbean Integration\*

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The fabric of Latin American integration and its diverse alliances has very often suffered the effects of the evolution of external phenomena in intimate confluence with internal processes. The world uncertainties that were prevalent in 2015, to be dramatically reinforced in 2016, will surely affect the distinctive sub-regional collective experiments within the region, as well as the activities of individual state actors. This outcome will be the result of the unstoppable process of globalization. However, for any such consideration of the collective composite of the Latin American scene, and for the purposes of the present commentary, it is advisable to accept the limits imposed by the development of the Transatlantic Trade and Investment Partnership (TTIP)<sup>1</sup> planned by the United States and the European Union, and its hypothetical impact on Latin American integration in its varied parceled forms and shapes.<sup>2</sup>

Globalization does not permit exceptions. Reverberations of this project will be noticed in Latin America in a wide range of avenues, each one complementary of the others. It is therefore recommended to pay attention to, at least, an axis of activities. The first one is the direct impact on some selected countries, above all the ones that already enjoy solid trade agreements (e.g. Mexico, Panama, Colombia, Peru or Chile) and economic cooperation with either the EU or the US, or both at the same time. The second would be the impact on the existing bi-regional agreements. Would the TTIP alliance modify, reinforce or simply would threaten them in a negative fashion? The third terrain of activities would be composed by the effects on the same systems of economic or political cooperation within the internal fabric of the region.

Regarding the first scenario, it all depends of the regulations that each of the systems has now in effect and what are its prospects in the future. Two alternatives are then open: the first one is the construction of protective barriers (in the tradition of the “import-substitution” strategies of the past); the second would be to leave the events to develop according to their own natural inertia.

A much better interesting and intriguing scenario is what could be the effects of the TTIP (the same as the more modest impact of the TPP in the theatre of the Pacific) in the intra-Latin American systems. One could be called the “reinforcement effect”, as an incentive for the deepening of the existing experiments of integration, most especially the ones that are already more successful or have better chances to be winners (e.g. Pacific Alliance). The second is the opposite effect: it could accelerate the disaggregation of some groupings, which would favor the execution of the alternatives that have been implemented by the United States and the EU in the recent years, i.e. individual trade agreements with geographically limited results, mirroring the NAFTA model, reduced to the scope of free trade, but never beyond a modest customs union. This alternative would represent the ultimate triumph of the US-led model of “integration” (really, “economic cooperation”).

Deepening in the first alternative, which does not depend exclusively of the will of the Latin American blocs themselves, it will require a good dose of political will applied in each one of the contexts, a quality that, until now, has been shown as very weak. When each one of the blocs is considered individually, preliminary predictions oscillate between two extremes. On the one hand, there is a certain optimism in the case of the smaller frameworks (Central America, Caribbean Community). Recent developments show that the Central American Integration

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<sup>1</sup> For EU official views and statements, see entries by European Union, EU Commission, Malmstrom.

<sup>2</sup> For an early assessment of the project, with participants from Europe, the United States and Latin America, see our compilation, Roy-Domínguez 2014.



System (SICA, in Spanish) captured the favors of the European Union leading to the signing of an Association Agreement (which include a trade agreement), a goal that was advocated for years. On the other hand, there is considerable doubt in the case of the larger blocs (MERCOSUR, leading them). In concrete terms, there is an uncertain future for the survival of other entities of regional integration, such is the notorious case of the Andean Community, under considerable danger of disappearance.

When examining the Middle America area, in the first place, in spite of the fact that the System of Central American Integration (SICA) does not enjoy a solid structural organization equipped with a unitary fabric and a supranational personality and differences between members are acute, the grouping has reached an acceptable degree of economic integration. In fact, it became the first regional entity in the world to sign a trade agreement with the EU. This represents the accomplishment of a long lasting relationship, since the times when Central America became the darling of Brussels and some European countries (most especially Spain) as a recipient of peace-keeping and development programs in the 80s. This renewed attention will certainly help the region to reinforce its own cohesion. Taken into account the limited geographical dimension of the SICA region, the deal between the EU and the US may be an added value instead of presenting an obstacle.

Different is the case of the CARICOM scenario. Its 15 tiny member states are affected in a deeper way by a degree of split personality divided between their original loyalty to Europe and its former metropolis (mostly the United Kingdom) and the irresistible attraction and pressure (aid and trade) from the United States. The TTIP certainly will exert an impact on the CARICOM region. But what is difficult to predict is its impact on the concrete framework of regional integration schemes. A pending business is the perennial friction between the members (of British origin) that are also partners in the Commonwealth and the ones that have other historical background, especially Haiti (French).

In the South American regional space, the challenge presented by the TTIP to MERCOSUR is formidable. Brazil is a global power that at all times calculates its movements according to its own national interests, which very often do not match the objectives of the other members of the blocs to which it belongs. The fact that Brazil is a leader of the BRICs further complicates the panorama. On top of its own autonomy in the Latin American region, Brazil has the honorific title of EU's "Strategic Partner" which implies a privileged bilateral relation equal to other big players like Russia or China. Regarding trade negotiations, and on the low days with MERCOSUR, Brazilian authorities have sometimes floated the idea, although never officially, on getting a separate deal with the UE (similar to the ones enjoyed by Chile and Mexico). This individual agenda item by itself debilitates the collective policy (weak by itself) of MERCOSUR.

Brazil is in good company when it comes to playing rival with others, most especially Argentina. The accession of Venezuela to the southern bloc in 2012 made the scene even more complex and analysts still do not agree if this add-on was advantageous or damaging for MERCOSUR. The new membership converted into a rather more cumbersome the process of deepening of the entity. But Venezuela has never been the problem when negotiating the agreement with the EU (they have never participated in the negotiations). The problem, until now, were Brazil and Argentina. MERCOSUR, from being a showcase of the reproduction of the EU model of integration, has often been a nuisance for Brussels. However, the positive signs of the new governments in these two countries regarding the commitments with the EU (together



with the deadline to Venezuela until Dec 1<sup>st</sup> to incorporate all the MERCOSUR legal corps) indicates that negotiations could progress more rapidly than expected. The possibility of presenting a cohesive bloc between the EU and the US may convince the southern leaders that it would be better for them to get rid of their orphan syndrome, surpass the shortcomings of MERCOSUR, and reinforce its own ever potential unity.

Nothing positive can be said about the Andean Community (CAN), the “walking dead” of the region. The CAN, the oldest regional integration system in South America that had impeccable EU-like institutions, is maintained artificially by its four members, each of them reaching nowadays to different entities: Peru and Colombia to the Pacific Alliance, holding signed trade agreements with both the EU and US; Ecuador and Bolivia to MERCOSUR.

Two other regional entities of different nature and scope deserve some attention: the Union of South American Nations (UNASUR, in Spanish) and the above-mentioned Bolivarian Alliance of Latin American States and Peoples (ALBA). UNASUR has the geographical scope of wider South America but is limited to political cooperation. It has not “economic integration” among in its objectives, therefore it is unclear that the TTIP may have any impact, except if it reinforces some of other systems (e.g. if the Pacific Alliance reinforces its internal political cooperation).

ALBA comprises several South American countries and scattered Caribbean states with leftist governments. It is obvious that this grouping (weakened by the death of Chávez and the economic problems of Venezuela) does not exist as such in the field of agreements like the TTIP. In this ideological context, it is advisable to note that from the point of view of the extreme left the perception is that the TTIP is rather a new version of old-fashion “neo-imperialism”. This identification has exerted considerable pressure (and it will continue to do so) on the conduct of the Latin American governments (not only the ones that are full members of the ALBA) that decide for such political option of confrontation. This rather “unfriendly” association will provoke that the “accomplices”, the governments that follow this policy, will distance themselves from the potential benefits of the TTIP.

Maybe the most interesting effects of the TTIP would be observed in the newer integration experience in Latin America, the Pacific Alliance. Launched in 2013, the PA has been conceived (and remains) an institutions-free grouping. Its declared objective of is “exclusively” promote the economic integration of its four members, Mexico, Colombia, Peru and Chile. Moreover, the four of them have well-functioning trade agreements with the EU and the US. The impact of the TTIP and the likely (and probably not too difficult) “triangulation” with the other agreements could eventually promote its institutionalization.

Finally, the only Latin American-wide entity that could have the consistency for dialogue with the bi-continental alliance is the Community of Latin American and Caribbean States (CELAC). Yet, it is an extremely politically feeble entity without the real support of its 33 members, whose only objective seems to be the organization (by the rotating Presidency) of summits and high-level meetings. Moreover, the availability of a necessary leadership in an entity that spills over beyond the South American confines further complicates the scene. In addition to Argentina and Brazil, the presence of Mexico in CELAC, traditionally unwilling to play a major role in the south, priming its activities to the North American theatre, inserts a note of caution. Mexican authorities, if forced to choose, will elect a deeper role in NAFTA. They will insist in having a separate voice in dealing with the TTIP project, even though they have



been told very clearly by Brussels and Washington that this is a project between the EU and the US.

So, if there is a minimum of reinforcement of Latin American integration facing the TTIP, the opportunities are open for the sub-regional entities. The Pacific Alliance and a renewed MERCOSUR joining forces with the countries already attracted to the Pacific projects have better prospects. Then it remains to be seen the role to be played by the scattered remains of an ALBA in disintegration. With an UNASUR consolidated as a simple forum of consultation, the Pacific Alliance and an expanded MERCOSUR with a solid dual role of Brazil and Argentina could be the most likely option for Latin America to share the scene with the TTIP marriage between the EU and the US.<sup>3</sup>

In sum, the impact of the TTIP in Latin America will also depend on the actual progress of the project TTIP itself. Its success has met opposition in the United States during the presidential campaign, while in Europe, under populist pressure, some influential governments have asked for a delay (France in the lead) in its approval. In the event of a serious setback, both the US and the EU will in any event continue with their bilateral trade agreements with individual countries and, in the case of the EU, continue the negotiating efforts with MERCOSUR.

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<sup>3</sup> For different and complementary views of Latin American perspective, see contributions by Giacalone, Malamud, Peña and Steinberg.



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