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THE EU-LATIN AMERICA GLOBAL GATEWAY INVESTMENT AGENDA AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGS): Strategic Partnership and Global Solutions through International Cooperation between the European Union and Latin America

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ABSTRACT

The 2023 Global State of the Climate Report, published by the World Meteorological Organization (WMO) in 2024, confirmed that 2023 was the hottest year on record since 1850. The average temperature was 1.48°C above the pre-industrial period, dangerously approaching the warming limit of 1.5°C proposed by science and defined by the Paris

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Agreement as the threshold we should not exceed. Therefore, it is clear that environmental degradation and climate change represent real and existential threats to the planet, not ensuring a safe space for humanity. In this context, this study investigates how Latin American-European cooperation can contribute to achieving the Sustainable Development Goals (SDGs), offering a reorganization of the global scenario; combating climate change; ensuring justice and security in the world system. How can the two regions work together to achieve the SDGs through opportunities and challenges in promoting sustainable development? One example is the EU-LAC Global Gateway Investment Agenda, a political commitment by the European Commission that identifies fair opportunities for green investment and inclusive digital transformation in Latin America. Projects and infographics presented by the organization will be analyzed. Thus, the methodology of this work will be qualitative, applied in nature, based on documentary analysis. It is expected to identify potential investment projects that can meet the needs of the regions. Whether through the EU, Member States, development finance institutions, including the European Investment Bank (EIB), export credit agencies, and all other sources of public financing, they will work together for public-private partnerships with the private sector. Finally, it will be verified which SDGs are being met in each of these projects and how Latin American-European international cooperation can, strategically, contribute to achieving global solutions.

Introduction

Environmental degradation and climate change are posing existential threats to the planet. According to Granados (2023) in a world of constant trade tensions, wars across several continents, political volatility, democratic frictions, and the ever-present burden of climate change, the renewal of relations between the EU and Latin America and the Caribbean brings new hopes for global stability.

In this paper it will think what are the key issues and challenges in EU/Latin America relations in the 21st century. It will be discussed what are the opportunities and challenges of promoting SDGs in Latin America and Europe. It is important to know how can the two regions work together to achieve these goals.

Although the commitment to achieving the Sustainable Development Goals is declining, trade and investment; efforts to combat climate change; justice and security for citizens are in discussion. Granados (2023) reminds that in September of 2023, high-level financial authorities from Europe, Latin America, and the Caribbean made a trip to Santiago de Compostela. The goal was to elevate the relationship between Europe, Latin America, and the Caribbean to a new level in terms of trade, economy, cooperation, and geopolitics.

According Granados (2023) for the first time in history, and after eight years of intermittent and fragmented bilateral relations, the Economy and Finance Ministers of the European Union and Latin America and the Caribbean met to lay the foundation for a new global alliance. The author affirms that this alliance aims to unite forces and promote a worldview based on sustainability, democratic values, and cooperation.

For Granados (2023) It is possible to explore the complexities of the relationship between Latin America and Europe, and to examine how this bi-regional relationship is shaped by the changing global landscape. The author affirms that to understand what happened in Santiago, we need to go back a year to Madrid. There, at CAF - Development Bank of Latin America and the Caribbean - met with the Spanish Government to try to recalibrate the relations between the EU and the region. The Spanish presidency of the EU Council was approaching, and the idea of a meeting between EU Economy and Finance Ministers and their regional counterparts was just an incipient thought.

According to Granados (2023) gradually, under the leadership of Spain and CAF, the idea took shape. The first stop was the Brussels Heads of State Summit, where the European Commission announced an investment agenda of 45 billion euros for the region, channeled through the Global Gateway. And the journey reached Santiago de Compostela, where we built new bridges for the relationship between two blocs that, due to their historical, cultural, familial, and commercial ties, are destined to collaborate more closely to tackle the major global challenges.

Granados (2023) argue that the Santiago meeting is a first step toward what, with time and effort from all, can become a global alliance that protects the planet's sustainability. The author explored the idea that it need to keep acting and promoting a

medium- and long-term vision that transcends political cycles and focuses on overcoming the region's socioeconomic gaps and the 2030 Agenda.

According to Granados (2023) cannot be content with sporadic meetings, for the author it is not enough, we need to move much faster than the crisis. Therefore, in Santiago, agreed on new mechanisms for monitoring European investments, which include quarterly meetings to share best practices and consider next steps to expand the investment agenda.

The author thinks that we must preserve this space for dialogue and monitor the progress of these 45 billion euros that we want to be executed by 2027 through projects impacting the entire region. As there are half a thousand development banks worldwide, providing 12% of global financing and working more coordinatedly, as experienced at the Finance in Common summit in Cartagena, Colombia. (Granados, 2023)

The Eu-Latin America Global Gateway Investment Agenda

So far, EU and Latin America united to offer global solutions in the Global Gateway agenda (EUROPEAN COMMISSION, 2024a), we have identified 136 investment projects in Latin America and the Caribbean. From this list, CAF has 70 initiatives that will contribute to reducing poverty and inequality, boosting a green and just transition, and fostering digital transformation. Implementing the Global Gateway requires boldness, commitment, and an open mind, as well as recognizing the asymmetries between the two regions as a starting point. For Granados (2023) while we have a range of powerful tools at our disposal, the climate, food, financial, and social emergencies demand new ways of doing things.

The European Union - Latin America and the Caribbean Global Gateway Investment Agenda (GGIA) highlights potential investment projects to help address the region's infrastructure needs, while creating local added value and promoting growth, jobs and social cohesion. The EU-LAC Global Gateway Investment Agenda is a political commitment to work together, identifying fair green and digital investment opportunities in Latin America and the Caribbean, which will benefit from the open environment generated by trade and investment agreements and will help achieve the The Investment Agenda revolves around the following pillars: a fair green transition, an inclusive digital transformation, human development and health resilience and vaccines. (European Commission, 2024)

Granados (2023) argue that we need to seize this new momentum to redefine the EU-Latin America and Caribbean relationship. According to the author recent years have reflected relations based on fragmented interests, focused solely on specific topics or ties between certain countries. This has created significant gaps in trade and sustainable development. Both blocs would benefit from a broader agenda that links the regions as a whole, rather than agreements among small groups of countries aligned on environmental, trade, and investment issues.

The EU-LAC Global Gateway Investment Agenda will be delivered through Team Europe initiatives: the EU, its Member States, development financing institutions including the European Investment Bank (EIB), export credit agencies and all other public sources of funding will be working together in public-private partnerships with the private sector. (European Commission, 2024)

Granados (2023) concluding the EU-Mercosur agreement would be a crucial step in the right direction. To turn this potential into reality, European politicians must view Latin America and the Caribbean not just as a source of raw materials but as an equal partner in tackling global challenges. The region has a proven track record in designing innovative solutions: the United Nations Sustainable Development Goals, for example. The author thinks that were born at the Rio+20 Summit and are a product of the LAC countries' efforts to build a more equitable and resilient world.

Granados (2023) affirms that the fight against climate change, for example, will require large-scale investment and rapid innovation, especially in new materials, mobility solutions, digital services, and natural resource management. Climate action also creates opportunities for cross-border technology transfer and the strengthening of agribusiness.

Granados (2023) points out that the Global Gateway program can continue to focus on these goals, but we need to move forward before the next meeting of heads of state and government of Europe and Latin America and the Caribbean in 2025. One of the financial instruments under discussion is related to debt-for-nature swaps, a beneficial option for Latin America and the Caribbean, one of the least polluting regions that will suffer the worst effects of global warming.

The author argues that the same time, we need to support national development banks. For instance, CAF is already investing in the creation of the Blue Green Bank in

Barbados, which will be a public development bank with a regional scope across the Caribbean. It focuses on preserving ocean health, improving living conditions for populations in coastal and island areas, and fostering sustainability across all production chains.

Granados (2023) recalls another innovative instrument is Special Drawing Rights (SDRs), a global asset that we can put to new uses with innovation, responsibility, and political will. For the author, we can consider options like using SDRs as a financing solution to tackle climate change.

To discover what are the opportunities and challenges of intraregional and inter-regional trade and investment for Latin America and Europe, Granados (2023) reminds that there is enormous potential to redistribute these assets to Latin America and the Caribbean innovatively, changing the equation to protect our environmental assets and accelerate the decarbonization process.

To answer the question how can trade be leveraged to promote sustainable development and economic integration? Granados (2023) appoints that the new EU investment agenda in Latin America and the Caribbean has clear objectives and the political will necessary to move forward. For the author It is time to act, doing our part in this project for the development and sustainability of Latin America, the Caribbean, and Europe.

Figure 1: EU – Latin American and Caribbean Investment Agenda



These outputs do not capture the whole of the Team Europe engagement in country. They capture concrete infrastructure investments under Global Gateway. They will be accompanied b soft measures in a 360° approach, so as to improve the policy, regulatory and business environment, develop skills, foster innovation and transfer technology.

The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the European Union. Source: European Commission – Eurostat/GISCO

Source: EU-LAC Global Gateway Investment Agenda – Infographics (2024)

EU-LAC Global Gateway Investment Agenda and the Sustainable Development Goals (SDG's)

The EU-LAC Global Gateway Investment Agenda is a political commitment to work together, identifying fair green and digital investment opportunities in Latin America and the Caribbean, which will benefit from the open environment generated by trade and investment agreements and will help achieve the SDG's. (EUROPEAN COMMISSION (2024d)

Figure 2: The Strategy to Deliver on the SDG's in the EU



Source: EUROPEAN COMMISSION (2024c)

The EU-Mercosur Trade Agreement

According to Mahdi (2023) trade agreements are complex and lengthy processes. Climate demands, a relatively new and growing feature of these agreements, add to their complexity. For the author, the EU-Mercosur Trade Agreement is a good example of this.

The introduction of climate policies in trade agreements aims to address the environmental impacts of trade and promote sustainable practices. These policies reflect the growing global concern for the environment and the recognition that trade can generate both positive and negative environmental impacts. (MAHDI, 2023)

The author confirm that the EU-Mercosur Agreement includes climate demands, and this has been one of the key issues in the negotiations. But made a question for what does the evidence say about Brazil's exposure to the EU's climate conditions?

According to Mahdi (2023) A recently published article by World Bank researchers suggests that Brazil's exposure is not as daunting as one might think. The introduction of the Carbon Border Adjustment Mechanism (CBAM) is one of the main climate features of the agreement. This mechanism adds a value to imports to offset any cost advantages that companies operating in countries without a regulated carbon market might enjoy when selling their products in regulated countries. (MAHDI, 2023)

Mahdi (2023) reminds that the adjustment—which would be applied to manufactured products like cement, iron, steel, aluminum, and fertilizers—is seen as a way to promote a level (carbon) playing field in these markets. The study shows that Brazilian emissions are more intense than those of the European Union in four of the five affected products, which puts Brazil at a disadvantage.

However, Brazil's overall exposure to CBAM would be limited, according to CONDE (2023) *et al* as exports of these products to the EU represent only 0.5% of the country's total exports. Moreover, the exposure would decrease if these sectors made progress in reducing their emissions.

For Mahdi (2023) the second important instrument in the EU-Mercosur agreement is a requirement for deforestation-free imports. Brazil would likely be classified as a “high-risk” country for the effects of this requirement, which would result in a more rigorous analysis of its exports. In the case of deforestation, the potential exposure is relatively

higher (around 5% of exports) given the large share of agricultural commodities in Brazil's export basket.

However, according to the author the actual exposure would likely be lower if we exclude the portion of Brazilian exporters who have already been investing in deforestation-free supply chains. The rules would only affect the subset of exporters with inadequate environmental and traceability practices.

Mahdi (2023) the study also reveals that, in both cases, Brazil's risks are mitigated by the high diversification of its trade partners for the affected products. The level of diversification is, on average, among the highest in the Latin American and Caribbean region. Even if Brazil's exposure to EU climate policies is not concerning, it is important to remember that such requirements are not limited to the EU-Mercosur Trade Agreement. The study of Mahdi (2023) presents similar estimates for trade negotiations with the US and a number of other jurisdictions that are likely to follow the European example in negotiating their trade agreements.

Therefore, according to Mahdi (2023) the more relevant question becomes how to prepare Brazilian sectors and companies for a greener global integration, emphasizing the need to embrace the green agenda rather than shy away from it. Several measures can be taken. The author gave the example that Brazilian sectors and companies need help assessing their carbon emissions and the carbon price embedded in their products.

Mahdi (2023) affirms that they also need solutions to simplify deforestation tracking and due diligence processes in their supply chains. Trade associations and the public sector can help promote data systems and methods to support exporters in obtaining this type of information and providing it to their trade partners. Strengthening carbon pricing policies through taxes and a regulated carbon market will also leverage Brazil's potential—and particularly its green energy matrix—to position the country as a green powerhouse. Brazil, one of the world's largest economies, needs to be more deeply integrated into global markets.

The author points that this process is challenging and fraught with concerns such as fairness, balance, and protectionism. But when it comes to the environment, the evidence suggests that the climate agenda could open doors to this goal rather than close them.

It can be concluded that the introduction of climate requirements in trade agreements, such as the EU-Mercosur Agreement, presents challenges and opportunities for Brazil. Although the country faces disadvantages due to its emissions and deforestation practices, exposure to mechanisms like CBAM is relatively limited, and there is potential to mitigate risks through advances in emission reduction and strengthening deforestation-free supply chains.

The diversification of trade partners also provides a safety net that reduces dependence on specific export markets. However, the global trend indicates that other major trade partners, such as the U.S., are likely to adopt similar requirements to the EU, making it imperative for Brazil to adapt to this new reality.

The text suggests that Brazil should prepare for a greener global integration by adopting carbon pricing policies, developing better environmental tracking systems, and promoting sustainable practices. By embracing the climate agenda, Brazil can not only meet new regulatory demands but also position itself as a global leader in the transition to a sustainable economy.

Therefore, instead of viewing climate requirements as barriers, Brazil has the opportunity to turn these challenges into levers for its economic and environmental development, contributing to a fairer and more sustainable global integration.

Final Considerations

Based on the analysis, it is clear that the challenges of climate change and environmental degradation necessitate a coordinated global response. Latin American-European cooperation offers a strategic opportunity to address these challenges through shared efforts in sustainable development. By leveraging the EU-LAC Global Gateway Investment Agenda, (EUROPEAN COMMISSION, 2024b) both regions can foster green investments and inclusive digital transformation, contributing significantly to the achievement of the Sustainable Development Goals (SDGs).

The potential for collaboration extends beyond financial investments, requiring a comprehensive approach that includes policy alignment, capacity building, and innovative solutions tailored to the unique needs of each region. The study emphasizes that such

cooperation is not just about meeting SDGs but about creating a fairer and more secure global system that can adapt to and mitigate the impacts of climate change.

As the world faces unprecedented environmental and social challenges, the partnership between Latin America and Europe stands as a crucial model of how regional alliances can drive meaningful progress towards global sustainability. By focusing on mutual strengths and addressing the complexities of sustainable development, this cooperation can lead to impactful solutions that benefit not only the regions involved but the global community as a whole.

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