



Modernising the EU-Chile Association Agreement: strengthening an alliance for social inclusion and environmental sustainability

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Abstract

This research paper analyzes the results of the Association Agreement (AA) between the European Union and Chile, which entered into force in 2003, up to the present time when its modernization is being negotiated. After 19 years of the agreement, the international context has changed both in its political and economic dimensions, so it is important to analyze what role these agreements can have in the face of the challenges of the post-pandemic recovery and the objectives of both regions in terms of strategic autonomy, in the geopolitical field, and in the transition towards new development models that respond to shared challenges such as climate change, ecological transition, digitalization, social inclusion or the revitalization of multilateralism.

Keywords

Association Agreement European Union-Chile, strategic autonomy, climate change, post-pandemic recovery.

Resumen

Este trabajo de investigación analiza los resultados del Acuerdo de Asociación (AA) entre la Unión Europea y Chile, que entró en vigor en 2003, hasta el presente, cuando se está negociando su modernización. Tras 19 años de vigencia del acuerdo, el contexto internacional ha cambiado tanto en sus dimensiones políticas como económicas, por lo que es importante analizar qué papel pueden tener estos acuerdos frente a los retos de la recuperación pospandemia y de cara a los objetivos de ambas regiones en materia de autonomía estratégica, en el ámbito geopolítico, y de transición hacia nuevos modelos de desarrollo que den respuesta a retos compartidos, como el cambio climático, la transición ecológica, la digitalización, la inclusión social o la revitalización del multilateralismo.

Palabras clave

Acuerdo de Asociación Unión Europea-Chile, autonomía estratégica, cambio climático recuperación pospandemia.

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1. Introduction

Negotiations to sign an agreement between the European Union (EU) and Chile were officially opened in 1999 as a further step towards the support that the EU and its member countries had given to Chile's trade liberalization and economic restructuring (European Council, 1999). The signing of an Association Agreement (AA) between the EU and Chile in 2002 was a recognition of the political maturity and economic strength of Chile, which the Union identified as a qualified and reliable partner, as well as a model of development and stability (Blanc, 2005). Although trade with Chile represented only 0.4% of total EU trade in the world, it is important to note the importance of this pioneering agreement for South America, as it could serve as a model for other countries that adopted trade agreements in later years (Jara, 2020)¹.

After twenty years, the world has changed with some rapidity, with technological innovations that have influenced the development of digital commerce, or the use of a new generation of green energies, among other changes. The rapid industrialisation and growth of world trade have become unsustainable for environmental protection, so the change of economic paradigm has not only been pioneering for EU countries, but has also had an influence on the rest of the world. Although multilateral agreements to shift existing economic models to more sustainable ones have not been swift enough in all countries, Chile has embarked on a path towards a development model that contemplates equality, sustainability and social justice.

Chile is the country of the Organization for Economic Cooperation and Development (OECD) with the highest income inequality, preceded only by Costa Rica. In social spending, taking the percentage of GDP, it is the penultimate of the OECD with 11.4%, followed by Mexico, with 7.5% and far from the OECD average, which is 20% (OECD, 2021).

On October 18, 2019, Chile experienced a social outcry due to income inequality, low wages and high prices in basic services such as education, transport, health, etc. Mass protests, sometimes violent, and peaceful mobilizations led the government, along with opposition political parties, to reach an Agreement for Social Peace and New Constitution on November 14, 2019. A plebiscite was called to vote on a Constituent Assembly to draft a constitution to replace that of General Pinochet in 1980, which had a clear neoliberal approach to political, economic and social rights.

Given this new national context, together with the global events of crisis of multilateralism, the rise of protectionism and commercial and territorial rivalries, it is necessary to analyse how the modernization of the EU agreement with Chile can contribute to a better international insertion of the parties, based on new models of post-pandemic development and a multilateral and progressive foreign policy.

This paper analyses the results of the AA between the EU and Chile, which entered into force in 2003, until now, when it is negotiating its modernisation. After nineteen years, the international context has changed both in its political and economic dimensions, so it is important to analyse what role these

¹ Treaty with Caribbean countries 2008, Treaty with Central America 2012, Treaty with Colombia and Peru 2013, which Ecuador joined in 2017 and with Mercosur in 2019 (without entry into force).

agreements can play in the face of the challenges of post-pandemic recovery and in view of the objectives of both regions in terms of strategic, geopolitical autonomy and in that of the transition towards new development models that respond to shared challenges such as climate change, ecological transition, digitization, social inclusion or the revitalization of multilateralism.

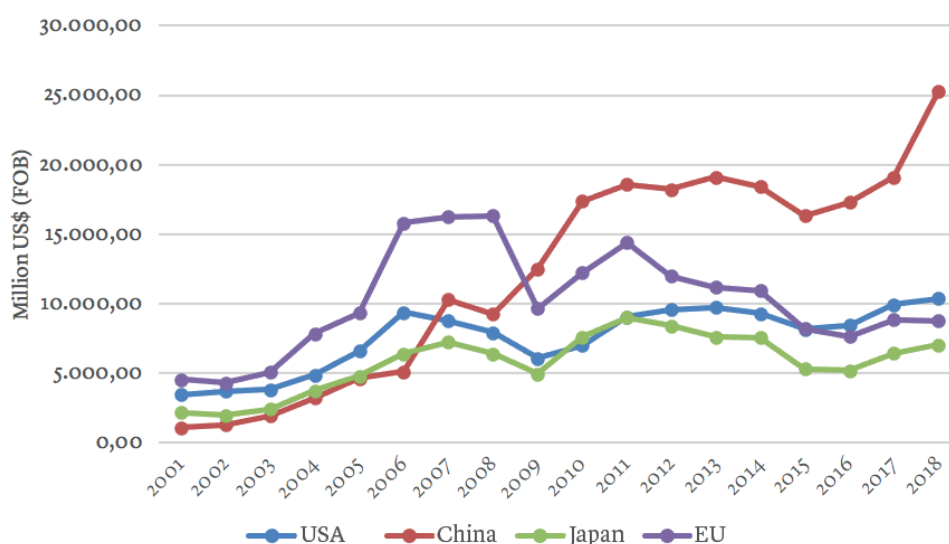
2. Trade and the benefits of the agreement

For Chile, as a mining and agricultural country, the AA represented an improvement in access to the European market, with copper and derivatives as the main export products. With the rise in copper prices, trade soared between 2004 and 2014², causing a trade surplus for Chile, until they fell again. Thus, the volume of exports to the EU of some copper products decreased, in particular copper cathodes, which in the following years fell by 78%. Therefore, copper went from 54% of total shipments from Chile (DIRECON, 2012) to 36% in 2020 (Subrei, 2020).

In addition to reducing dependence on copper, one of the main impacts of the AA has been the diversification of export products, as well as Chilean export companies. One of the sectors most benefited from the agreement was undoubtedly that of agricultural and fishery products, since the European market was highly protectionist in the agricultural sector, with ad valorem tariffs of 60% and 13% in the fisheries sector (ILO, 2008: 41).

In the case of wine and spirits, Chilean exports grew from 376 million euros in 2002 to 585 million in 2019 (Comext, 2020). Likewise, beef and pork grew 43% and 50% respectively from 2002 to 2017 (ODEPA, 2017). The rest of the meats occupied their quotas at 100% (SOFOFA, 2013). In the case of fruits, trade with the EU has grown during the years of the agreement by 35%, in export volume, and 142% in terms of export value (ODEPA, 2017). The star product has been blueberry, with a 1000% increase in export value between 2002 and 2019 (Comext, 2020). Other products such as honey were also favoured.

FIGURE 1. Chilean exports 2001-2018



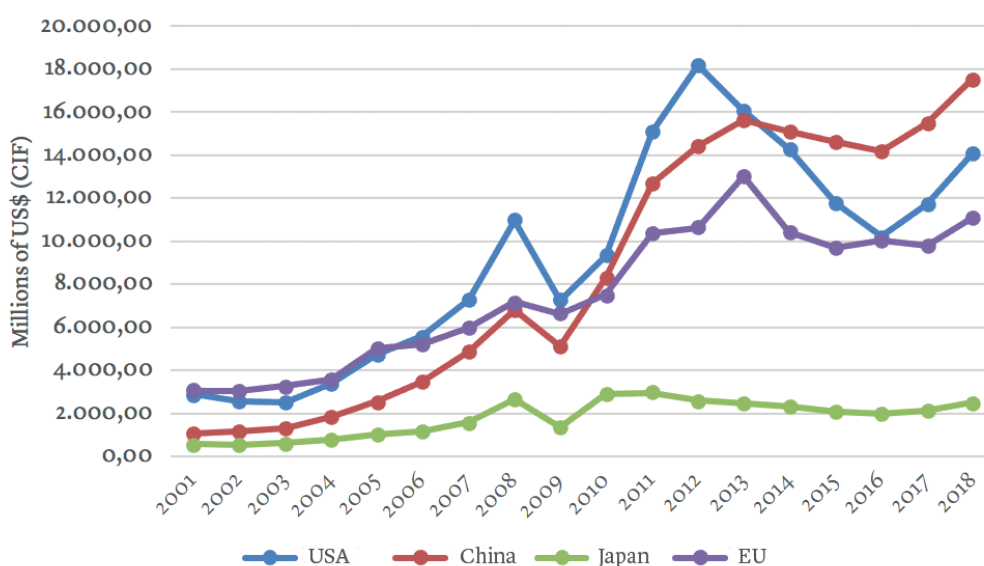
Source: Central Bank of Chile.

² The price went from 80.73 cents a pound in 2003 to 399 cents in 2011 and fell progressively to 256.24 cents in 2020. Comisión Chilena del Cobre. www.cochilco.cl.

In terms of trade in goods, the agreement has had different stages: Chilean exports taking off between 2003 and 2008; dropping due to the economic crisis in the EU between 2008 and 2012; and European exports picking up since 2015, when the EU became a trade surplus (DG Trade, 2003-2020).

According to the Evaluation Reports of the Agreement of the Directorate of Commerce (DIRECON), imports of European products rose mainly in terms of intermediate goods: they stand out with more than 50% of the total. Imports of capital goods also doubled between 2003 and 2012, accounting for 30 per cent of total imports. It is important to note that many of these intermediate and capital goods favoured Chilean industries because they are part of the production chain. Import products include automobiles, tractors, aircraft, ships, machinery and electrical appliances, liquors, beverages, vinegar and tobacco (DIRECON, 2014). For example, the European automotive sector quintupled its sales from 131 to 667 million dollars in Chile (Comtrade, 2020).

FIGURE 2. Chilean imports 2001-2018



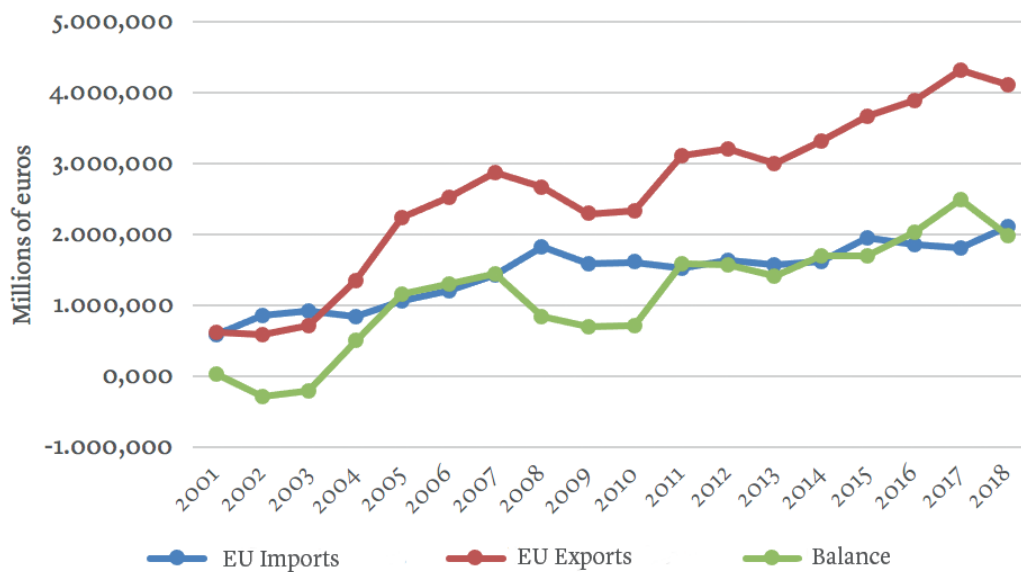
Source: Chilean National Customs Service.

Since the entry into force of the AA, exports of non-traditional services to the EU increased by 13% (2003-2019). The amount exported has increased sevenfold to \$169 million. The majority of services are concentrated in the information and communication technologies (ICT) sector, financial services, research and development, and administration, at 72%, and in the field of travel, at 29.5%, with Spain, Germany, Luxembourg, France and Ireland as priority destinations (Subrei, 2020). In 2003 only 64 companies exported services to the EU and in 2020 247 companies did so, 48% of them SMEs (Subrei, 2020).

In terms of trade in services, the EU has a surplus with Chile, which offsets the benefits of the agreement for the EU. For example, from 2008 to 2016 trade in services grew by 100% leaving a positive balance of 2.3 billion euros for the EU in 2019 (European Commission, 2017 and 2021).

Agricultural exports have improved thanks to the gradual elimination of customs tariffs until reaching zero tariffs, but other products (5.3%) have been restricted or excluded from the agreement, such as olive oil, some frozen and pulped fruits, some dairy products, beef and pork bacon, among others (Su-

FIGURE 3. EU-Chile trade in services



Source: Eurostat.

brei, 2020). Agricultural and fishery products represent 41.5% of Chilean exports, that are concentrated in few products; on the other hand, they represent only 10% for European exports; that is, 90% of EU exports to Chile are industrial (European Commission, 2021). Agricultural products are very important, especially fruits and wines, as European “most-favoured-nation” (MFN) measures have been relatively high for them (Hernández, 2020). For example, in 2004 the ad valorem measures for these products were, on average, 8 per cent for fruit and 6 per cent for alcoholic beverages. With the agreement they were reduced in 2008 to 3% and 0%, respectively, and the same for crustaceans, which fell from 6.9% to 1.6% (Jean *et al.*, 2014).

For Subrei, one of the most innovative aspects of the AA (compared to other trade agreements) has been the inclusion of animal welfare in the trade pillar, since it allowed improving the conditions of animals in productive activities, avoiding their suffering. In addition, in agriculture and rural areas, the AA promotes policies in the areas of training, infrastructure and technology transfer (Subrei, 2020).

In short, the AA has achieved two important objectives: to double trade between partner countries and to diversify the basket of export products. The case of Chile is more evident, since it is the world’s largest producer of copper and has a high concentration of this mineral and its derivatives in its total exports. However, copper has decreased its percentage in recent years, from 57% to 36%, and exports of agricultural and fishery products have diversified. For example, the basket of export products increased from 1,458 to 1,577, while with the Chilean agreement with the United States, the number of products exported has decreased from 1,374 to 1,312 (ECLAC, 2020).

In terms of investments, the AA has been very successful in terms of EU flow in Chile, investments almost doubled in the first ten years of the agreement. Despite the crisis experienced by the EU, since 2010 European investments have remained stable in Chile, and the Union remains the main investor: it adds up to a cumulative investment of 36% of foreign investment in the country (InvestChile, 2021). Most of these investments are concentrated in the service sector, such as telephony, water, electricity, financial services and retail, but they have also been extended to the manufacturing industry linked to fisheries and aquaculture, agriculture, livestock and forestry. Unlike other foreign investments (from

the United States, Canada and China) European projects are not concentrated in the mining sector. In fact, 63% of the investments planned in Chile in the energy sector are from Spanish companies, especially in renewable energy (InvestChile, 2021).

According to a study on the impact of the modernization of the AA, it could increase investments by 25%, and would imply the improvement of investor confidence in dispute resolution mechanisms (European Commission, 2017). Being a chapter of the agreement under the competence of the Member States, 19 bilateral³ agreements have been signed in the area of investments (17 in force), and some of them overlap creating possible inconsistencies, which has generated misgivings among investors (European Commission, 2016). However, since the entry into force of the Treaty of Lisbon in 2009, investment has been the exclusive competence of the EU. In this way, the modernisation of the AA could replace the above agreements in the area of investment with a general agreement covering the 27 EU countries (not just the 17). The most important negotiations have focused on the dispute settlement mechanism to be adopted, especially in the areas of regulation and compensation. The European proposal is to establish a multilateral investment court. In the ninth round of negotiations, concluded in January 2021, Chile was more receptive to adopting the model proposed by the EU.

3. Modernisation of the Partnership Agreement for Fair and Inclusive Trade

The EU trade strategy of 2015 Trade for All emphasized the need to add value to trade policy, that is, to promote sustainable trade, linked to the defence of human rights and good governance (Martens *et al.*, 2019). Negotiations for the modernisation of the AA embrace this European vision and include new chapters to ensure that the benefits of trade reach society as a whole.

During the 2013 EU Summit with the Community of Latin American and Caribbean States (CELAC) in Santiago, Chile, it was agreed “to explore options for modernising the EU-Chile Agreement”, as it would improve options for investors and traders in trade and services, and bring more benefits to consumers. For example, such modernisation could mean a simplification of administrative requirements and burdens for exports to Europe and vice versa (an important issue for SMEs) as well as a greater transfer of technology and know-how that would include the development of new renewable energies and more sustainable technologies.

Customs procedures based on mutual cooperation have become obsolete under the new provisions of the World Trade Organisation (WTO)⁴. In addition, a large number of non-tariff barriers retain agricultural trade, for example, due to sanitary and phytosanitary standards for beef, fresh fruit and vegetables (EU Council, 2017).

For Sebastián Herreros, one of the most important objectives in the modernization of the AA is to improve the access of agricultural and fishery products to the European market. Likewise, the chapter of digital services must be improved, since “electronic commerce practically did not exist in 2002, and in recent years commerce in digital manufactures and services is partially replacing traditional physical commerce as another business model” (Herreros, 2020). It was argued that the modernization of the agreement would allow an increase in Chilean exports of recreational, technological, engineering, creative industry, communications, transport and other services (sectors representing half of Chilean

³ Until now, problems have been concentrated where the EU Member States had exclusive competence, such as transport, culture, the audiovisual sector and communications.

⁴ Trade Facilitation Agreement, WTO, Bali, December 2013.

SMEs). This, however, in the expectation that the transfer of knowledge from the EU in the field of digitization and industry 4.0, sustainability for SMEs, access to global value chains and associativity would finally occur (EU Delegation, 2017b).

In this sense, one of the novelties of the modernized AA is the incorporation of a digital economy chapter, which creates added value. Thus, according to the Undersecretariat of International Economic Relations of Chile:

the digital economy is an emerging and dynamic area and this chapter of the Agreement is expected to be a platform for democratic access to trade. The benefits of this chapter have an important effect on the rules of digital commerce (very similar to those already negotiated between the EU and Mexico), for example, the recognition of electronic signature, authentication, recognition of standards, *paperless commerce*, etc. In this sense, the EU and Chile share the same agenda and there is a good understanding between the parties to regulate and promote digital commerce, electronic marketing and telecommunications (Subrei, 2021).

In addition, there are cooperation programmes between Chile and the EU to learn about good practices and processes adopted at European level such as the “digital single market”, the resolution of aspects such as community roaming, the single digital portal, geoblocking, etc. However, Subrei has pointed out that “it is necessary to understand Chile’s position with respect to European standards, since it is a small economy. Firstly, there is no characterisation of what a technology company is like in the EU. Neither have statistics been collected on the participation of companies in the digital economy, which is a problem to be able to design public policies” (Subrei, 2021).

In this regard, current data from Chile are based on the Digital Transformation Index (ITD) of the Chilean Chamber of Commerce (CCS) companies for the year 2021. It shows an increase in the digital maturity of companies, which have adapted to the challenges of the pandemic. On a scale of 0 to 100, ITD places most companies at a “digital middle” level. Large companies earn 59 points, SMEs 51 points and micro-enterprises 49 points. However, this index does not measure the digital economy as a whole, but e-commerce at the national level and small imports. In addition, it is known that some small businesses operate in the digital economy informally (Subrei, 2021).

To solve these problems, the Chilean government published a manual on the export of services, in order to promote this type of trade (especially aimed at SMEs) and take advantage of the commercial aspect of the AA. It was an initiative that worked in conjunction with the Pacific Alliance, drawing up a cross between the codification of the AA codes and the national customs code. It should be noted that Chile is one of the few countries in which the Customs Service is involved in the export of services, since it intends to comply with international standards and regulations, even if this has meant delays in exports. Thus, exporting companies must have an export invoice and request a qualification of the service that is exported by customs; the problem is that in the digital economy it is not so easy to qualify a service.

In addition to bureaucratic obstacles, there is another challenge for business digitisation, and in particular for services: the EU General Data Protection Regulation (GDPR) (2018), of an extraterritorial nature, which includes protection in the transfer of data outside the EU. The then Commissioner for Justice, Consumers and Gender Equality of the European Commission, Vera Jourová, explained during her visit to Chile in 2019 that in order for this country to receive the Commission’s adequacy decision, it had to update its data protection legislation, including the creation of a data protection agency. And, until that was the case, it would be necessary for companies to include contractual clauses. Compliance with these standards includes high costs for Chilean companies, since, in accordance with art. 47 of

the GDPR, the EU requires that they have hired a person for cybersecurity (article 32) and a delegate for data protection (art. 37).

However, progress has been made: Law 21096 adopted in 2018 in Chile amended Article 19 No. 4 of the Constitution, constitutionalising the right to the protection of personal data, and incorporating it into the catalogue of fundamental rights. In addition, in December 2020, the then Minister of Finance gave urgency to the bill amending Law No. 19628 of 1999 to establish the five ARCOP Rights⁵ and the creation of a Data Agency. The problem is that Chile does not yet have such an agency to implement current legislation. In fact, a debate persists in Congress and the Senate about the characteristics of its institutionality, whether it should be an independent or a mixed agency, and whether the Transparency Council could assume that responsibility. Given that the opportunity cost of not signing the modernization AA is very high, the new law has been given urgency (Guridi, 2021). In short, although Chile complies with high standards of protection (very similar to those of the United States) it has not yet succeeded in having the EU recognise it as a “suitable country”. Argentina and Uruguay, on the other hand, have achieved compliance with European standards (European Commission, 2017b).

Another important innovation is the proposal to create a chapter where benefits are provided to SMEs, access to information to the market and the possible establishment of an institutional structure so that their interests are taken into account in the implementation of the agreement (European Delegation, 2017b). The EU and Chile share the view that SMEs play a key role in economic growth, job creation and innovation. In fact, almost 40% of Chilean companies exporting to the EU are SMEs (much more than they do to their main trading partners). A total of 2,479 Chilean companies made exports to the EU in 2019, 22% more than in 2003. What distinguishes Chile’s trade with the EU is that, as has just been pointed out, 38% of the companies that carry it out are SMEs and 5.2% are micro-enterprises, concentrating 25% of the total value exported (Subrei, 2020). This is a great achievement, since, of the total number of SMEs in the country, only 2.9% manage to export (Ministry of Economy, 2017; Lopez, 2021). According to Sebastián Herreros:

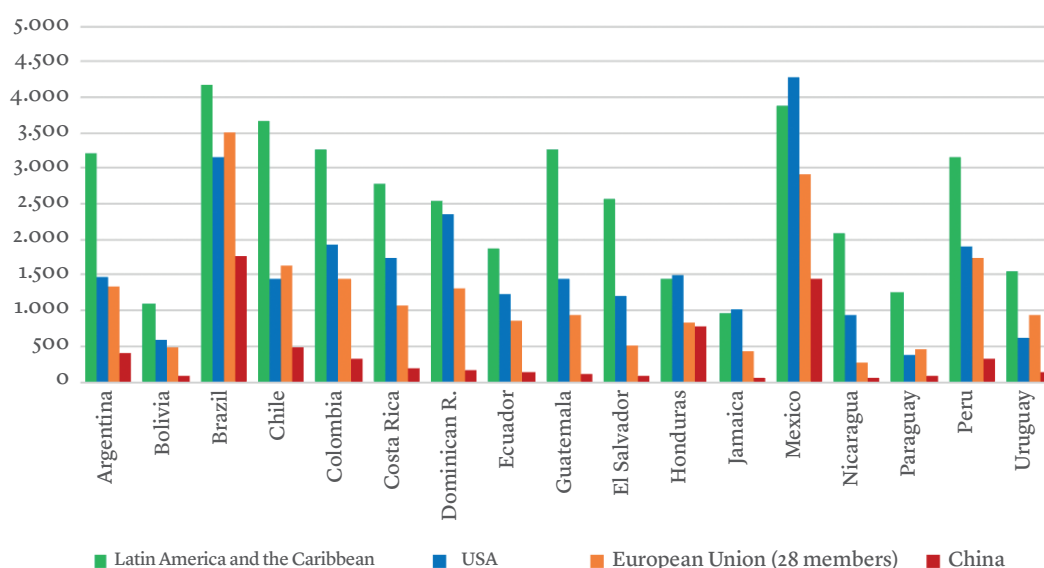
Chilean SMEs have little access to credit and technology and modern management practices and lack an adequate policy framework, so their traditional niche is Latin America and not Europe. Taking into account the number of products exported, diversification is greater in Latin America, more than double that in the EU and seven times that in China. Therefore, the SME chapter is expected to improve Chile’s exports or indirect exports with larger companies through goods or services (Herreros, 2020).

In Chile, more than an SME policy, there are initiatives, strategies and promotion networks aimed at SMEs. Work is currently underway with the World Bank to articulate the competencies that regional governments will have for the promotion of SMEs; for its part, ECLAC has pointed out the need to improve coordination between different government agencies (López, 2021).

With the pandemic, all business segments (large companies, SMEs and micro-enterprises) have experienced drops in their revenues, especially micro-enterprises, which have fallen by 38%. But the pandemic has also opened an opportunity to adopt new public policies to support SMEs. In addition, several studies show that the adoption of business technology was advanced between five and seven years; however, the adoption of digital channels has been disorderly, with few guarantees of cybersecurity, which puts businesses at risk.

⁵ Right to Access, Rectify, Cancel, Object and Data Portability (ARCOP).

FIGURE 4. Number of products exported from Latin American countries



Source: ECLAC data (2018). Division of Commerce.

The next challenge lies in managing technological development and improving the gaps left by the haste of change, and determining which areas advanced alone and which ones need to be improved. For example, Internet access in Chile reaches 98% of the population, but many connections are made by mobile phone and not by broadband, which produces problems of slow and intermittent business (Guridi, 2021). Export platforms, such as Amazon, have complex on-boarding systems, so SMEs need a lot of support to adopt e-commerce technology logistics and sell. That is why the work of Prochile (the General Directorate of Export Promotion) is very important for completing forms and carrying out market analysis. With the pandemic, familiarity with new technologies may force access to be faster in the future and exports to be standardized (Guridi, 2021).

A more detailed analysis shows that around 60% of exporting SMEs only export one or two products to only one market (López, 2021). In fact, SMEs have difficulty exporting: the main difficulty in doing so comes from the “unfavourable exchange rate”, followed by “high demands of the country or area of destination” and, thirdly, “difficulty in finding customers or distribution channels” (Subrei, 2020).

In addition, half of the Chilean products subject to quotas are not being exported, either because the volumes set are very low, or because prices and the market do not make it profitable (cheeses, cereals, cookies, chocolate, tuna, etc.) (Subrei, 2020). Many companies “do not complete the AA market shares for chocolates, cheeses, confectionery or cherries, because the volumes set were very low and for them it was a risk to send a container that, when it arrived at the shipment, the quota would have been completed” (Subrei, 2020).

According to the Office of Agricultural Studies and Policies (ODEPA) and Subrei (2020), there are no exports of Chilean cheeses to the EU. In this case, moreover, it is no longer just a question of improving entry quotas, but of complying with EU requirements on Geographical Indications (GIs). The protection of GIs has been very important in the EU since the 1990s⁶, as they protect the consumer on the

⁶ Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

origin and treatment of products, prevent the relocation of production and preserve biodiversity, indigenous knowledge and natural resources. For the EU, the inclusion of GIs in the modernisation of the AA also protects GIs of Chilean products in Europe.

TABLE 1. Use of tariff quotas (quotas) granted by the EU to Chile. Evolution 2014-2019

Product	Initial quota (TN)	Quota 2014	% used	Quota 2015	% used	Quota 2016	% used	Quota 2017	% used	Quota 2018	% used	Quota 2019	% used
Bovine meat (a)	1.000	2.150	33,5%	2.250	21,3%	2.350	14%	2.450	11,3%	2.550	12,9%	2.650	6,5%
Pork (b)	3.500	7.350	34,9%	7.700	30,2%	8.050	28,0%	8.400	23,6%	8.750	23,7%	9.100	27,8%
Sheep meat (c)	2.000	7.200	49,4%	7.400	33,8%	7.600	33,4%	7.800	26%	8.000	27,3%	8.200	18,4%
Bird meat	7.250	15.225	95,2%	15.950	74,3%	16.675	100%	17.400	77,4%	18.125	100%	18.850	100%
Cheeses	1.500	2.325	0%	2.400	0%	2.475	0%	2.550	0%	2.625	0%	2.700	0%
Garlic	500	820	33,7%	846,5	0%	873	8,7%	899,5	1,9%	926	0,2%	952,5	9,8%
Cereals	1.000	1.550	0,1%	1.600	0%	1.650	0%	1.700	0%	1.750	0%	1.800	0%
Preserved mushrooms	500	775	0%	800	0%	825	0%	850	0%	875	0%	900	0%
Cherries prepared with added alcohol	1.000	1.550	0%	1.600	0%	1.650	0%	1.700	0%	1.750	0%	1.800	0%
Confectionery	400	400	1,5%	400	4,0%	400	0%	400	0%	400	0%	400	0%
Chocolat	400	400	0%	400	0,3%	400	0%	400	0%	400	0%	400	0%
Biscuits	500	500	0%	500	0%	500	0%	500	0%	500	0%	500	0%
Hake	5.000	5.000	68,4%	5.000	68,1%	5.000	72,4%	5.000	66,5%	5.000	69,0%	5.000	64,3%
Smoked salmon	40	40	89,8%	40	100%	40	97,9%	40	86,1%	40	95,2%	40	99,99%
Tuna	150	150	0%	150	0%	150	0%	150	0%	150	0%	150	0%

Source: Directorate of Studies (Subrei).

However, one of the obstacles that have been present in the negotiations involves some SMEs, which are competitive in the production and export of cheeses, but which have been affected by the EU's request to extend the protection afforded by GIs to 68 types of cheeses. This would prevent the production, sale and export of some generic varieties made in Chile, which has generated some criticism from this guild, because they could not export mozzarella, parmesan, edam and gouda cheeses to the EU. For Guillermo Iturrieta, executive president of the Association of Exporters of Dairy Products (Exporelac), the most serious thing is that neither cheeses under generic names could be produced or sold in Chile, such as manchego, gruyere or feta, nor partially use names such as camembert (from Normandy) and even gouda (Holland) (*La Tercera*, 2020).

According to the Ministry of Economy, “the diagnosis for exporting SMEs is clear, there are high transaction costs, there are low levels of competitiveness, small scale of production and that is where the promise of technology to generate higher productivity is relevant”. In addition, public policy must generate conditions and enhance the insertion of SMEs in regional or global value chains from Chile (López, 2021).

In order for SMEs to take advantage of the modernisation of the AA, it has been proposed to create certifying agents, in the place of appellations of origin, and to simplify the procedures via the internet with one-stop shops for foreign trade. However, it will take until 2023 for the chapters to be implemented (López, 2021).

Gender must also be taken into account. In Chile, a key issue in Michelle Bachelet's government (2014-2018) was the implementation of UN Women resolutions on her empowerment and the need to strengthen human capital and market access opportunities. Thus, in 2015, Bachelet proposed the creation of a technical group on gender and trade in the Pacific Alliance and also in the Asia-Pacific Economic Cooperation (APEC) Forum. Under this approach, and as part of the equity agenda, during the Bachelet government, a Gender Department was created in 2016 in the Directorate of Commerce of Chile (Otero, 2021). And, in 2020, this body merged into a new Division of Inclusive Trade, which ad-

dressed gender issues, SMEs and indigenous peoples. In parallel, the former EU Trade Commissioner, Cecilia Malmström, expressed in those years the interest in including a gender chapter in the agreement to strengthen coordination and monitoring of women's rights in trade, following the model of the Chilean agreements with Canada and Uruguay, in what implied a learning for Europe (Morgan, 2017).

According to the Division of Inclusive Trade “trade does not reach all and there is a malaise with globalization, so the great challenge is that trade negotiations are not only between bureaucrats, but that citizens are involved” (Otero, 2021). In this sense, the new global challenges require improving the integration of women into the economy. This requires the compilation of statistics on the profile of women exporters. Currently, it is known that, of the total number of Chilean companies, only 38.6% are led by women (Ministry of Economy, 2020) and, in addition, most of them are micro-enterprises. As for the percentage of companies that export to the EU led by women, the figure is reduced to 5.3% (Subrei, 2020). Likewise, the export sectors are very limited; in fact, 70% of the products are from the food sector and are destined for a single market (Otero, 2021).

Well, through the new chapter of the AA, relating to Gender and Trade, it is intended that the agreement complies with the international commitments of the 2030 Agenda and the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). To this end, specific cooperation is envisaged that designs and implements improvement programs, training and studies, among other aspects, in order to increase the participation of women in foreign trade (Subrei, 2020). The Inclusive Trade Division, of other organizations such as Start Up Chile, Corporación de Fomento (CORFO) or ProChile, has sought to support women's SMEs and take advantage of the chapters of the AA in a transversal way.

4. The EU's Green Deal

According to the European Trade for All Strategy 2015, the EU's objective in this field is to promote trade in key green technologies (generating renewable energy that favours waste management and environmental pollution control) and to contribute to the fight against climate change and environmental protection (Directorate-General for Trade, 2015). It is about achieving responsible trade that is adequate to the commitments of the Sustainable Development Goals (SDGs), and that, in its international aspect, refers above all to SDG 17 (Alliances to achieve the Goals), which affects both Chile and the Latin American region (Ministry of Social Development and Family, 2021).

The Green Deal adopted by the EU in December 2019 is a further step forward, articulating an ambitious strategy for the Union to become the first climate-neutral continent by 2050. It is a commitment “to transform the EU into an equitable society” thanks to a more social and environmental economy. Along these lines, the European Commission adopted a set of proposals on climate, energy, transport and taxation with the aim of reducing net greenhouse gas emissions by at least 55% by 2030, taking 1990 levels as a reference (European Commission, 2019b). This implies an industrial transformation and a reform of agricultural policy that is in line with the goals of climate neutrality, zero pollution and new energy taxes, among other measures (Sanahuja, 2020). To achieve neutrality, a sharp increase in carbon prices is expected⁷, internalising their environmental costs in production, which can put European competitiveness at risk (Sanahuja, 2020).

⁷ The EU Emissions Trading System (ETS) puts a price on carbon and reduces the emission limit of certain economic sectors each year. The Green Pact extends these economic sectors and strengthens the ETS.

The Green Deal also has an impact on imports of products from Latin America, as the EU will take into account the effects of agri-food chains on greenhouse gas (GHG) emissions and deforestation from the productive base (Larrea, 2021). The mechanism to be adopted by the EU will preferably be a border tax, the so-called Carbon Adjustment Mechanism (CBAM), which will make the entry of Latin American products into the EU more expensive. It will be a process that will gradually affect the sectors that emit the most greenhouse gases.

In the case of Chile, the mining sector, in the first place, and the forestry sector (specializing in cellulose), in the third or fourth place, will be affected, so they must prepare to improve their environmental impact (Subrei, 2022). Although Chile is only responsible for 0.25% of global GHG emissions, its copper industry accounts for 30% of global copper and its mining is responsible, directly or indirectly, for about 21% of its emissions (Minería Chile, 2021). According to the Mining Council, all large mining companies have committed to reduce their emissions according to the Climate Change Law regulations to achieve carbon neutrality by 2050 (Mining Council, 2020). The same applies to the forest industry, which exports 7% of the world's pulp for paper, positioning it in one of the main positions behind Brazil (24%), Canada (15%) and the United States (11%) (Cardemil, 2021).

It is important for the EU to cover the aspects of the negative externalities of the modernisation of the AA, in this case, relating to higher export productivity and its impact on the environment. For this reason, a new chapter on trade and sustainable development has been included, encompassing not only the environmental dimension, but also labour standards, corporate social responsibility provisions, etc. In this way, it is intended that trade contributes to the implementation of good environmental and labour practices, with an effective implementation of international commitments (Paris Agreement, multilateral environmental agreements, ILO core conventions, among others), and that a binding dispute resolution system can be available. European companies have been key in terms of investments in renewable energy projects in Chile and it is expected that, with the modernisation of the AA, EU cooperation in the country in green technologies and in the protection of the environment and biodiversity will increase (European Commission, 2017).

In addition, a chapter on sustainable food systems is being included in the agreement, reflecting the new EU policy on Farm to Fork (F2F) which is part of the Green Deal⁸. Thus, negotiations are under way on the use of fertilizers in agriculture, as well as on the effects on water and air quality of aquaculture and forestry. For Llanos, health surveillance and control systems on exports have improved in those countries with a significant export basket, however, internal systems have been neglected; in this regard, adapting to higher standards to comply with international regulations obliges countries to harmonize their rules and systems, which in the long run will also benefit their populations. In any case, a large part of the resources of the cooperation between the EU and Latin America and national governments should be applied to the strengthening of what is called “quality infrastructure” (metrology, standardisation, accreditation and conformity assessment) to make decisive progress towards more sustainable production models (Llanos, 2021).

The 2016 OECD Environmental Performance Assessment report already indicated that Chile had high levels of pollution, GHG emissions and poor waste management⁹. And, despite the fact that the regu-

⁸ https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy_en.

⁹ To comply with the SDGs, Chile already has Law 20920 on Recycling of “Extended Waste Liability (RED)” of 2016, an economic waste management instrument that obliges manufacturers of certain products to organize and finance the management of waste derived from their products. This law has not yet been implemented due to the lack of training and certification of technicians.

latory framework and environmental institutionality have been strengthened, “greater coordination is required on an inter-ministerial basis in Chile to implement sectoral policies that would lead to more sustainable agriculture that meets the standards of the Green Pact” (Subrei, 2022).

Certainly, the EU has recognized Chile’s leadership in advancing multilaterally on climate change issues and actively accompanied Chile in its presidency of COP25 (finally held in 2019 in Madrid), with 7.4 million euros (EU Delegation in Chile, 2021). In this sense, according to Subrei: “Given the implementation of the CBAM mechanism for imports, it would be important for the EU to take into account exceptions for countries with strong commitments to climate change such as Chile”¹⁰ (Subrei, 2022). However, as the organization continues to affirm: “Chile is a small country open to the world that must adapt to change in the most demanding markets such as the EU, for example, it is already doing so with eco-labelling and will continue to work to achieve sustainability requirements” (Subrei, 2022).

In this regard, according to Sanahuja, it is important not to fall into the perverse incentive of environmental dumping with EU imports that contain carbon emissions: “it is essential to impose a tax on carbon imports at the EU’s external borders, which, by internalizing these costs, level the playing field for European companies, and implies an incentive for similar systems to be established in other countries and/or on a global scale” (Sanahuja, 2020).

Along these lines, according to Valdés, the “association with the EU should be seen as a process to add more countries to the challenge of achieving carbon neutrality, not as a trade restriction measure; this would remove any incentive to move forward in that process. What needs to be generated is a framework of international incentives that allows Latin American countries to align themselves in a common policy” (Valdés, 2022).

For Alejandro Jara, this debate is political in nature, given that any country has the right to impose a carbon tax at its borders as long as its products are subject to the same tax so that there is no discrimination or protectionism; in that case it should not have problems with WTO rules. But the key to the EU’s intended measure is that “it will trigger a political discussion in the big markets to make these adjustments in international trade before 2050, which do not necessarily have to be the same in all countries” (Jara, 2022). As the WTO only reaches agreements by consensus and it is quite common for some countries to oppose them, separate groups are usually established, based on a plurilateral agreement between countries¹¹. So, either the WTO can be a platform for political discussion of Green Deal proposals, or, as Sanahuja (2020) points out, the EU could push for a “carbon club” or “climate club” to multilateralise the Green Deal.

These alliances not only contemplate consensus among large markets, but also the inclusion of small and medium-sized countries in a system of international cooperation that finances sustainable development. Chile is a medium-high income country that can use regional and multilateral banks, such as the European Investment Bank (EIB), as well as private banks to finance the structural changes that the productive sector requires to reduce carbon emissions (Jara, 2022). In addition, “a new law¹² is being discussed in Congress to increase the Specific Tax on Mining (IEM) or new royalty to mining companies, for its impact on the extraction of natural resources, which would allow more tax revenues to help reform the rest of the productive sectors and transport” (Subrei, 2022). However, Chile’s resources and capacities to promote sustainable development must continue to be supported.

¹⁰ Chile has signed 34 international conventions and agreements to protect the environment and ranks first in the Environmental Performance Index in Latin America (EPI) and 44th in the world. <https://epi.yale.edu/downloads/epi2020report20210112.pdf>.

¹¹ https://www.wto.org/en/thewto_s/whatis_s/tif_s/agrm10_s.htm.

¹² <https://www.ciperchile.cl/2021/05/12/el-royalty-acinara-con-la-inversion-minera-una-respuesta-des-de-los-ciclos-de-precio/>.

5. Political dialogue and the promotion of multilateralism

The main objective of the political dialogue between the parties to the AA is the promotion, dissemination, development and common defence of democratic values such as respect for human rights, freedom of the person and the principles of the rule of law, as foundations of a democratic society (AA Part II, Article 12, Objective 2). In addition, the parties seek to coordinate their positions and take joint initiatives in appropriate international fora, and to cooperate on foreign and security policy (AA Part II, Article 14). The modernised agreement aims to broaden the scope of political dialogue in 52 articles, “although it is not a question of reinventing, but of deepening the commitments that already unite them, such as the Paris Agreement in the multilateral framework” (EEAS, 2020).

Among these new articles is one on digital policy, which recognizes the contribution of information technologies to economic, social and educational development; another on cybercrime, which reflects the interest in taking on new international security challenges, and another related to health, aimed at strengthening cooperation in the prevention and control of diseases, essential in a context of pandemic.

On the other hand, the inclusion of a chapter on ocean governance reinforces the ocean governance and fisheries dialogue that reached its fourth edition in 2021. Chile has 6,435 kilometres of coastline and is a fishing power that has seen how the degradation of the oceans has impacted the amount of catches. Currently, 43% of its coastline is protected and, since its presidency at COP25, has promoted a blue agenda that takes into account the recommendations of the 15th United Nations Convention on Biological Diversity, of COP26, in addition to compliance with the 2030 Agenda, with particular emphasis on SDG 14 (Underwater Life) (UN, 2021). In this sense, Chile shares the same objectives that the EU established with its sustainable blue economy strategy, aimed at creating global ocean governance (EEAS, 2021).

In this area, EU cooperation with Chile is mainly carried out in multilateral areas, such as the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR), where it supports the Chilean-Argentine proposal to protect the 672,000 km² of maritime area in Antarctica. This proposal was rejected by Russia and China in 2018 and must be addressed at the multilateral level at the UN with the purpose of signing a Global Ocean Treaty, as a binding instrument for all countries.

Under the framework of the AA, a human rights dialogue has also been developed, the tenth edition of which was held in October 2020 and which is focused on five dimensions: i) Multilateral Cooperation in the UN Human Rights Council, where the EU collaborated closely with Chile when this country was part of the Council; ii) EU Institutional Framework for Human Rights and Democracy, which is implemented in Chile; Human Rights and Business (only composed of nineteen countries in the world): it is a space that deals with labour issues and programs such as the UN Women’s Win, on business and women’s participation; iv) Inclusion and non-discrimination (referring to LGBT groups and indigenous peoples); and v) Women’s Rights and Gender Equity.

The eighteen ambassadors of the EU Member States present in Chile participate in these dialogues, in addition to the ambassador of the Delegation of the European Union. The Chilean side is represented by the Director of the Human Rights Division of the Ministry of Foreign Affairs and the Under-Secretary for Human Rights of the Ministry of Justice. According to Jaime Ferraz, these dialogues allow:

the achievement of greater legitimacy for the State in its international action, since in each of these dialogues the openness is total: the idea is that the counterpart gets a true idea of what is happening in the other party, in order to improve and advance in these matters. All this is, of course, to the benefit

of the population, since improvements are being implemented in the application of the rule of law, the rules of the democratic system, respect for human rights, etc. (Ferraz, 2020).

Political dialogues have been strengthened by the initiative of the EU Delegation to meet with civil society actors prior to each dialogue. These meetings are established regularly with NGOs, the National Institute of Human Rights and the Office of the UN High Commissioner for Human Rights for Latin America (EEAS, 2021). In this context, the demands of civil society are heard, taking into account national laws and international treaties for the protection of human rights signed by Chile.

In addition, a line of financial cooperation was developed through the European instrument of the former Directorate-General for International Cooperation and Development of the European Commission (DEVCO) to promote democracy and support civil society, which has benefited numerous NGOs in Chile.

Political dialogue has also been strengthened since the creation of the EU-Chile Joint Consultative Committee (EESC) of civil society in 2016. Its regular meetings make it possible to share the EU's objectives in Chile, such as environmental protection, and to exchange ideas on progress in the negotiations on the modernisation of the AA.

This dialogue was also relevant in the face of the social explosion in Chile, originated in October 2019, due to the citizen malaise with the socio-economic model and the inequalities of the country. Indeed, according to the European External Action Service (EEAS), "bilateral dialogue has been a bridge to support the State in its conflict management and governance and social dialogue, so technical assistance and experience in the social model have been proposed" (EEAS, 2020). Following these events, the innovation in the modernised AA of the establishment of a permanent communication of the EU Delegation in Chile through the EESC is noteworthy.

The social outcry resulted in the organization of a plebiscite to change the 1981 Constitution, which was approved in October 2020 by 78.7% of citizens. The EU is supporting the constituent process with the Chile-EU Forum and through actions of the EUROsociAL programme, in order to share good practices and constituent experiences in the EU. Following the social explosion and the start of the constitutional process, Chilean interest in the EU's social values and governance systems agenda has increased (EEAS, 2021).

In addition, since the social conflict and the successive cases of violence experienced in the country¹³, the EU is collaborating with the Ministry of the Interior and the Carabinieri to exchange experiences and good practices in the maintenance of public order in line with international standards and respect for human rights (EU Delegation, 2021b).

Also noteworthy is the agreement signed between Chile and the EU in 2015 to participate jointly in peace and security operations; previously, Chile had already participated with 312 troops from its Joint Centre for Peace Operations (CERCOPAC) in the Althea mission in Bosnia and Herzegovina (Ministry of Defence, 2014).

¹³ According to the National Institute of Human Rights, 2,825 victims and 4,075 events occurred in Chile that constitute human rights violations <https://mapaviolacionesddhh.indh.cl/>.

6. Development Cooperation

The EU and its Member States are the world's largest donors of Official Development Assistance (ODA), accounting for 46% of total aid, with a budget of €66.8 trillion. This budget increased by 15% in 2020 to contribute to the #TeamEurope Program to alleviate the effects of the pandemic and increase the average ODA contribution of member States to 0.5% of GDP (European Commission, 2021b).

Chile graduated from EU bilateral cooperation in 2013 (officially in force since 2017), i.e. it ceased to be an ODA recipient country. In view of this, it has been defining new models of cooperation. The modernized AA will involve a merger of two of its pillars (political dialogue and cooperation), so that a strategic and formalised relationship is being negotiated in terms of long-term cooperation; thus: “In the institutional framework of the Agreement, the Chilean proposal to create a Cooperation Subcommittee that in some way mitigates the effects of the loss of the cooperation pillar was accepted” (O’Farrill, 2020).

The main progress has been “the EU’s recognition of the concept of development in transition, which frames Chile in the face of specific cooperation challenges (other than traditional cooperation) as recognized by ECLAC and the OECD Development Centre” (O’Farrill, 2020). This has resulted in the signing, in June 2020, of a Bilateral Fund for Development in Transition (which also includes Uruguay). It is a small fund in financial terms, but the important thing is that it implies continuity of dialogue and cooperation strategy. Chile is interested in continuing the exchange of experience and technical cooperation activities, where it can take advantage of some elements of the EU. In this sense, for the European Commission “there is little relationship between the amount of funding and the intensity with which cooperation can be developed” (EEAS, 2020).

The above-mentioned fund is a pilot project that creates the basis for a new modality of technical cooperation. It aims to promote Chile’s transformation towards sustainable development through innovative projects, although so far there are few. The first two approved projects were presented by the Regional Undersecretariat to mitigate the impact of COVID-19 and to reactivate the economy of productive sectors in four regions of southern Chile: O’Higgins, Maule, Bio-Bio and Ñuble; another project is the one presented by the Ministry of Energy for the development and use of green hydrogen (AGCID, 2021).

Apart from this, the EU has adopted within the framework of its 2021-2027 budget the Neighbourhood, Development and International Cooperation Instrument (NDICI, also called Global Europe), as a new financial tool, managed by the EU’s Directorate General for International Partnerships (DG INTPA, formerly DEVCO). This instrument makes it possible to finance activities beyond ODA (up to 7 per cent of the NDICI budget)¹⁴. This means that Chile will be able to participate fully in the Sustainable Development Fund Plus (EFSD+) (European Commission, 2021c). Consequently, it will be possible for Chile to have technical assistance, blending mechanisms (contributions in the form of EU grants with repayable financing) and guarantees, to leverage the massive investments needed for the successful development of green hydrogen, and thus strengthen cooperation between the EU and Chile in the global fight against climate change.

In addition, the Team Europe initiative, which emerged after the health crisis, is based on joint work between the European institutions, the Member States and the financial development institutions. Under

¹⁴ At least 92% of NDICI funding must meet the requirements of the OECD Development Assistance Committee, i.e. it must be ODA. See: https://ec.europa.eu/neighbourhood-enlargement/news/questions-and-answers-eu-budget-external-action-next-multiannual-financial-framework-2020-06_en.

this approach, the EU and its Member States will be able to promote the development of green hydrogen in Chile, which is of great interest due to its great transformative potential for the creation of green jobs, the development of specialised human capital, the diversification of the energy sector and support for the decarbonisation of the Chilean economy.

Likewise, and as indicated, the EU supported Chile in its presidency of COP25 in 2019 (held in Madrid) and in the co-presidency of COP26 in Glasgow, with 7.4 million euros channelled through the Partnership Instrument and the Euroclima+ programme. In addition, through this program, projects related to disaster risk management and reduction, urban mobility and energy efficiency are also implemented.

Additionally, as part of the strategic alliance in climate action and joint efforts to achieve carbon neutrality, reference should be made to the Latin American Investment Facility (LAIF). Created in 2010, LAIF promotes the mobilization of funds from European and regional financial institutions, governments and the private sector to carry out sustainable development projects in Latin America¹⁵. Under this instrument, the EU has contributed in Chile to the construction of the largest solar power concentration plant in Latin America, Cerro Dominador¹⁶, with a subsidy of 15 million euros. This project is a powerful generator of employment, with gender equity and local development: of the 1,500 jobs created, almost half are filled by women, following the guidelines of the aforementioned Win program, implemented by UN Women and the Energy+ Women Program in Chile (*Diario Sustentable*, 2021). Finally, the Nama Facility project finances the renewable energy project for self-consumption in Chile, which currently also includes green hydrogen, with a contribution of 17 million euros¹⁷.

Focusing on South-South and Triangular cooperation, the agreement signed between Chile and the EU in 2016 should be highlighted. Thus, a project has been financed with six South American countries, another with Cuba (with funding from the Adelante Program), and another with the Central American Economic Integration Secretariat (SIECA), based on the Chilean experience for the negotiation of trade agreements (specifically with the EU) and its export promotion (Hernández, 2020; AGCID, 2017). In 2020, the EU launched a new phase of the Adelante Program, apart from the fact that Chile intends “to create and establish a specific Triangular Cooperation Fund” (O’Farrill, 2020).

Likewise, Chile has an active participation in EU global and regional programmes in priority sectors of common interest, such as good governance, justice or social cohesion, and by virtue of these, the EU is also cooperating with Chile today in the development of the constituent process.

Today, Chile (like other middle-income countries in Latin America) has suffered the socio-economic effects of the pandemic, reflected in rising unemployment and falling incomes, demonstrating the vulnerability in which these countries found themselves despite their good economic performance. Note that Chile is the OECD country with the highest income inequality, only preceded by Costa Rica (OECD, 2021), which particularly affects women. After the pandemic, according to Igor Dedic (2021), female employment has fallen by 15 years, and the percentage of women employed in the formal market has increased from 58% to 40% (85% of women lost their jobs in the service sector, according to

¹⁵ <https://www.eulaif.eu/en/home>.

¹⁶ Cerro Dominador is developed by a consortium of Spanish companies Acciona and Abengoa. The project will avoid the emission of 630,000 tons of CO₂, equivalent to the circulation of 135,000 vehicles per year (*Euronews*, 2021). Cerro Dominador will expand with the creation of the country’s largest non-conventional renewable energy plant, called Likana Solar, and another plant, still in prospect, called Pampa Unión.

¹⁷ <https://www.nama-facility.org/>.

the ILO). In addition, if we look at the female participation rate per income decile, before the pandemic it was 26.7% in the first decile, while in the last (richest) it was 72.1%. These social differences are often associated with their care work for adults and children (ECLAC, 2020). Hence the need to work on social cohesion.

This key to social cohesion has been, since 2005, one of the priority dimensions of EU development cooperation, when the EUROsociAL programme was created. Chile participates actively in this process and has developed 152 actions since 2006; currently it is the country that participates the most, with 53 actions (followed by Argentina, with 51, and Costa Rica with 46 actions). Social cohesion goes beyond social inclusion, as it works directly with citizens to consolidate democracy. In addition, EUROsociAL's area of gender equality, in accordance with SDG 5, promotes profound changes in the social structure of a country that, as just indicated, registers great inequalities between women and men (in matters of women's physical, political and economic autonomy). To do this, we work with the Ministry of Women and the Corporation for the Promotion of Production (CORFO, government agency responsible for the promotion of national production and regional economic growth), in order to improve the insertion of women in SMEs and avoid leaving them out of the labour market (González, 2021).

In another respect, Chile and the EU are also partners in research, science and education. Thus, and thanks to the BELLA submarine cable that connects Europe with Latin America, about 300,000 users of the National University Network of Chile have a bandwidth two thousand times faster to investigate and collaborate with other partners in Latin America and Europe. This also means that the rate of downloading Earth observation data via the Copernicus data repository in Chile has been multiplied (Copernicus, 2021). Through this program, the largest in the world for observing the planet, users can access and download images for different actions, such as firefighting, biodiversity monitoring or climate change. It could also be used to identify the best places for green hydrogen production.

In the field of academic cooperation, thanks to Erasmus+, students from Chile participate in international mobility projects and joint master's programmes. In Chile, the quality and prestige of European higher education is valued, as shown by its international aid program Chile Scholarships. Fifteen per cent of the beneficiaries choose Spain as their study destination. Among the most demanded countries are the United Kingdom, the USA, the Netherlands, Canada, France, Denmark, Germany, Italy and New Zealand (ANID, 2021).

In addition, Chile and the EU have a bilateral agreement on scientific and technological cooperation, thanks to which Chile was able to actively participate in the Horizon 2020 research programme (2014-2020). The successor to this programme, Horizon Europe, is already open for the period 2021-2027 and covers, among other areas, renewable energy and green hydrogen. Also noteworthy is the EU-Chile scientific and technological cooperation agreement signed in 2002, which originated the Mission Innovation initiative, which aims to accelerate research and innovation in clean energy¹⁸.

7. The strategic autonomy of the EU

The multilateral system has been in crisis since the rivalry between the United States, China and Russia became evident. The EU wanted to break away from this zero-sum game with its own strategy: strategic autonomy (Grevi, 2019). This first appeared in the 2016 EU Global Strategy linked to the need to

¹⁸ XVII Meeting of the Joint Partnership Committee (September 22, 2021). Joint communiqué: 17th meeting of the EU-Chile Association Committee, European External Action Service (europa.eu).

promote peace and security within and beyond its borders. For the EU, strategic autonomy is a concept under discussion that comes initially from the field of defence and security (it implies less reliance on third parties according to the Security Strategy). However, it has been acquiring a greater dimension in the face of a more multipolar than multilateral world (Borrell, 2020a). According to Ayuso (2021), what it intends is for the EU to diversify its partners and align with different actors in a variable way to be less vulnerable to crises and deal with the challenges of a changing globalisation and context.

Strategic autonomy is defined as the political, institutional and material capacity of the EU and its Member States to manage their interdependence with third countries, with the aim of ensuring the well-being of their citizens and implementing their own political decisions (Helwig, 2020). As Josep Borrell points out, this is a European response to act “in its own way” (Sinatra Doctrine), and it dissociates itself from the Sino-American confrontation “seeking to promote its interests, but in close cooperation with countries that defend a new and effective multilateralism and the primacy of international law” (Borrell, 2020b).

That said, the conflict between the US and China affects and worries Chile, since with the former country there are significant relations in the field of defence and with the latter important trade relations are maintained. However, according to Juan Gabriel Valdés, Chile’s relations with the EU would be more politically important than those with the US, since the country is only interested in political issues (defence of democracy), while the political dialogue chapter of the AA with the EU also includes gender issues and the defence of human rights. In addition, the US absence in Chile has been notorious and, in fact, between 2019 and 2021, the US had no ambassador to Chile. Therefore:

The US is losing importance in the region in an accelerated way, and China’s influence in the commercial, financial and technological fields does not bring any incentive to face global warming and climate change, so the EU has a great space of influence and collaboration in the current context (Valdés, 2022).

Moreover, neither the US nor China has the capacity for dialogue on economic development, just at a time when the neoliberal and extractivist model is being questioned in Chile and, in general, in Latin America. In this sense, the EU can be a central ally for the economic development and industrial transformation that Chile needs, through the EIB or other financing bodies.

Certainly, in economic matters, China appears with a growing presence. However, Chile does not share an agenda or political dialogue with China on issues such as multilateralism, the environment or the defence of human rights. To date, China is a strategic trading partner with a strong economic dependence on copper and other minerals. In fact, Chile is its fourteenth trading partner, and there is growing Chinese investment in key sectors such as electricity distribution services and renewable energy. On the other hand, unlike other countries in the region, Chile has no debt owed to China that implies financial dependence, so Chinese political interference in the country is unlikely. So, although Chile is the third country in the region to receive more Chinese investments (of the four projects, three in energy), it is one of the few Latin American countries that have not received State-to-State loans, which are political in nature and are usually linked to more complex investment conditions (Gallagher *et al.*, 2021).

However, the latest Chinese offensive against Latin America and Chile has been marked by the response to the pandemic, in the rivalry of “vaccine diplomacy”. The EU initially missed its opportunity, but is ready to reverse it thanks to the aforementioned Team Europe aid programme (with a budget of 40 billion euros) and the scope of the global mechanism for equitable access to COVAX vaccines: the EU is the main agent for low- and middle-income countries to access vaccines manufactured in the EU (EEAS, 2021). It is true

that Chile, being a high-middle-income country, obtained quick access to Pfizer and AstraZeneca vaccines at lower prices than the market¹⁹ (EEAS, 2021). In any case, according to the EU ambassador in Chile, “the European Union and its Member States are the main financiers of COVAX, with more than 2.47 billion euros, and the best exporter of vaccines in the world. We will continue to work with Chile facing this pandemic, because we will only be sure if the whole world is safe” (MINSAL, 2021).

Recovering the European approach to strategic autonomy, it has an external projection based on alliances for this, the so-called Global Gateway has been launched, which aims to counteract Chinese influence in the world and, in particular, in Latin America. In a new geopolitical scenario, the EU could position itself as an alternative partner to China, whose loans have generated a debt trap in several countries through its Gaza Strip Initiative. Indeed, the loans of the European Bank and its private entities do not represent a predatory debt, but are aimed at the development of countries with concrete actions focused on the promotion of trade, key infrastructures such as ports and roads, optical fibre or green hydrogen, among others (*Euronews*, 2021).

Ultimately, the EU is strengthening its foreign policy capabilities and geopolitical position to be a global player in a fragmented international system. According to Van Klaveren, “in Chile, debates revolve around political, economic and social experiences in European countries, so the EU is expected to take that political leadership at the international level” (Van Klaveren, 2022). Chile had been committed to multilateralism and respect for international law; however, in recent years it had lost part of that spirit, weakening its regional relations because of such sensitive issues as the crisis in Venezuela, citizen participation in environmental protection policies and the regulation of migration.

A group of specialists has proposed to open a new cycle of Chilean foreign policy more attuned to contemporary challenges, with an entrepreneurial and progressive diplomacy defined on the basis of four fundamental elements:

it is feminist and puts human beings at the centre of international action; aspires to a turquoise climate agenda, that is, combines traditional protection for the land (green) and for the ocean (blue); is strongly multilateralist; and is inherently participatory (Bywaters *et al.*, 2021: 8).

It is thus expected that the actions and decisions of Chilean foreign policy will also be based on a model of strategic autonomy, of active state enterprise. This is a change that could have a multiplier effect in the countries of the region where societies demand changes to design and implement public policies that guarantee sustainable and inclusive development.

8. Post-pandemic EU-Chile relations: a shared agenda for social inclusion and environmental sustainability

The modernization of the AA takes place in a global scenario convulsed by social, economic, health and environmental crises, but also in a Latin American context where new forms of economic development, inclusion, equity and democracy are sought. The world is changing rapidly, and global, regional and local challenges need joint responses from the various international actors. Since 2017, the negotiations on the modernization of the AA bear witness to the common interest in the issues on the international agenda and position Chile as a strategic partner, not only for the EU but also for the rest of Latin American countries.

¹⁹ In 2021, 1,174,700 AstraZeneca vaccines had already been distributed through the COVAX mechanism.

According to Jaime Ferraz, “it is difficult to make a projection at 30 years. However, it is clear that we are experiencing complex moments and moving towards a new international order” (Ferraz, 2020). To this uncertainty has been added the COVID-19 pandemic, which, according to experts, would not be the only pandemic that will be experienced in the coming years. In this context:

Chile should be committed to strengthening and making concrete alliances that will certainly be decisive for its future. The signing of this new Association Agreement with the EU will be a key factor for the future development of Chile, since we have a substratum of common values and principles that will allow us to deepen the relationship more and more and to include priority areas for our country, such as the issues of gender and trade, cooperation in science, technology and innovation, sustainable development, etc. (Ferraz, 2020).

The AA represents an alliance between countries with a positive agenda for both, marked by an economic model with a focus on social cohesion, digital economy and aimed at energy transition and environmental protection.

The EU’s leadership as a “regulatory power” reflects the identity and nature of an integration that seeks to promote the well-being of its citizens and that of countries such as Chile. As Ian Manners indicates, the EU acts in a normative way, managing to extend these rules in the international system (Manners, 2002). The “Brussels effect”, coined by Anu Bradford in 2013, has enabled an innovation in Chile’s regulatory framework. And this, both in agricultural matters (from phytosanitary standards to animal care, in accordance with the requirements Farm to Fork) and, currently, through data protection standards, corporate social responsibility with a focus on human and environmental rights, and reduction of carbon emissions in exports. The “Brussels effect” is very important in Chile, and reflects a readiness to adopt European legislation since the 2002 AA was negotiated (Van Klaveren, 2022).

The EU’s contributions to overcoming the post-pandemic effects are linked to the economic and health crisis, but also to a continuing crisis, that of climate change. While the EU has lost competitiveness against the US and China in technological and digital leadership, “Europe could lead the transformation towards a sustainable economic model based on the fight against climate change”²⁰, that is, based on a pioneering commitment to a sustainable approach that benefits all countries.

Chile is a country committed to the fight against climate change and coincides with the EU policies of the Blue Pact, as it has 43% of its coasts protected and continues to negotiate in the United Nations, together with the EU, to protect the territory and the Antarctic Ocean. In addition, as a signatory to the Paris Agreement, it has established decarbonisation policies and a proposed Climate Change Framework Law, although strategies to achieve carbon neutrality by 2050 are still being defined (Climate Action Tracker, 2021; Ministry of Environment, 2020).

Chile ranks first in the Environmental Performance Index in Latin America (EPI) and forty-fourth in the world²¹. It is also important to highlight its potential to develop non-conventional renewable energies, as it ranks first in the world in Bloomberg’s 2020 Climatoscope ranking for green energy investments. The favourable conditions in Chile to produce renewable energy, together with the European technological offer, represent a unique opportunity to achieve carbon neutrality goals.

²⁰ <https://www.ey.com/en/rethinking-sustainability/sustainability-tsunami-regulatory>.

²¹ The EPI report has become the main metric framework for the analysis of global environmental policies, classifying 180 countries according to 32 performance indicators of 11 categories on topics ranging from environmental health to ecosystem vitality. <https://epi.yale.edu/downloads/epi2020report20210112.pdf>.

In addition, EU investments can play a role in promoting green employment. In fact, despite the pandemic, European investments grew in 2020 by 18.3% compared to 2019; the amount of investments of new projects is 4,097.29 million dollars and a potential growth of 2.4 million jobs is expected (Invest Chile, 2021).

Renewable energies already represent 25.8% of Chile's energy matrix, and the decarbonization policy aims to close all coal-fired thermoelectric plants by 2040, in a transition process that converts them to gas and biomass. European energy companies, such as Enel and Engie, have been the most likely to shut down their coal-fired power plants and generate clean energy before the date proposed by the government. Despite the impact on job destruction, green employment growth (direct and indirect) is expected once technicians operating in specific gas installations, photovoltaic panels, solar concentration, green hydrogen, waste management, etc., have been trained.

In terms of promoting SMEs and green employment, the EU has also co-financed the Reactivation with Impact Circular Economy Business Round, generating a business expectation for 721 SMEs and entrepreneurial enterprises of more than \$4.815 billion. This initiative emerged under the presidency of Chile at COP25 and has been co-financed by the Euroclima+ cooperation programme. This program has also been very active in organizing workshops to advance carbon neutrality in several regions of Chile, with actors from the public, private and civil society sectors. These activities are of great importance because one of the great gaps in Chile has been that of citizen participation in the process of formulating and implementing policies related to climate change (Hernández and Huepe, 2019)²².

It should be noted that the EU and Chile share a political agenda in many areas that complement the European strategy for inclusive trade, such as climate change, gender and support for SMEs; there is also a common position in international bodies such as the POPs, UN Women, the UN Human Rights Council, the UN High Commissioner for Human Rights for Latin America, the Commission for the Conservation of Antarctic Marine Living Resources, among others. In this regard, the EU ambassador to Chile has stressed that the:

countries of Latin America and the Caribbean, together with the EU, represent a third of the countries in the United Nations and, therefore, jointly construct positions in international agreements because there is a coincidence of views. This closeness is especially evident with Chile, since the AA has favoured voting practically the same in the votes of international forums (De la Torre, 2021).

Chile changed its government in March 2022 in a context of constitutional reform. Boric's new, progressive left government advocates a multilateral foreign policy, focused on human rights, feminism, and the environmental protection of land and oceans (a "turquoise" diplomacy) (*La Tercera*, 2021). According to Juan Gabriel Valdés, the government must work with certain European countries that are decisive in bilateral relations. Note that the previous government restricted its multilateral approach, subtracting from signing the Migration Pact or the Escazú Agreement (to which it has acceded in March 2022) or criticizing the powers of the OAS Inter-American Commission on Human Rights (Valdés, 2022).

Chile's association with the EU takes place in a context of mutual gains and horizontality and its modernization is contemplated under a more progressive and inclusive Chilean foreign policy agenda. The challenges are not minor: the crisis of multilateralism and the climate of international polarization are compounded by the democratic and economic instability in the Latin American region. In a context

²² The OECD (2006) understands participation as one that generates partnership, that is, where citizens "participate in setting the agenda, and contribute to shaping the dialogue with the public administration".

of citizen unrest and demands for development with greater well-being for all, the AA represents a political and economic alliance towards more inclusive societies, where participation in public policies is decisive, fair and equal.

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