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TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

**THE EUROPEAN UNION AND LATIN AMERICA;
THE PRESENT SITUATION AND PROSPECTS FOR CLOSER
PARTNERSHIP
1996-2000**

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¹ The term "European Union or Union" is used throughout the text for the sake of simplicity. This is without prejudice to the powers of the European Community to adopt, at later stage, some legal acts concerned.

² Translator's note: this footnote does not apply to the English language version.

INTRODUCTION

The five-year period (1991-95)³ during which the guidelines for the European Community's cooperation with Latin America have been put into practice has coincided with radical change in the subcontinent and Europe. Courageous efforts have brought almost all Latin American countries back into the democratic fold. New, more rigorous and sustained economic policies marked by increasing liberalization and a desire for greater integration into international markets have led to a resurgence of growth for the entire subcontinent, making it an "emerging" regional economy.

Much has been done at the political, trade and cooperation levels to strengthen the Union's ties with Latin America.

The San José dialogue launched with the Central American countries in 1984 was followed by the dialogue with the Rio Group formally instituted in 1990. The most recent meetings, held in São Paulo in April last year and Paris in March of this year, have highlighted the new climate of partnership now reigning in relations between the two regions. Another manifestation of this was the adoption by the Council on 31 October last year, under the influence of the German presidency, of the basic document on relations between the European Union and Latin America and the Caribbean, in which the Union offered to work with these regions to build a new partnership.

Successive European Councils - Corfu and Essen last year and Cannes this year - have stressed the need for closer relations with Mercosur, Mexico and Chile. These issues are now the focus of sustained attention from the Community institutions, with the Commission sending the Council and Parliament a series of communications concerning Latin America.⁴

It is against a backdrop of stronger partnership that cooperation between the Union and Latin America has been diversified and refined to meet the new needs of a highly heterogeneous subcontinent seeking to consolidate the democratic process, the quest for international competitiveness and endemic poverty and social inequalities.

Analysing relations between the two regions and taking stock of cooperation over the last five years, this communication outlines proposals aimed at deepening relations between the Union and Latin America in the run-up to 2000.

³ COM(90) 176 final of 11 June 1990 entitled "Guidelines for cooperation with the developing countries of Latin America and Asia".

⁴ COM(94) 428 final of 19 October 1994 entitled "The European Union and Mercosur: an enhanced policy"; COM(95) 003 final of 8 February 1995 entitled "Towards closer relations between the European Union and Mexico"; COM(95) 232 final of 31 May 1995 on the strengthening of relations between the European Union and Chile; COM(95) 219 final of 16 June 1995 on support for regional economic integration among developing countries.

I. **STRATEGIC INTEREST OF STRONGER TIES BETWEEN THE EUROPEAN UNION AND LATIN AMERICA⁵**

Historical and cultural factors have combined with recent developments on the international scene, mutual interest and effective and genuine international solidarity to provide a firm basis for a convergence that will enable the Union and Latin America to strengthen their relations and take concerted action to deal with the international and regional challenges of the years ahead.

"Latin America" is a familiar but ambiguous term: the peoples concerned, some 450 million at present, are not exclusively of Latin origin. Depending on who is using it, the term can be given a broad or narrow gloss, encompassing language, history, geopolitics and civilisation or religion. It also expresses a regional unity attributable to a shared development model. Yet alongside this unity, so stoutly advocated by Bolivar in the last century, there exists the subcontinent's remarkable heterogeneity.

Latin America is both uniform and diverse; it calls for the Union to vary its approaches, tailoring them to national and regional circumstances.

1. **FACTORS MILITATING IN FAVOUR OF CLOSER TIES BETWEEN THE EUROPEAN UNION AND LATIN AMERICA**

1.1 Historical and cultural factors

Latin America's cultural identity is heavily imbued with the values that shaped Europe's character and history. Five centuries of uninterrupted relations between the two regions have caused European ideals to permeate to the core of Latin American societies, which have in turn exercised an irresistible pull on the old continent. Constitutions, legal principles and ideas of liberty and democracy found across Latin America are drawn from the body of philosophical and legal concepts that are Europe's heritage.

As a melting pot for immigrants, Latin America has forged a rich identity from the contributions of a number of countries and indigenous civilizations. European, and in particular Latin, roots have helped mould the identities of these countries.

This century has seen the countries of Latin America move, sometimes painfully, along the road to representative democracy and economic liberalization. They have been subjected to a variety of influences: Spanish and Portuguese, French, Italian, British and, more recently, North American.

1.2 A more favourable political climate

Political progress has been considerable:

- The rule of law and the consolidation of democratic institutions are enjoying increasing support from civil society, even if some aspects remain fragile.
- The conflicts that long ravaged Latin America have given way to peace processes and the resettlement of displaced persons, returnees and demobilized soldiers.
- Moves towards subregional integration have resumed forcefully and pragmatically.

Latin America's return to democracy and stability is conducive to the forging of stronger links with Europe.

1.3 Economic growth makes Latin America a dynamic new focus for trade and investment

The radical economic changes under way in Latin America are factors for convergence with Europe. Whereas Latin America was at the forefront of world growth from the 1950s to the 1970s, the 1980s were a period of recession and great economic instability. With its stabilization and structural adjustment policies and its

⁵ This paper concerns relations between the Union and the countries of South and Central America, Mexico and Cuba. It does not concern the Caribbean ACP countries (including Guyana, Suriname and Belize).

improving macroeconomic data, the 1990s have created the conditions for development and growth. The turnaround has been fostered by three key factors: the reduction in the external debt burden, the improvement of public finances and the return of foreign investors. After several years of steady growth, Latin America's economies are undoubtedly on their way out of the crisis, even if their fragile structures mean that there are still risks. It is in Europe's interest to take part in this process of growth, to help the reforms take root and reduce the risks of instability engendered by strong social tensions.

1.4 Rigorous macroeconomic policies remain necessary

This new spurt of growth has its downside, not benefiting all countries or sectors of the economy and society equally. (Recent difficulties in some countries bear this out.) The prospects for the growth of the Latin American economies and their full integration into world trade will remain bright as long as the countries concerned carry out rigorous macroeconomic policies and, to differing degrees, press on with their structural reforms. The role of the World Bank and the IMF in this will remain crucial. It is important that the European Union's actions should be compatible with, and reinforce, stabilization and structural reform programmes. Only on these conditions, which will in particular be reflected by a rise in the level of domestic savings (the foundation on which any rise in the rate of investment is predicated),⁶ will Latin America be able to resume its rightful place on the international markets.

1.5 The relaunch of Latin American integration is helping revitalize trade, improve competitiveness and develop new opportunities, so enabling the countries of the region to play a greater role on the international stage

Integration in Latin America is racing ahead as a result of the revival or establishment of new regional groupings. This is a symptom of the opening-up of these countries and their return to competitiveness in the world economy, hence the concept of "open regionalism" developed by the Economic Commission for Latin America (ECLA). This process has spawned a significant increase in intraregional trade. Moreover, demand generated by the development of new infrastructure is making the region increasingly attractive to investors, and in particular European investors. Increasing integration (in the Rio Group, NAFTA, Mercosur, the Andean Pact or the Central American Common Market) should enable the Latin American countries to be more consistent in their positions and to defend their common interests better in international forums (most are already members of GATT and the new WTO). Greater integration will also help foster the institutional dialogue on political and trade issues with European Union partners.

1.6 A new international context conducive to closer relations between the European Union and Latin America

The international situation is currently shaped by two parallel and contradictory trends; one is the globalization of trade and the other a fragmentation attributable to a certain return to traditional values.

Given that both Latin America and the Union are open to the globalization of trade, both have an interest in strengthening relations and further refining the complementarity of their economies. Latin America is seeking to diversify its outlets and sources of supply, technologies and capital, and to secure the cooperation of partners able to provide constructive assistance. Europe, for its part, is striving to consolidate and improve its trading and technological position in a region with strong growth potential.

The opportunity for forming a deep-rooted relationship and effective partnership should not, however, be seen solely in terms of economic expediency. It also depends on cultural and geopolitical factors that lead to a meeting of minds and highlight shared values.

⁶ For the sake of comparison, the ratio of private investment to GDP in the period 1990-93 stood at 33.5% in Asia and 20.5% in Latin America (Source: IMF).

Political dialogue, which has already been formally instituted with the Rio Group and Central America, is now being developed further to take account of Latin America's increased clout on the international stage. The conclusion of the Uruguay Round and the strengthening of the multilateral trading system should have a beneficial effect on the development of relations between the two regions, leading to an increase in trade and a diminution in certain difficulties encountered in the past. This new climate will in particular increase the scope for economic and industrial cooperation.

Finally, the fight against international organized crime, in particular drug trafficking and fraud at world-wide level, raise a common challenge and the necessity for enhanced cooperation.

2. THE EUROPEAN UNION MUST FIND A COMPREHENSIVE SOLUTION TO THE CHALLENGES OF THE TWENTIETH CENTURY

While facing up to issues of economic competitiveness and global political stability, the European Union must go on "deepening" and "widening".

It bears special responsibility in the transition under way in Central and Eastern Europe. Likewise, Europe is neither willing nor able to achieve the goals it has set itself without an active policy towards the countries of the South, that is to say the Mediterranean,⁷ which is particularly important both economically and because it is so close, the countries of Asia⁸ and those of the ACP.

The Union must also have a presence in the world's emerging regions, of which Latin America is one.

3. IN THE LIGHT OF THE PROGRESS MADE AND THE CHALLENGES REMAINING, EUROPE'S PRESENCE IN LATIN AMERICA IS MORE NECESSARY THAN EVER

Latin America has made remarkable progress in many areas, but these efforts must be continued and consolidated.

The sweeping reforms remain to be completed. The modernization of the production apparatus and the level of savings are still inadequate. Economic structures remain polarized: Latin America suffers crass social inequalities and considerable areas of exclusion.⁹ During the years of crisis (the "lost decade"), inequalities were accentuated, what welfare systems there were deteriorated and extreme poverty grew. Despite the economic recovery, unemployment affects a large part of the population and the informal sector is growing steadily. Given the endemic poverty and the marginalization of part of the population, much still needs to be done to ensure a better distribution of the income from growth and the subcontinent's return to competitiveness in the world economy. In order to tackle these problems, Latin America must draw primarily on its own resources. It must also secure the solidarity and cooperation of its international partners.

As the century nears its end, Latin America must rise to three **challenges**:

- It must consolidate the rule of law by making the democratic process irreversible at institutional level.
- It must move quickly to narrow yawning social gaps ("the social deficit") by addressing the problem of poverty and inequality.
- It must complete its economic reforms and boost its international competitiveness.

Building on its constructive role in the peace processes, regional integration and development cooperation, **the Union can and should restate its desire to be one of Latin America's main partners. It has cooperation instruments that can help resolve the problems facing Latin America.**

⁷ COM(95) 72 final of 8 March 1995 on strengthening the Mediterranean policy of the European Union: proposals for implementing a Euro-Mediterranean partnership.

⁸ COM(95) 314 final of 27 July 1994 entitled "Towards a new Asia strategy".

⁹ ECLA reckoned that 46% of Latin America's population, some 200 million people, were living below the poverty line in 1990.

II. THE STATE OF RELATIONS BETWEEN THE EUROPEAN UNION AND LATIN AMERICA

1. SUBSTANTIAL PROGRESS IN THE POLITICAL DIALOGUE

The steadily improving quality of political relations between the European Union and Latin America over recent years is borne out by the institution of a formal regional and subregional political dialogue.

1.1 Institutionalized dialogue

Institutionalized political dialogue has created stable machinery for consultations between the Union and Latin America.

Thanks to the **San José dialogue**, the Union has since 1984 played a major part in the peace process and democratization in Central America. This forum continues to offer the Union a valuable channel for its efforts to foster peace, human rights, stronger institutions, rehabilitation and economic development in these countries.

Launched in 1990, the dialogue with the **Rio Group** has gone from strength to strength. The joint declaration adopted at the fourth ministerial meeting, held in São Paulo in April last year, underlines the climate of partnership that now characterizes relations between the two regional groupings.

1.2 Interparliamentary meetings

Since 1974, biennial meetings between the European Parliament and its Latin American counterpart Parlamento have also enabled the two regions to develop a political dialogue on common issues. These conferences are particularly important as a way of bolstering the parliamentary dimension of Latin American integration and consolidating the rule of law in the countries concerned with the backing of MEPs.

1.3 Cooperation agreements

The numerous cooperation agreements signed with Latin American countries since 1990 have replaced the less ambitious agreements of the 1970s and 1980s. Cuba is now the only Latin American country not covered by one of these "third generation" agreements, which mark a new stage in the Union's relations with Latin America. The introduction of the "democratic principles" clause safeguards the fundamental principles derived from a heritage of common values. Similarly, the "future developments" clause enables the contracting parties to expand and step up their cooperation.

2. THE EUROPEAN COMMUNITY'S COOPERATION POLICY FROM 1990 TO 1995 AS REFLECTED IN THE SCALE OF ITS AID EFFORT

The European Community's aid to Latin America has been considerable in both quantitative and qualitative terms. A great number of operations have been carried out to relieve the most pressing social problems, to safeguard the transition to democracy and institutional reorganization, and to foster economic cooperation with the subcontinent.

While further developing cooperation in traditional sectors, new spheres of activity and operating methods have laid the foundations for partnership between the Union and Latin America in the twenty-first century.

2.1 The European Union is Latin America's largest source of official development aid (ODA)

The Union's already substantial development aid to Latin America has increased rapidly in the 1980s and 1990s: the combination of contributions from the Member States and from the Community budget make the Union the largest single source of ODA to Latin America. In 1993 it accounted for 61.5% of all ODA to Latin America, exceeding by far the combined shares of Japan and the United States.¹⁰

Since 1976, over ECU 3 billion in Community budget resources has been spent on ODA to Latin America. Last year commitments totalled ECU 464 million, an increase of 47.7% on the ECU 314 million committed in 1991. On top of this, the European Investment Bank (EIB) extended its sphere of operations in 1992 to encompass the Asian and Latin American countries: in 1993 and 1994 the Bank made loans totalling ECU 131 million to Latin America, a figure expected to rise to ECU 207 million this year.

2.2 Content of Community cooperation

Even if financial and technical assistance continues to play a predominant role under the general guidelines drawn up by the Community institutions for the period 1991-95,¹¹ new areas of cooperation and improved methods have helped meet the needs of cooperation between the Community and Latin America.

2.2.1 Further development of cooperation in traditional sectors

The cooperation established in the mid-1970s has been further developed, especially in the following sectors:

- **Humanitarian aid:** Major operations have been conducted in the areas of food aid, emergency aid, aid to refugees and displaced persons in Central America and aid to NGOs.
- **Rural development programmes:** Accounting for the lion's share of aid, these schemes remain crucial in view of the impact of farming on economic and social development and the needs of small farmers.
- **Regional integration:** Support continues for the Andean Pact and the Central American integration process, while the signing of an interinstitutional cooperation agreement between the Commission and Mercosur is making itself felt in matters of standards, customs and agriculture.
- **Development of marine resources sector:** bearing in mind the experience acquired in the framework of the agreement relative to fishing between EC/Argentina¹², the EC will consider, in the long run, the setting of an original agreement network qualified as "second generation agreement", with other latin american partners. in agreement with the Convention of SeaRights, the EC already affirmed its will to participate actively in the setting up of regional organisation in order to secure long lasting conservation of marine resources in the South Atlantic ocean and, if possible, in the Pacific.

¹⁰ This figure is based on IRELA data and includes the contributions of the Union's three new Member States.

¹¹ See Council Regulation (EEC) No 443/92 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America.

¹² This agreement includes, together with the access to resources, a substantial cooperation chapter, that covers various aspects linked to the field of marine fishing, particularly where marine resources are concerned.

2.2.2 New spheres of activity

Since the early 1990s new spheres of cooperation have been opened up, with a greater emphasis on long-term and sustainable development and the use of instruments which promote economic modernization. These areas include:

- **Democratization and human rights:** recent years have been marked by the democratic transition in Latin America. The Union has been particularly active in promoting the rule of law and the participation of civil society in the development of a culture of human rights.
- **Financial and technical assistance** has been heavily concentrated on **urban projects** and programmes (notably support for the informal sector), schemes to promote **women's** fundamental rights and freedoms and their full integration into the development process, and projects aimed at improving the living conditions of **indigenous peoples** and respect for their cultural identity. **Education and training** have also been a priority,¹³ as have projects and programmes to protect the **environment** (management of tropical forests,¹⁴ urban pollution etc.) in line with the Union's commitment to earmark at least 10% of aid to Latin America for environmental projects.
- In spite of the limited resources available for **economic cooperation**, support for **activities of mutual interest** has increased considerably in relative terms, with a substantial increase in demand from Latin America.¹⁵ The same is true of cooperation in the field of science and technology, which has increased appreciably since 1980.

2.2.3 New methods

- **Diversification of partners:** Though government institutions remain key partners in the recipient countries, decentralized cooperation has led to a diversification of partners via the establishment of networks drawn from civil society.
- **Country and sectoral strategies:** These are now being systematically drawn up in order to tailor programmes to the complex and specific circumstances of each country, region or sector.
- **Horizontal programmes:** Embracing all Latin American countries, they have been designed to raise the profile of Community operations and to improve their consistency.¹⁶
- **Systematic evaluation** of Community-financed operations is intended to improve the quality of the assistance offered.

3. **NEED FOR TRADE AND ECONOMIC AND TECHNOLOGICAL EXCHANGES TO BE DIVERSIFIED**

Compared with other regions of the world, Latin America faces structural difficulties in increasing and diversifying its exports in the medium-term. These are primarily attributable to the impact of import substitution policies, a failure to diversify exports, a reduction in farm products' share of world trade, the subcontinent's still-limited savings and investment ratio and an inadequately skilled workforce. All this makes the development of trade relations with Europe of vital importance.

¹³ In particular the programmes Rio Force (regional training centres for administrators), ALFA (promotion of university exchanges) and CEFIR (training centre for regional integration).

¹⁴ E.g. the 1991 pilot project on the conservation of tropical forests launched in Brazil by the Commission, the Brazilian government, the World Bank and the G7 countries.

¹⁵ These include ECIP and AL-Invest which have been bringing firms closer together since 1988 and 1994 respectively.

¹⁶ See ALFA, AL-Invest and ALURE.

3.1 A flourishing trading partnership

With trade between them totalling about ECU 45 billion in 1993, the Union and Latin America are major trading partners. The Union's exports to Latin America have increased spectacularly, rising by 41% over the period 1990-93, making it **the world's fastest growing continental market for European exports**. Yet trade between the two regions remains lopsided.

3.2 Trade imbalances

For Latin America as a whole the Union is the second biggest trading partner and for eight of the subcontinent's countries the largest.¹⁷ In an average period, trade between them accounts for over 20% of Latin America's imports and exports. In contrast, Latin America occupies a relatively modest place in the Union's external trade (less than 5% of the total).

The very structure of this trade shows the marked contrast between the two regions:

- Industrial goods account for almost 90% of the Union's exports to Latin America.
- Latin American exports to the Union are mainly made up of commodities, raw materials and fuel, with manufactures at present accounting for only 23% of the total.

For a long time the Union had a major structural trade deficit with Latin America, but this became a surplus in 1993.

3.3 The European Union has done much to counter these imbalances and promote Latin American exports

Under the **system of generalized preferences (GSP)**, Latin America has been granted **concessions on industrial, tropical and farm products**. Renewed in 1995, the GSP was accompanied by special arrangements designed to encourage the Andean and Central American countries and Venezuela in their campaign against drugs. Some aspects of the new system could be of particular help to Latin America, among them the environmental clause encouraging sustainable forest management, which could improve sales of timber products. Similarly, the CAP **exempts certain crucial agricultural products from customs duties**. The farm-trade provisions of the GATT strengthen and amplify the reform of the CAP, opening up new opportunities for Latin American exports in many sectors. Lastly, the Multifibre Arrangement will be phased out within ten years.

Many **trade promotion** schemes have been financed in the course of cooperation with a view to improving the quality of Latin American products or identifying promising export markets.

Since 1992 high-level meetings on trade have been arranged to coincide with the Rio Group's ministerial meetings.

3.4 The next ten years could see a sizeable increase in trade for both partners

Efforts at multilateral and European level - combined with the increasing impact of Latin American reforms aimed at modernizing the production apparatus - should improve international competitiveness and bring about an increase in trade between Latin America and the Union. The substantial trade sections of the forthcoming agreements with Mercosur, Mexico or Chile are bound to boost trade between the two continents.

¹⁷ The Union is the main export market for Brazil, Chile, Panama and Peru and the main non-Latin American export market for Argentina, Bolivia, Paraguay and Uruguay (Source: European Commission).

3.5 Increased European investment in Latin America

In the period 1980-89, Latin America received 45.5% of its direct foreign investment from Europe and 43.5% from the United States, with Japan a distant third. There is a long history of European investment in Latin America. It has tended to be concentrated in the secondary sector, though there has more recently been a surge in European investment in the tertiary sector. While many countries now offer favourable conditions, new investment has so far been concentrated mainly in Mexico, Brazil and Argentina, whose domestic markets offer great potential. Two factors have been pivotal: the **privatization process** and **debt-for-equity programmes**, in which European direct foreign investments has played its part.

4. **RECENT DEVELOPMENTS: A REGIONAL AND COUNTRY-BASED APPROACH TO RELATIONS BETWEEN THE TWO REGIONS**

Recent European Councils have expressed the need to strengthen relations with Mercosur by negotiating an interregional framework agreement and to work towards a formal contractual relationship with Mexico and broader relations with Chile. The basic document on relations between the European Union and Latin America and the Caribbean adopted by the Council on 31 October 1994 proposed a new partnership between the regions. The aim was to promote, in relations between the Union and Latin America, an approach that was either regional or specific depending on the circumstances. The Union has declared its readiness to open negotiations that might lead to more ambitious agreements reflecting the economic potential of its partners and their progress towards integration.¹⁸ This is based on the Council resolution of 1 June 1995, which concluded that support for regional cooperation and integration was a major component of the Union's development policy and could contribute, as Article 130u of the EC Treaty puts it, to "the smooth and gradual integration of the developing countries into the world economy".

- **The Andean countries**

The Union has a long-standing relationship with the Andean Pact. The Member States of the Union are the main source of investment in the region: the third generation agreement signed in 1992 with the European Community heralds a new era of relations with the Andean countries. The region enjoys special GSP treatment aimed at fostering its integration: cumulation of origin means that it can export its main products to the Union at zero duty, provided the countries concerned continue their efforts against drugs.

- **Central America**

1994 marked the tenth anniversary of the highly successful San José Dialogue: through substantial humanitarian and development aid and the political dialogue, the Union has contributed to peace and democratization in Central America. It is also backing the regional integration process and the area's reintegration into the world economy. The partnership between the two regions is based on the third-generation cooperation agreement signed in 1993. Central America receives more Community ODA per capita than the rest of Latin America and its farm products have benefited from special GSP treatment since 1992. The Union is going to implement a new strategy taking account of the challenges facing the region today.

- **Mercosur**

The Union has from the outset backed the efforts of the Mercosur countries (the organization was set up in 1991) to set up a new economic grouping. The need has become apparent for a more ambitious relationship with this region - for a new framework of partnership which reflects the position the grouping has taken up on the world scene and in relations between the Union and Latin America. The Commission has therefore been authorized to negotiate an interregional framework agreement

¹⁸ Annex I lists the Community agreements in force.

on trade and economic cooperation with Mercosur as the first step towards political and economic association between the two regions.

- **Mexico**

The Union is Mexico's second largest export market. Mexico, for its part, is Europe's largest Latin American export market. Future relations between the Union and Mexico will be guided by the solemn joint declaration of 2 May this year between the Council and the Commission, on the one hand, and Mexico, on the other, in which the parties agree to conclude a political, commercial and economic agreement in order to develop their relations.

- **Chile**

As part of its strategy of opening up to the outside world, Chile has made closer ties with the Union a priority. The Union's encouraging response to these overtures is an acknowledgement of Chile's potential and the place it has carved out on the international scene, both politically and economically. Chile would like to strengthen its institutional links with the Union.

- **Cuba**

Cuba seems to be entering a period of change, which the Union is ready to back. To that end, the Commission has proposed the initiation of a dialogue aimed at examining the conditions for stronger relations with the country¹⁹. In spite of the vagaries of politics, the Union has been able to maintain continuous relations with Cuba and its experience in supporting democracy in the region makes it a key partner for the country.

Cuba is already receiving humanitarian aid from the Union and is benefiting from a number of projects targeted on civil society and economic cooperation and designed to support the economic reforms under way in the country.

¹⁹

COM(95) 306 of 28 June 1995 on relations between the European Union and Cuba.

III. PATHS TO CLOSER PARTNERSHIP WITH LATIN AMERICA

By virtue of its political and economic liberalization, Latin America is on the way to radical change: it hopes to become one of those forces on the world stage with which the European Union has to seek **closer political, trading and cooperation partnership**.

As the guidelines laid down for the period 1991-95 near expiry, it is worth **considering the content of the Union's future relations with Latin America** in the light of the experience built up, new opportunities and the challenges facing both sides in the fields of trade, investment and cooperation.

1. WHAT DOES LATIN AMERICA REPRESENT IN THE WORLD TODAY?

1.1 Latin America is shaping up to be one of the world's emerging regions

Recent years have shown the full extent of Latin America's potential for expansion, even if that potential varies from one country to another and the frailties persist. Analysts nevertheless agree that these frailties do not call into question the quasi-general recovery. The major economic and political upheavals experienced by the subcontinent, and in particular the abandoning of its traditional protectionism in favour of a resolute opening-up to the outside world, combine with Latin America's enormous domestic market and considerable potential for expansion to make the region a strategic area for investment and the development of trade relations. Business has picked up since the early 1990s, with growth rates of 3.2% in the period 1991-93 and 3.7% last year (ECLA). To be able to appreciate the achievements of the 1990s we have to cast our minds back to the difficult times experienced towards the end of the "lost decade". The region's great potential should also be underlined, even if there are still obstacles to be overcome, in particular social inequalities and the development gap between the different countries.

1.2 A growing international presence

Latin America is asserting itself in the international community. The subcontinent and its various component parts are trying to reach a stance on current international issues and take advantage of the new opportunities opening up before them. The multidimensional nature of this international presence shows that Latin America is a force to be reckoned with in both economic and political terms:

- **America and the Caribbean:** Intra-American relations have changed considerably, becoming more pragmatic and constructive. This rapprochement is reflected in the signing of the North American Free Trade Agreement (NAFTA) by the United States, Canada and Mexico. Last December's Americas Summit heralded the introduction of a **free-trade area encompassing the entirety of the Americas by 2005**. In the Caribbean, the **Association of Caribbean States (ACS)** set up last year brings together the 13 Caricom countries, Cuba and the Group of Three (Mexico, Venezuela and Colombia). The growing and increasingly independent role of the **Organization of American States (OAS)** should also be noted.
- **The Pacific:** Asia's economic expansion is exercising a powerful attraction on the subcontinent, which in turn represents an area of growing interest for the Asian countries. Chile and Mexico are members of APEC (the Asia-Pacific Economic Cooperation Forum), which is seeking to establish a free-trade area by 2020.
- **Antarctica:** Chile and Argentina have a direct interest in the Antarctic and lay claim to parts of it.
- **The South Atlantic:** Relations between Latin America and Africa are limited, mostly involving Brazil. The sweeping political transformation under way in Southern Africa in recent years may lead to the development of South-South cooperation. Europe, which has historical ties with both Latin America and Africa, could be a catalyst in this process.

- **The Panama Canal:** It is in our interest to reinforce a future European presence on this major international trade corridor linking the two oceans in the years to come.

Other aspects of Latin America's increasing international presence include:

- its role in **disarmament and nuclear non-proliferation**,²⁰
- **Mexico's accession to the OECD** in 1994, which alters the traditional relationship between North and South;
- its importance in the stability of the **international financial system**;
- the importance of **environmental issues**;
- the importance of issues relating to the **drugs trade**.

2. A MULTIFACETED CONTINENT: THE EUROPEAN UNION'S RESPONSE

2.1. Suggested strategy

In spite of a certain cultural and historical unity and a shared development model, the chief characteristic of Latin America remains its **heterogeneity**, which is apparent in:

- the differing sizes of the countries;
- its ethnic and cultural diversity: with communities of European, indigenous (400 ethnic groups), African, Asian and Middle Eastern origin, ethnic make-up varies considerably from one country to another, ranging from highly European Argentina through mixed-race Brazil to Peru or Guatemala, which have large indigenous populations;
- the linguistic diversity: though use of European languages of integration such as Spanish and Portuguese predominates, indigenous and other languages are also used;
- religious diversity: though Catholicism continues to predominate, it has been losing ground;
- its very uneven population density; which does not always correspond with the size of the countries;
- the major disparities in levels of economic development - with great differences in per capita GDP, ranging in 1994 from USD 502 dollars in Nicaragua to USD 4747 in Argentina (according to the Inter-American Development Bank) - and income distribution;
- major divergences between human development indicators (UNDP).

How can Europe step up its presence, given Latin America's multifarious options and the pace of recent changes there?

Enhancing the dialogue between the Union and Latin America and the effectiveness of Community aid calls for an approach that is not only tailored to the various regional institutions but consolidates the overall dialogue (Rio Group) and facilitates the subcontinent's increasing integration. Given Latin America's heterogeneity, relations between it and the Union will continue to be dominated by an approach that is either regional (Andean countries, Central America, Mercosur) or country-based (Mexico, Chile, Cuba).

This two-pronged approach is the Union's response to Latin America's "open regionalism". This strategy should greatly improve the quality of relations between the two, allowing greater account to be taken of differing national and regional circumstances.

Such an approach also allows each grouping and/or country to develop its specific potential in its relationship with the Union because Community cooperation is geared to its partner's level of development. Thus, while some countries and/or regions will remain major recipients of development aid, other more developed and

²⁰ Treaty of Tlatelolco banning nuclear weapons in Latin America (1967).

dynamic countries will be valuable partners in activities of mutual interest. This strategy should, within the limits of the budget available, make Community cooperation more effective.

2.2. Financial needs

Within the limits of the budget available, this strategy should increase the effectiveness of Community cooperation. To this end, subject to the annual budgetary procedure, the total estimated budget for the period 1995-1999, is 1,343 million ECU for the heading B7-301" cooperation with the developing countries of Latin America" which includes financial, technical and economic cooperation with these countries, compared with the 925 million ECU for the period 1990-1994. Furthermore, Latin America can benefit, as do other developing regions, from horizontal and/or sectorial actions for which finance is allocated under title B7 of the Commission budget²¹ (as, for example, food aid, humanitarian aid, help for refugees, NGO actions, actions in support of democracy and human rights, actions for promotion of investments (ECIP) etc....)

3. STRATEGIES TO BE EMPLOYED

3.1 Tighter political ties

The new international role acquired by Latin America in recent years calls for a stronger political dialogue with the region, something that it is, moreover, actively seeking. This dialogue will have to be developed at subcontinental (Rio Group), regional (Mercosur, Central America, Andean Pact), bilateral (under the country-based approach) and interparliamentary levels, in international forums, between the Union and Latin American permanent representatives, and at Ibero-American level. The main issues will continue to be peace and regional stability, Community support for the democratic process and the defence and promotion of human rights. Political dialogue could, however, come to encompass wider issues, such as the development of inter-American relations (through NAFTA in particular, but also the continent's leading player, the United States, with which the Union is developing a separate political dialogue), the accession of Chile and Mexico to APEC, and - in the case of Mexico - membership of the OECD too, and, lastly, environmental issues. This description of Latin America's role in the world gives some idea of the multiple opportunities for more productive political dialogue between the Union and Latin America on issues of concern to the entire international community (or in certain cases Latin America, the Union and the United States); none of this would be to the detriment of the institutionalized dialogues (San José, Rio Group) or dialogues with individual countries. Europe could be a driving force for Latin America's increasing involvement in the running of international affairs.

3.2 Room for progress on free trade and integration

These are crucial issues for the European Union's Latin American partners. The Union is backing the reinforcement of the subcontinent's trading, economic and technological capacities and providing institutional support for the region's integration process. It possesses a major comparative advantage over the world's other economic groupings in the shape of the matchless experience offered by Europe's move towards integration. There is strong demand in Latin America to learn from this experience.

The Union can also stress the fact that the capacity to confront tomorrow's challenges depends on **genuine integration** which, albeit based on free trade and the laws of the market, must be backed up by measures to guarantee social cohesion and sustainable development.

The agreements to be concluded with Latin America's various integration structures will be backed up by regional liberalization measures, in which the private sector will play a major role.

²¹ The total amount allocated for the title of these other actions in Latin American countries was 905 million ECU for the period 1990-1994

3.3 Better-targeted, more relevant, innovative and flexible cooperation

Cooperation (and in particular the quest for sustainable development) remains a cornerstone of the Union's strategy towards Latin America.

Besides the **budgetary constraints** that will inevitably limit the scope for increases in funding for cooperation with Latin America, there are three compelling reasons for **focusing new cooperation guidelines on a number of strategic priorities**. These are: the need to address Latin America's problems, the need to pursue the objectives and comply with the procedures laid down in the Union Treaty for cooperation with the developing countries,²² and the need to make cooperation more effective and give it a higher profile.

A new partnership should be established with the subcontinent in order to convert aid recipients increasingly into active partners. Given Latin America's problems and Europe's means, it is proposed that the Union's cooperation focus on **three specific priorities** in conjunction with **three issues** of mutual interest.

3.3.1 Priorities

These are a **common commitment to democracy, to social development and to international competitiveness**, which will be pursued by means of aid projects in the different countries.

Institutional support and consolidation of the democratic process

The aim is to make the democratic process irreversible by:

- consolidating the **rule of law** by increasing the efficiency and role of legislative, judicial, police and human rights institutions, and fostering good governance, including at local and municipal levels;
- **reforming government** and backing decentralization via the modernization of central and local government, tax reforms, the rationalization and efficiency of public services, the management of privatized services and vocational training programmes for the staff of state institutions;
- helping with the drafting of **sectoral policies** (on education, health and rural development for instance) through targeted projects aimed at making available the Union's experience in the matter; in the sphere of **rural development**, account should be taken of the changing macroeconomic situation and more attention given to institution building and mobilizing civil society and its know-how.

Combating poverty and social exclusion

Here the objective is to tackle the "**social deficit**" and bring the people concerned into the market economy. Combating marginality, social exclusion and extreme poverty should be the main spending priority for development aid in Latin America. Special aid programmes will be particularly necessary in the areas of **health, education and housing**. Using **integrated approaches conducive to sustainable development**, such activities could, along with Europe's traditional aid projects, be the object of complementary programmes involving suitable bodies recruited from civil society in Latin America and Europe. **Community cooperation** will thereby be **putting into practice the action programme adopted at the Copenhagen Social Summit in March**.

Economic development must also be harnessed to social progress, with workers' rights being guaranteed through the promotion of the relevant ILO conventions, and in particular those on the abolition of forced and child labour, on freedom of association, the right to organize, collective bargaining and non-discrimination.

Supporting economic reforms and improving international competitiveness

Mastering macroeconomic variables remains an imperative for Latin America, which is receiving help in this regard from the World Bank and the IMF. Community measures should help Latin American countries draw on the former's experience in such areas as competition and standards:

²² See Articles 130u and 130x of Title XVII "Development cooperation".

- There will be support for the **development of the private sector and economic cooperation in areas of mutual interest**, and for the promotion of **cooperation in the fields of industry, science and technology,**²³ and the **information society**. The Union will foster the development of **trade and investment** in both directions with a view to furthering the diversification and modernization of Latin America's economies and Europe's presence on the subcontinent's emerging markets. The Union will encourage these countries to take part in the development of the information society with a view to strengthening technological and industrial ties between the regions and tapping the opportunities offered by new markets to their mutual benefit.
- A **greater degree of synergy will be sought between industrial cooperation and cooperation on science and technology**. Latin America needs help to rationalize and coordinate universities' and public institutions' research programmes, to link scientific research more closely to private-sector technological development, and to train those running scientific and technological institutions. Cooperation in the field of science and technology can serve these objectives.
- **Industrial promotion and investment will be strengthened**. Rather than creating new instruments, the aim here would be to consolidate private-sector partnership programmes such as ECIP or AL-Invest, ensuring their continuity and improving their performance. Cooperation between universities would be more directly and actively coordinated with industrial cooperation by the establishment of closer contacts between those receiving bursaries and the private sector.
EIB lending should be **stepped up** in response to Latin America's massive infrastructure needs. An effort should be made to complement the operations of such international organizations as the IDB.
- In order to **promote foreign trade**, the Union must foster freer trade in both directions and offer Latin American products greater access to its market in order to promote the smooth integration of these countries into the world economy, as the Treaty proposes. There will be measures to promote trade and diversify exports and markets.

3.3.2 Horizontal themes

When pursuing these cooperation priorities, three horizontal themes should be emphasized: regional cooperation and integration, education and training and the management of the interdependence between North and South.

Support for regional cooperation and integration

As the vehicle for the expansion of markets within the broader framework of international liberalization, this will have to be reinforced. The results of operations in this sphere have been overwhelmingly positive. It is in the Union's interest to respond favourably to growing demand for cooperation in this field so as to strengthen and sustain the Latin American countries' efforts in their intraregional relations.

Education and training

All must be guaranteed equitable access to education, which is both a key factor in sustainable economic and social development and a cornerstone of any democratic society. Besides a number of specific projects in the spheres of rural development and democratization, in which education and training are vital components, the European Community has been conducting ALFA, a major programme of support for national higher education systems. Other schemes will, however, be needed in the fields of basic education, literacy, adult education, vocational training and technical education, with an emphasis on access to education for disadvantaged social groups and teacher training. In the area of science and technology, training through research is of paramount importance.

²³

This cooperation generates mutual benefits and should not just be limited to technology transfers.

Management of North-South interdependence

Operations relating to environmental, energy and drugs issues, which call for a long-term commitment, are essential for sustainable economic and social development.

The environment: Environmental considerations must be taken into account in all cooperation policies in accordance with Agenda 21 and a special effort made to conserve tropical forests, without neglecting the problems of industrial and urban pollution (transport, water supply, waste disposal etc.). European technologies could help solve the problems posed by urban and industrial pollution. In the 1991-95 guidelines, at least 10% of aid for the Latin American countries was earmarked for the financing and implementation of projects directly related to protecting the environment.

Energy: Latin America has huge energy potential and is up against considerable challenges in this field. Growth forecasts suggest that financing needs will be considerable. Through technology transfers the Union can contribute to more rational energy use and assist the development of renewable energy sources. It can also help with the drafting of energy policies and the restructuring of the energy sector, in particular through the ALURE programme.

Drugs: The granting of trade concessions by the Union helps countries concerned by the production, processing and trafficking of drugs to develop substitute crops. Financing for special development projects in the field should be increased. The ministerial dialogue continues between the Union and Latin America on cooperation in the judicial field. For that matter, the cooperation effecting the fight against drug trafficking should be reinforced.

Other issues relating to the management of North-South interdependence, such as **population, public health or transport**, may be explored. In the case of transport, for example, help could be provided with the restructuring and modernization of transport systems in Latin America and the removal of administrative, technical and other barriers to the movement of passengers and goods and access to the transport market (notably maritime). Additionally, special attention could be given to satellite navigation.

3.3.3 Suitable management methods

The European Union already possesses a wide range of options for handling the manifold needs generated by the sheer diversity of Latin America; these options should be focused on the key themes and priorities in order to achieve an optimal combination of existing resources and instruments (policy mix) and to improve bilateral aid programming, be it by country or by region. The strategic guidelines for each country will be regularly updated and sectoral guidelines systematically drawn up, setting out the most appropriate ways of dealing with the priorities and horizontal issues.

Need for more effective Community operations

Budgetary constraints demand that development programmes have a real impact. Their sustainability must be guaranteed by **actively involving the recipients at every stage and seeking complementarities or cofinancing** not only with the Latin American countries and the Member States but with international donors, and in particular the IDB. The coordination efforts and dialogue established in certain multilateral forums (OECD or UNCTAD) will be accorded all due interest.

Need for better coordination with the Member States

In line with Article 130u of the Treaty, joint efforts - in terms of coordination and the financing of activities with the Member States involving European operators and groupings - should significantly improve the quality of programmes and enable the resources available to be used to greater and more visible effect. There should also be a greater effort to promote the Community's achievements in the region and provide more information, especially at local level. The fact that the combined contributions of the Member States and the Commission make the Union the largest single donor to Latin America gives Europe a considerable edge in quantitative terms. The first thing to do is to **identify the priority fields for coordination**, which should be centred on the three main priorities and the three horizontal themes of common interest outlined above. **Measures should**

be taken at all levels to make operations conducted in the course of cooperation between Latin America and the Union more visible.

There is increasing convergence between the Member States' cooperation and that of the Community: making the most of limited resources, maintaining substantial traditional development aid to some countries and expanding economic, scientific and technological cooperation with other, more advanced countries, attaching increasing importance to democratization and human rights, the environment, women in development, indigenous minorities etc.

Decentralized cooperation

Civil society in the European Union and Latin America could come to play a more active role in the new partnership on offer. Decentralized cooperation should therefore be encouraged and defined within action programmes governed by clear operating guidelines (e.g. cofinancing). Many different agencies (e.g. town councils, regional administrations, firms, trade associations, universities and NGOs) would thereby be enabled to contribute actively to the process of development cooperation.

Concentration of operations within horizontal multiannual programmes

Though there will always be a need for free-standing projects and one-off operations, it would seem advisable, once the priorities and horizontal themes have been identified and the focal areas for aid targeted, to plan multiannual horizontal programmes with a broad multiplier effect, along the lines of those that have been carried out in the sphere of economic cooperation (ALFA, AL-Invest, ALURE), so giving the Union a higher profile without neglecting the South-South dimension.

3.4 Need for greater familiarity and understanding

Achieving greater familiarity and understanding is another area of common interest. There should be backing for activities that raise the profile of one region in the other, thus enhancing mutual understanding between the peoples of Europe and Latin America. It is to be regretted that many Latin Americans still have a biased view of Europe, in which the notion of a protectionist continent prevail, just as some circles in Europe have an often inaccurate or stereotypical idea of the subcontinent, showing little or no understanding of the rapid changes of recent years.

The new partnership proposed in this paper demands that the European Union and Latin America get to know each other better in order to improve their mutual understanding, dialogue and cooperation.

Though Europe is known and recognized as a partner in Latin America, notably through its Member States, much remains to be done to raise the profile of relations and, above all, cooperation between the regions. There should be an emphasis not only on increasing the flow of information, but above all on stepping up the involvement of civil society in cooperation programmes. To do so, development agents should be made more aware of the need to step up cooperation between the Union and Latin America and of the part they can play in order to breathe new life into the long-standing relationship between the two regions, making it an active and genuine partnership.

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ANNEX I.1 : LATIN AMERICA - KEY DATA

| KEY DATA LOCALISATION | POPULATION in millions of inhabitants | GDP per capita in US \$ | AVERAGE ANNUAL GROWTH RATE AS % | | TOTAL EXTERNAL DEBT (compared to GDP) as % | | Service of Debt as a % of Exports | | RATE OF INFLATION (Annual Average) | |
|--------------------------|---|----------------------------------|------------------------------------|-------------|--|------------------|--------------------------------------|--------|---------------------------------------|-----------------------|
| | (1993) (W.B.) | (1994) (IDB) | 1970 à 1980 | 1980 à 1993 | (1990) (W.B.) | (1993) (W.B.) | (1980) | (1993) | (1970-1980) (W.B.) | (1980-1993) (W.B.) |
| MEXICO | 90,0 | 2.284,0 | 6,3 | 1,6 | 40,0 | 32,8 | 48,1 | 31,5 | 18,1 | 57,9 |
| CENTRAL AMERICA | | | | | | | | | | |
| Costa-Rica | 3,3 | 1.860,0 | 3,6 | 2,5 | 59,9 | 48,1 | 29,1 | 18,1 | 15,3 | 22,1 |
| El Salvador | 5,5 | 1.186,0 | 4,2 | 1,6 | 28,4 | 21,0 | 7,5 | 14,9 | 10,7 | 17,0 |
| Guatemala | 10,0 | 950,0 | 5,8 | 1,7 | 35,2 | 22,4 | 7,7 | 13,2 | 10,5 | 16,8 |
| Honduras | 5,3 | 788,0 | 5,8 | 2,9 | 104,7 | 101,2 | 21,4 | 31,5 | 8,1 | 8,2 |
| Nicaragua | 4,1 | 502,0 | 1,2 | -1,8 | 741,6 | 695,4 | 22,3 | 29,1 | 12,6 | 644,6 |
| Panama | 2,5 | 2.419,0 | 1,3 | 1,8 | 136,9 | 101,6 | 6,3 | 3,1 | 7,7 | 2,1 |
| ANDIEN / CARIBE | | | | | | | | | | |
| Bolivia | 7,1 | 1.033,0 | 4,5 | 1,1 | 67,8 | 61,9 | 35,0 | 59,4 | 21,1 | 187,1 |
| Colombia | 35,7 | 1.598,0 | 5,4 | 3,7 | 44,4 | 32,3 | 16,0 | 29,4 | 22,3 | 24,9 |
| Ecuador | 11,0 | 1.347,0 | 9,5 | 2,4 | 118,3 | 98,8 | 33,9 | 25,7 | 13,8 | 46,4 |
| Peru | 22,9 | 1.496,0 | 3,5 | -0,5 | 64,0 | 46,1 | n.d | n.d | 30,1 | 316,1 |
| Venezuela | 20,9 | 3.482,0 | 3,5 | 2,1 | 62,7 | 62,6 | 27,2 | 22,8 | 14,0 | 23,9 |
| MERCO-SUR | | | | | | | | | | |
| Argentina | 33,8 | 4.747,0 | 2,5 | 0,8 | 45,6 | 28,6 | 37,3 | 46,0 | 134,2 | 374,3 |
| Brasil | 156,5 | 2.120,0 | 8,1 | 2,1 | 23,7 | 26,3 | 63,1 | 24,4 | 38,6 | 423,4 |
| Paraguay | 4,7 | 1.573,0 | 8,5 | 2,8 | 36,8 | 20,4 | 44,5 | 58,7 | 12,7 | 25,0 |
| Uruguay | 3,1 | 3.168,0 | 3,1 | 1,3 | 54,2 | 54,3 | 18,6 | 14,9 | 63,7 | 66,7 |
| CHILI | 13,8 | 3.130,0 | 1,8 | 5,1 | 64,1 | 44,7 | 43,1 | 23,4 | 186,2 | 20,1 |
| CUBA | 10,8 | | | | | | | | | |
| TOTAL | 441,0 | | | | | | | | | |

Sources : The World Bank Atlas -94-

BID/Rapport Annuel 94 (pour indicateurs de 94)

BID/Progreso Economico y social en AL - Informe 94 (pour ind. de 93)

CEPAL/Balance preliminar de la economia de AL y el Caribe - 94-

World Development Report -95-

**ANNEX I.2
HEALTH IN LATIN AMERICA**

| | 1970 | 1993 | 1970 | 1993 | 1993 | 1993 |
|-------------|------|------|------|------|------|------|
| Argentina | 530 | - | 52 | 24 | 27 | 72 |
| Bolivia | 1970 | - | 153 | 73 | 114 | 60 |
| Brasil | 2030 | - | 95 | 57 | 63 | 67 |
| Colombia | 2260 | - | 77 | 36 | 44 | 70 |
| Costa Rica | 1620 | - | 59 | 14 | 16 | 76 |
| Chili | 2160 | 2150 | 77 | 16 | 17 | 74 |
| Cuba | - | - | - | - | - | 76 |
| Ecuador | 2870 | 960 | 100 | 49 | 57 | 69 |
| El Salvador | 4100 | - | 103 | 45 | 60 | 67 |
| Guatemala | 3660 | - | 100 | 46 | 73 | 65 |
| Honduras | 3720 | 2330 | 110 | 41 | 56 | 68 |
| Mexico | 1480 | - | 72 | 35 | 43 | 71 |
| Nicaragua | 2150 | 1490 | 106 | 51 | 72 | 67 |
| Panama | 1630 | - | 47 | 24 | 28 | 73 |
| Paraguay | 2300 | 1260 | 57 | 37 | 46 | 70 |
| Peru | 1920 | 940 | 116 | 63 | 92 | 66 |
| Uruguay | 910 | - | 46 | 19 | 21 | 73 |
| Venezuela | 1130 | 640 | 53 | 23 | 24 | 72 |

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**ANNEX I.3
EDUCATION IN LATIN AMERICA**

| Country | Percentage of age group enrolled in education | | | | | | | | | | Number of pupils per teacher in primary education | | Adult illiteracy (as %) | |
|-------------|---|------|----------|------|-----------|------|----------|------|----------|------|---|------|-------------------------|------|
| | PRIMARY | | | | SECONDARY | | | | TERTIARY | | 1970 | 1992 | 1990 | 1990 |
| | Total | | Feminine | | Total | | Feminine | | Total | | | | | |
| 1970 | 1992 | 1970 | 1992 | 1970 | 1992 | 1970 | 1992 | 1970 | 1992 | 1970 | 1992 | 1990 | 1990 | |
| Argentina | 105 | 107 | 106 | 114 | 44 | - | 47 | - | 22 | 43 | 19 | - | 11 | 7 |
| Bolivia | 76 | 85 | 62 | 81 | 24 | 34 | 20 | 31 | 13 | 23 | 27 | 25 | 29 | 23 |
| Brasil | 82 | 106 | 82 | - | 26 | 39 | 26 | - | 12 | 12 | 28 | 23 | 20 | 19 |
| Colombia | 108 | 117 | 110 | 117 | 25 | 55 | 24 | 6 | 10 | 15 | 38 | 28 | 14 | 13 |
| Costa Rica | 110 | 105 | 109 | 104 | 28 | 43 | 29 | 45 | 23 | 28 | 30 | 32 | 7 | 7 |
| Chili | 107 | 96 | 107 | 95 | 39 | 72 | 42 | 75 | 13 | 23 | 50 | 25 | 7 | 7 |
| Cuba | - | - | - | - | - | - | - | - | - | - | - | - | 7 | 6 |
| Ecuador | 97 | - | 95 | - | 22 | - | 23 | - | 37 | 20 | 37 | - | 16 | 14 |
| El Salvador | 85 | 78 | 83 | 79 | 22 | 25 | 21 | 27 | 4 | 16 | 37 | 44 | 30 | 27 |
| Guatemala | 57 | 79 | 51 | 73 | 8 | 28 | 8 | - | 8 | - | 36 | 34 | 53 | 45 |
| Honduras | 87 | 105 | 87 | 107 | 14 | 19 | 13 | 34 | 8 | 9 | 35 | 38 | 29 | 27 |
| Mexico | 104 | 113 | 101 | 111 | 22 | 55 | 17 | 55 | 14 | 14 | 46 | 30 | 15 | 13 |
| Nicaragua | 80 | 102 | 81 | 104 | 18 | 44 | 17 | 46 | 14 | 10 | 37 | 37 | - | - |
| Panama | 99 | 106 | 97 | 105 | 38 | 60 | 40 | - | 22 | 24 | 27 | 23 | 12 | 12 |
| Paraguay | 109 | 110 | 103 | 109 | 17 | 30 | 17 | 31 | 9 | 8 | 32 | 23 | 12 | 10 |
| Peru | 107 | 119 | 99 | - | 31 | 30 | 27 | - | 19 | 39 | 35 | - | 21 | 15 |
| Uruguay | 112 | 108 | 109 | 107 | 59 | 84 | 64 | - | 18 | 32 | 24 | 21 | 4 | 4 |
| Venezuela | 94 | 99 | 94 | 100 | 33 | 34 | 34 | 40 | 21 | 30 | 35 | 23 | 17 | 8 |

Source : Rapport sur le développement mondial -1995- Banque Mondiale

Annex II
EU-Latin America Institutional relations
(ongoing institutional ties)

| | 70/90 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|--|---|---|---|---|-------------------------------------|
| (1) MINISTERIAL DIALOGUES | | | | | | |
| San José Central America | 1984 Seven meetings: | San José VII, Managua | San José VIII, Lisbon | San José IX, San Salvador | San José X, Athens | San José XI, Panama |
| Rio Group | 1990 Rome Rome declaration | Luxembourg, 1st ministerial meeting | Santiago 2nd ministerial meeting | Copenhagen, third ministerial meeting | São Paulo 4th ministerial meeting | Paris 5th ministerial meeting |
| (2) COOPERATION AGREEMENTS | | | | | | |
| Chile | 1990 framework coop. agreement | | | | | |
| Argentina | 1990 framework commercial and economic agreement | | | | Framework agreement on fisheries | |
| Paraguay | | | framework cooperation agreement | | | |
| Uruguay | 1973 Trade agreement | framework cooperation agreement | | | | |
| Brazil | 1980 framework coop. agreement | | framework cooperation agreement | | | |
| Andean Pact | 1983 Cartagena agreement 1987 Entry into force of cooperation agreement Cartagena agreement | | | framework cooperation agreement | | |
| Central America (Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, Panama) | 1984 San José, dialogue gets under way 1985 coop. agreement | | | framework cooperation agreement | | |
| Mexico | 1975 coop. agreement | framework cooperation agreement | | | | |
| Mercosur | | | Inter-institutional cooperation agreement | | | |
| (3) INTER-PARLIAMENTARY EUROPEAN PARLIAMENT/ PARLATINO MEETINGS | 1974 Bogota 1975 Luxembourg 1977 Mexico City 1979 Rome 1981 Bogota 1983 Brussels 1985 Brasilia 1987 Lisbon 1989 San José | Seville | | São Paulo | | Brussels |

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ANNEX III.1 : TRADE BETWEEN THE EU AND LATIN AMERICA

| DESTINATION OF LATIN AMERICAN EXPORTS | | | | | | | |
|---------------------------------------|------|-----|-----|--|------|-----|-----|
| | 1980 | | | | 1992 | | |
| | 1st | 2nd | 3rd | | 1st | 2nd | 3rd |
| Brasil | EU | LA | USA | | EU | LA | USA |
| Panama | USA | LA | EU | | EU | USA | LA |
| Chili | UE | LA | USA | | EU | LA | USA |
| Peru | USA | EU | LA | | EU | USA | LA |
| Colombia | EU | USA | LA | | USA | EU | LA |
| Ecuador | USA | LA | EU | | USA | LA | EU |
| Mexico | USA | EU | LA | | USA | EU | LA |
| Venezuela | USA | EU | LA | | USA | LA | EU |
| Costa Rica | USA | LA | EU | | USA | EU | LA |
| El Salvador | LA | USA | UE | | USA | AL | UE |
| Honduras | USA | EU | LA | | USA | EU | LA |
| Guatemala | LA | USA | EU | | LA | USA | EU |
| Nicaragua | USA | EU | LA | | LA | USA | EU |
| Bolivia | LA | USA | EU | | LA | EU | USA |
| Paraguay | LA | EU | USA | | LA | EU | USA |
| Uruguay | LA | EU | USA | | LA | EU | USA |
| Argentina | EU | LA | USA | | LA | EU | USA |

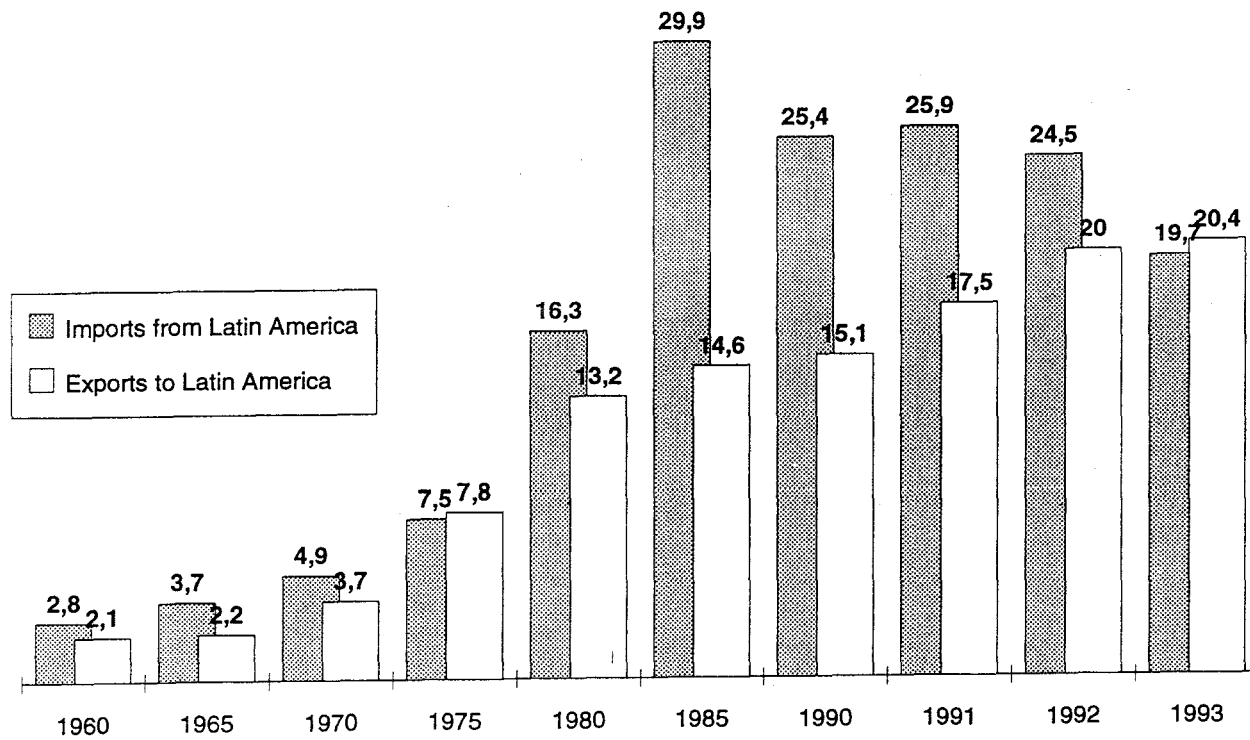
Source : CONTRADE.

| SOURCE OF LATIN AMERICAN IMPORTS | | | | | | | |
|----------------------------------|------|-----|-----|--|------|-----|-----|
| | 1980 | | | | 1992 | | |
| | 1st | 2nd | 3rd | | 1st | 2nd | 3rd |
| Brasil | USA | EU | LA | | USA | EU | LA |
| Colombia | USA | EU | LA | | USA | LA | EU |
| Ecuador | USA | EU | LA | | USA | EU | LA |
| Mexico | USA | EU | LA | | USA | EU | LA |
| Venezuela | USA | EU | LA | | USA | EU | LA |
| Costa Rica | USA | AL | UE | | USA | AL | UE |
| El Salvador | LA | USA | EU | | USA | LA | EU |
| Honduras | USA | LA | EU | | USA | LA | EU |
| Panama | USA | LA | EU | | USA | LA | EU |
| Guatemala | USA | LA | EU | | USA | LA | EU |
| Nicaragua | AL | USA | UE | | AL | USA | UE |
| Bolivia | AL | USA | UE | | AL | USA | UE |
| Chili | AL | USA | UE | | AL | UE | USA |
| Paraguay | AL | UE | USA | | AL | UE | USA |
| Perou | USA | UE | AL | | AL | USA | UE |
| Uruguay | AL | UE | US | | AL | UE | USA |
| Argentine | UE | USA | AL | | AL | UE | USA |

Source : COMTRADE.

ANNEX III.2
TRADE: EU AND LATIN AMERICA (in billions of ECUs)

24



1960 2000 77960 76821 30000
 1970 2000 10000 20000 20000

ANNEX III.3
DEVELOPMENT OF TRADE BY SECTOR BETWEEN THE EU AND THE PRINCIPAL REGIONAL LATIN AMERICAN GROUPINGS
(in millions of ECU)

| REGIONS | SECTORS | EUROPEAN UNION (1) | | | |
|-----------------|--|--------------------|--------|--------|--------|
| | | 1985 | 1990 | 1993 | 1994 |
| Latin America | Food products, drink and tobacco | 11.285 | 9.995 | 10.729 | |
| | Raw materials, fuel, oils, fats and waxes | 14.746 | 8.405 | 6.751 | |
| | Industrial products | 118.364 | 21.407 | 27.536 | |
| | Others | 1.480 | 1.462 | 1.207 | |
| | Overall trade | 45.875 | 41.270 | 46.223 | 56.352 |
| Mercosur | Food products, drink and tobacco | 7.028 | 5.438 | 5.781 | |
| | Raw materials, fuels, oils, fats and waxes | 4.573 | 3.902 | 3.230 | |
| | Industrial products | 6.694 | 9.041 | 11.968 | |
| | Others | 602 | 577 | 386 | |
| | Overall trade | 18.897 | 18.959 | 21.365 | 27.692 |
| Andean Pact | Food products, drink and tobacco | 1.999 | 1.557 | 2.032 | |
| | Raw materials, fuel, oils, fats and waxes | 4.665 | 2.098 | 1.735 | |
| | Industrial products | 4.319 | 3.687 | 4.472 | |
| | Others | 417 | 414 | 376 | |
| | Overall trade | 11.400 | 7.756 | 8.614 | 10.011 |
| Central America | Food products, drink and tobacco | 1.227 | 1.212 | 1.154 | |
| | Raw materials, fuel, oils, fats and waxes | 274 | 180 | 177 | |
| | Industrial products | 1.696 | 1.174 | 1.603 | |
| | Others | 70 | 41 | 36 | |
| | Overall trade | 3.267 | 2.607 | 2.970 | 2.438 |
| Mexico | Food products, drink and tobacco | 215 | 692 | 583 | |
| | Raw materials, fuels, oils, fats and waxes | 4.635 | 1.632 | 1.018 | |
| | Industrial products | 2.883 | 4.366 | 6.423 | |
| | Others | 208 | 136 | 188 | |
| | Overall trade | 7.941 | 6.826 | 8.212 | 9.385 |
| Chili | Food products, drink and tobacco | 396 | 730 | 639 | |
| | Raw materials, fuel, oils, fats and waxes | 380 | 476 | 528 | |
| | Industrial products | 1.679 | 2.402 | 2.477 | |
| | Others | 84 | 167 | 117 | |
| | Overall trade | 2.540 | 3.776 | 3.761 | 4.319 |

(1) European Union of 12

Sources : IRELA, COMEXT-DATABASE, Bruxelles-Luxembourg; IRELA

ANNEX IV.1

LATIN AMERICA'S SHARE IN INTERNATIONAL INVESTMENT FLOWS

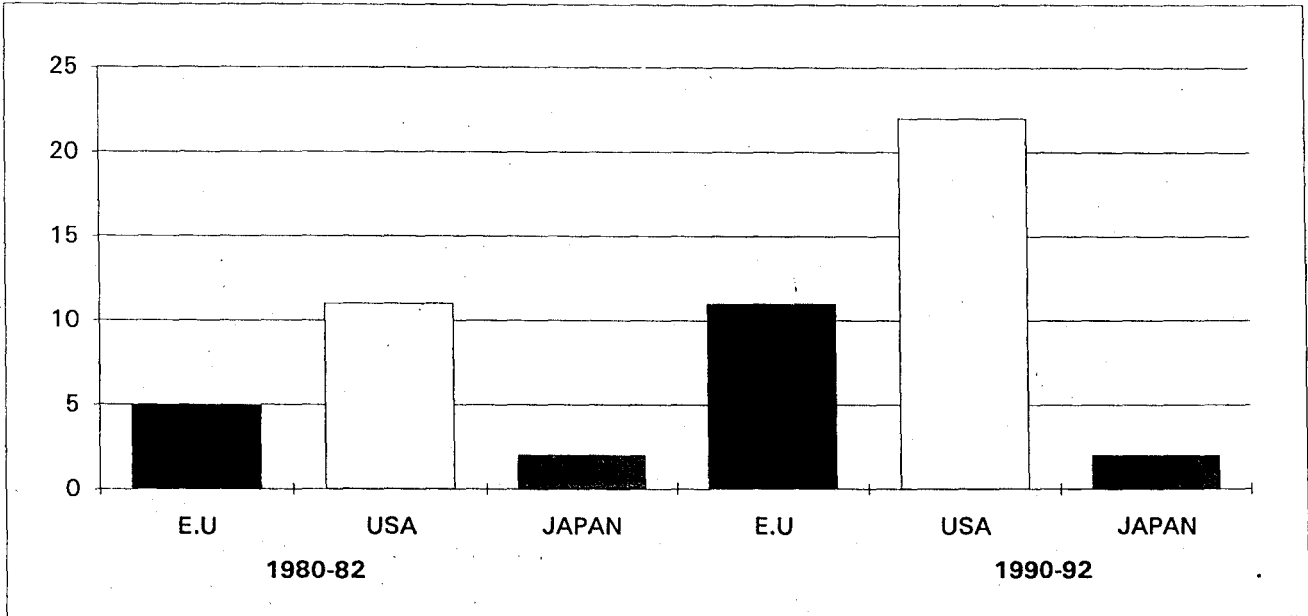
| | 1976-80 | 1981-85 | 1986-90 | 1991 | 1992 | 1993 |
|--|---------|---------|---------|-------|-------|-------|
| Net flow in Billions of US dollars (annual average) | | | | | | |
| Flow of FDI | 39,5 | 43 | 162,8 | 184,5 | 173,5 | 173,4 |
| All developing countries | 5,7 | 15,3 | 14,6 | 30,4 | 39,9 | 53,4 |
| Asia | 2 | 3,8 | 5,9 | 14 | 19,8 | 28,5 |
| Latin America | 3,5 | 4,5 | 5,2 | 10,1 | 13,5 | 17 |
| Eastern Europe | 0 | 0 | 0,2 | 2,5 | 3,4 | 5 |

| Latin America's share in global direct foreign investment | | | | | | |
|---|---------|---------|---------|------|------|------|
| | 1976-80 | 1981-85 | 1986-90 | 1991 | 1992 | 1993 |
| | 8,9 | 10,5 | 3,2 | 5,5 | 7,8 | 9,8 |
| Latin America's share in net flow to all developing countries. | | | | | | |
| | 61,4 | 29,4 | 35,6 | 33,2 | 33,8 | 31,8 |

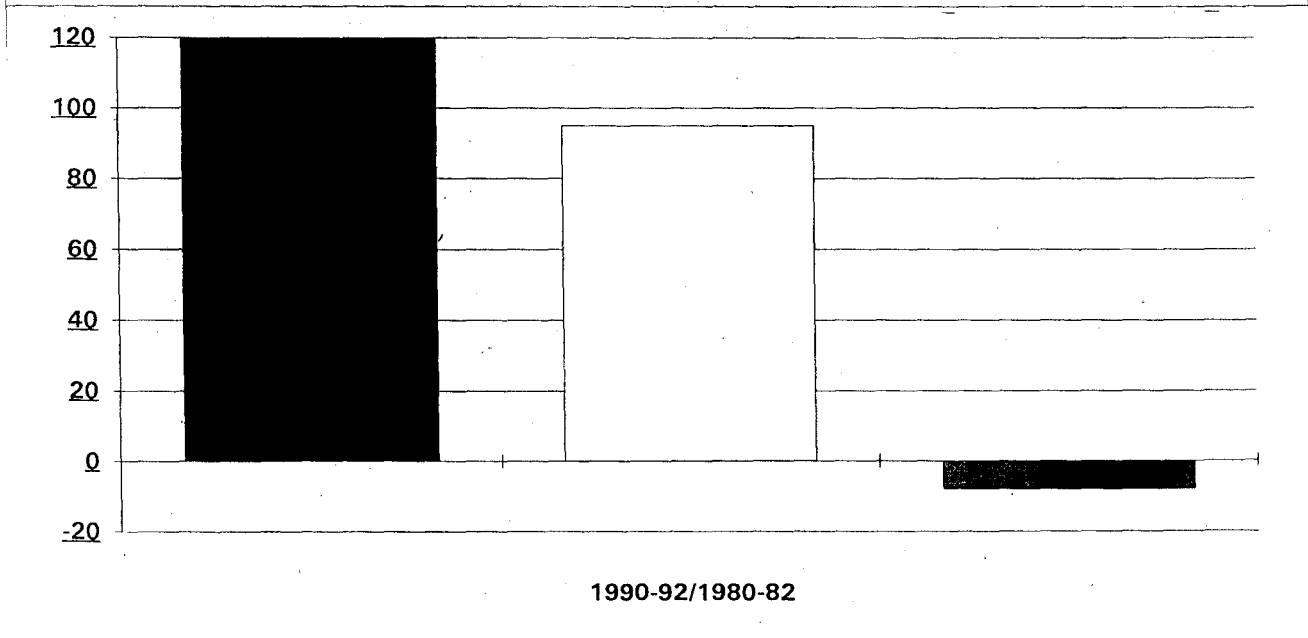
Source : Bureau des Réglements Internationaux.

ANNEX IV.2

DIRECT FOREIGN INVESTMENT FLOWS TO LATIN AMERICA AND THE CARIBBEAN IN MILLIARDS OF US \$



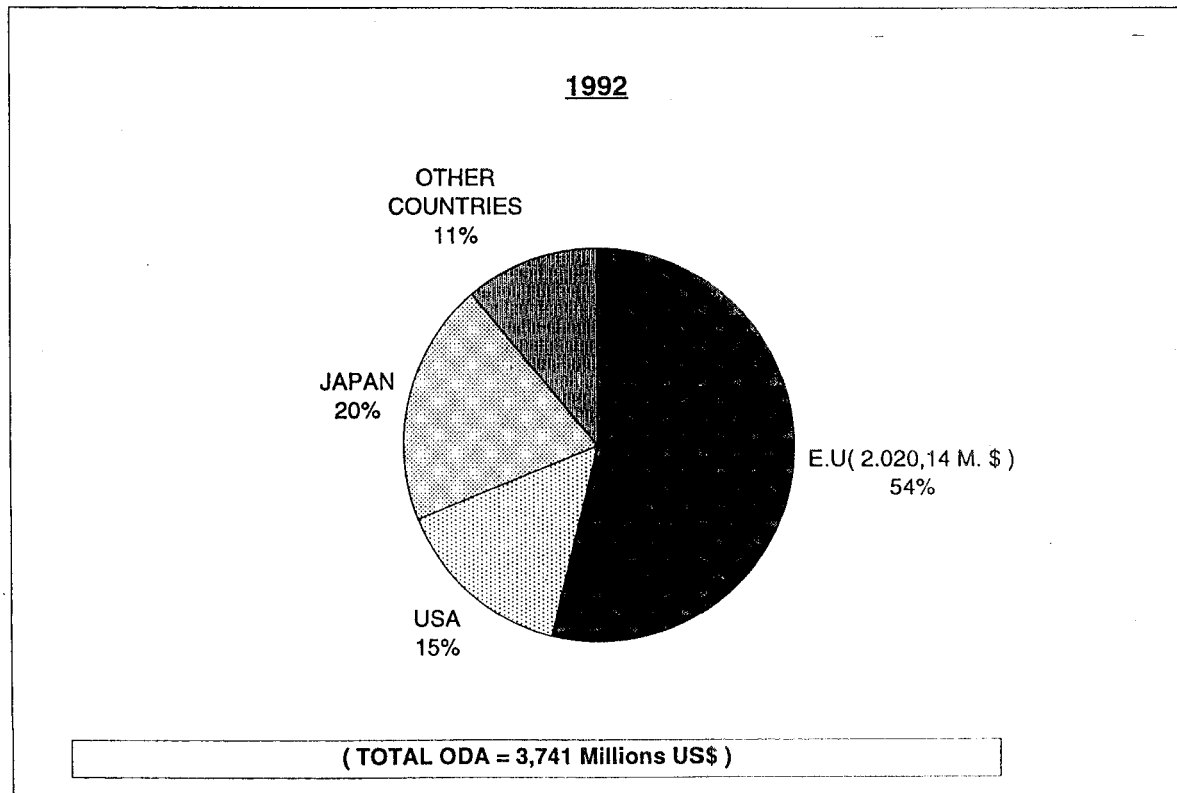
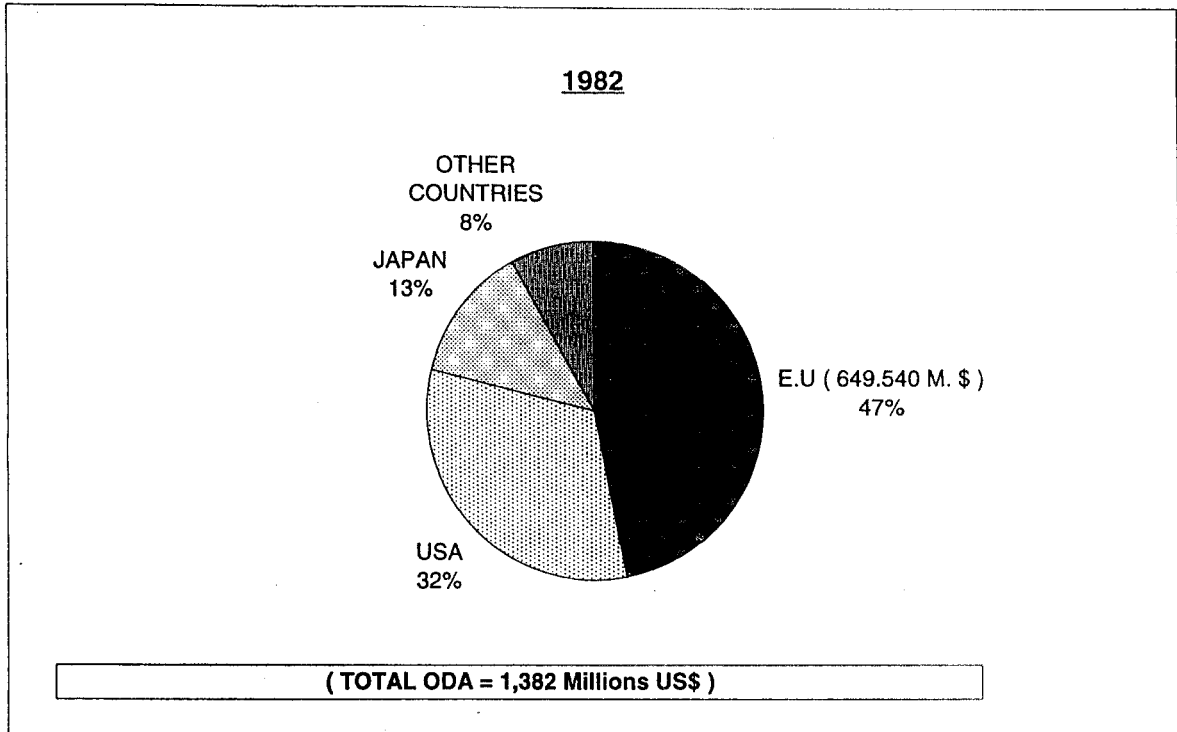
GROWTH RATE (%)



Note: Includes FDI flows to offshore centres, which do not allow the true country of origin and destination to be determined. Therefore FDI data should be used with caution.

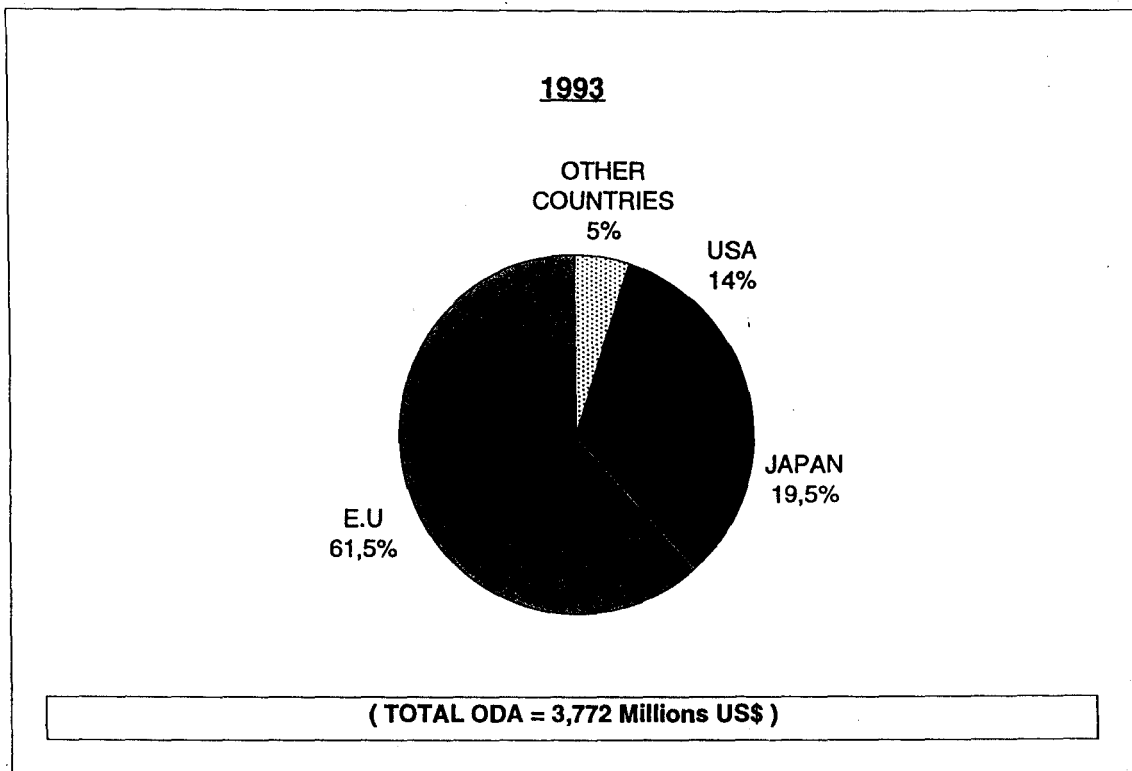
Source: IRELA, OECD and EU member states

EU PARTICIPATION IN OFFICIAL DEVELOPMENT ASSISTANCE RECEIVED BY LATIN AMERICA
(based on bilateral ODA, net disbursements)



ANNEX IV.3(cont.)

EU PARTICIPATION IN OFFICIAL DEVELOPMENT ASSISTANCE RECEIVED BY LATIN AMERICA
(based on bilateral ODA, net disbursements)



Source : Calculs à partir des données de l'IRELA (sur base des données OCDE/CAD)

ANNEX V.1

EC DEVELOPMENT COOPERATION IN LATIN AMERICA

Distribution by sub-regions and periods (commitments in millions of ECU)

| | 1976-83 | 1984-89 | 1990-93 |
|------------------|--------------|---------------|-------------|
| Central America | 154,2 | 447,8 | 478,1 |
| Andean countries | 113,1 | 361,9 | 429,2 |
| Mercosur | 10,6 | 63,5 | 175,5 |
| Others | 12,8 | 112,2 | 164,5 |
| LA region | 24,1 | 37,4 | 106,7 |
| TOTAL LA | 314,8 | 1022,8 | 1354 |

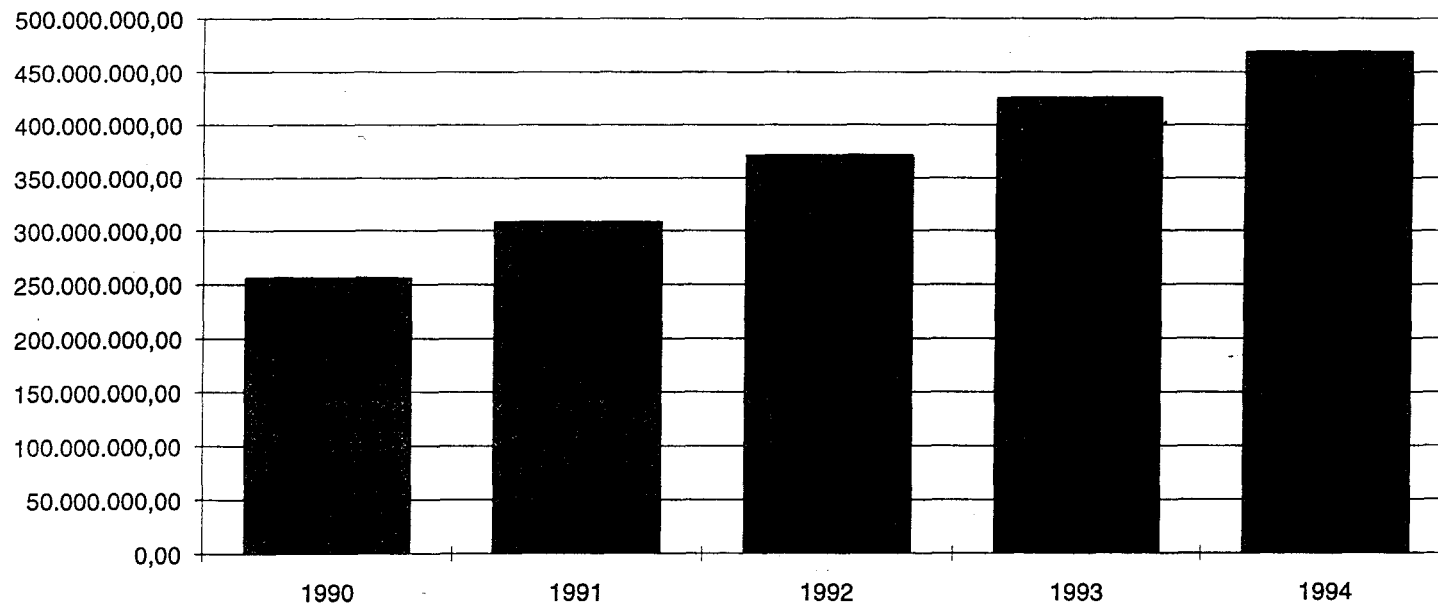
Average annual flow by sub-region and periods (in millions of ECU)

| | 1976-83 | 1984-89 | 1990-93 |
|------------------|-------------|--------------|--------------|
| Central America | 19,3 | 74,7 | 119,5 |
| Andean countries | 14,1 | 60,3 | 107,3 |
| Mercosur | 1,3 | 10,6 | 43,9 |
| Others | 1,6 | 18,7 | 41,1 |
| LA region | 3 | 6,2 | 26,7 |
| TOTAL LA | 39,3 | 170,5 | 338,5 |

Source: Commission européenne, toutes formes d'aides avec les PVD d'Amérique latine et d'Asie. Annexe statistique du 17ème Rapport annuel. Bruxelles, le 20 octobre 1994

ANNEX V.2

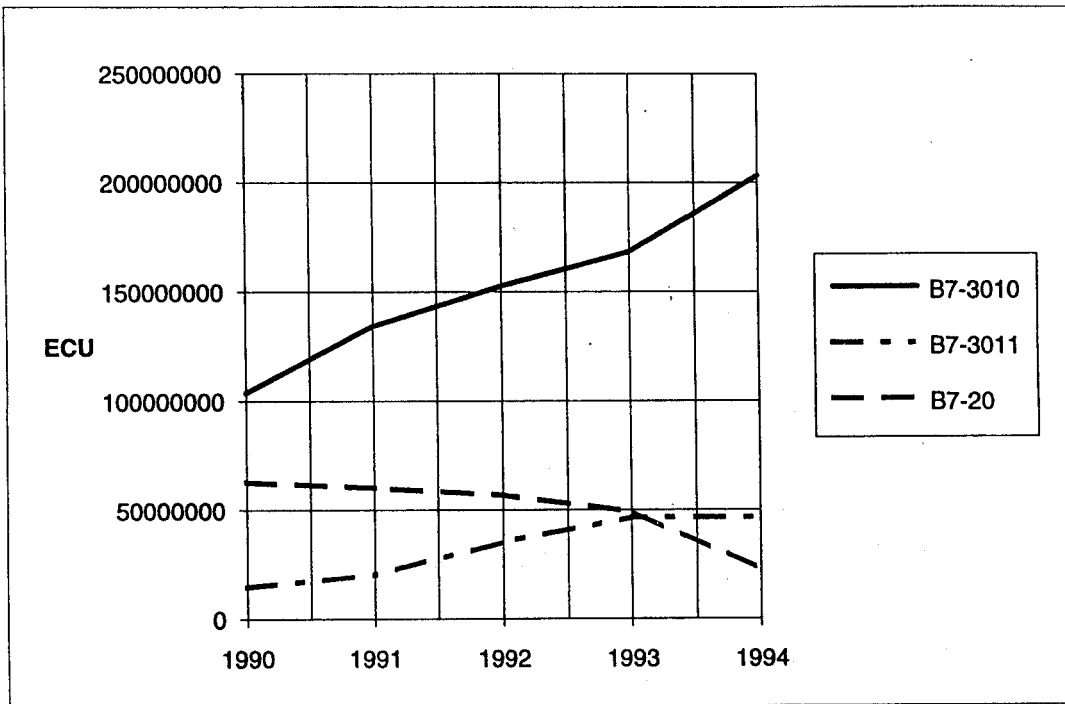
FINANCIAL COMMITMENTS FOR ALL BUDGETARY LINES IN FAVOUR OF LATIN AMERICA (1990 - 1994)



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ANNEX V.3

**FINANCIAL COMMITMENTS FOR LATIN AMERICA (1990-1994): EVOLUTION OF
THREE SPECIFIC BUDGET LINES**



B7-3010: Financial and Technical Cooperation
B7-3011: Economic Cooperation
B7-20: Food Aid

ANNEX VI
COOPERATION BETWEEN THE EUROPEAN COMMUNITY AND LATIN AMERICA
FROM 1996 TO 2000. PRIORITY AXIS AND THEMES PROPOSED: BUDGETARY
LINES AVAILABLE

| THEMES AXIS | REGIONAL INTEGRATION | EDUCATION AND TRAINING | MANAGEMENT OF NORTH/SOUTH |
|---|-------------------------|---------------------------|-------------------------------|
| INSTITUTIONAL SUPPORT | B7-5230 B7-5020 | B7-5076 | B7-5041 B7-5040 B7-5080 |
| COMBAT AGAINST POVERTY AND SOCIAL EXCLUSION | B7-3010 B7-3020 | B6-8200 | B6-6224 |
| SUPPORT FOR ECONOMIC REFORMS AND IMPROVEMENT OF INTERNATIONAL COMPETITIVENESS | B7-3011 B4-1041 | | |

- | | |
|---------|--|
| B7-3010 | Technical and financial cooperation |
| B7-3011 | Economic Cooperation |
| B7-3020 | Support to Refugees |
| B4-1041 | Energy |
| B7-5020 | Cooperation Agreements |
| B7-5040 | Ecology in developing countries |
| B7-5041 | Tropical Forests |
| B7-5076 | Rehabilitation |
| B7-5080 | Fight against drugs |
| B7-5230 | Democratization and human rights |
| B6-6224 | Science and Technology for development |
| B6-8200 | Scientific cooperation |