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Annex to the

**Communication from the Commission to the Council and the European Parliament
“A stronger partnership between the European Union and Latin America”**

***Strategy for a stronger partnership between the European Union and Latin America:
detailed presentation***

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Introduction

In a world filled with new threats and opportunities, the European Union, as an actor on the world stage, needs to consolidate relations with its closest partners. One of these is Latin America, with which we share a common commitment to human rights, democracy and multilateralism. Europe needs all its friends in order to assert these common values. Few regions in the world offer so many reasons to build a genuine alliance. The EU and Latin America share a common history and culture, and are thus better placed to understand each other than other regions, boosting their potential for joint action considerably. Being close allies on the international scene is therefore in their mutual interest.

For that reason the Commission intends to use this document to strengthen the partnership between the EU and Latin America, and renew the strategy that has been followed for the past decade. Relations have developed considerably since the 1995 communication on the general policy regarding relations between the two regions.¹

The EU, which now has a common currency and 25 members, has become the largest foreign investor in Latin America. It is the largest donor for the region, and the primary trading partner for many countries there, especially the members of Mercosur. Political dialogue has been strengthened through three EU-Latin America/Caribbean Summits (Rio in 1999, Madrid in 2002 and Guadalajara in 2004). This communication will also serve as a basis for preparing the next EU-Latin America/Caribbean Summit to be held in Vienna in May 2006.

For their part, most Latin American countries have adopted democratic systems and set about ambitious economic and social reforms. The region boasts enormous potential for development and plays a growing role on the international scene. But it faces major challenges, as evidenced by the recent UN report on the Millennium Development Goals,² and there are destabilising factors that could ultimately affect the biregional partnership.

The EU could draw on its experience to help strengthen stability and security and bring sustainable development to Latin America. A new programming period for Community aid is about to begin and should allow considerable funds to be committed to the region (Financial Perspectives 2007-2013), while the next EU-Latin America/Caribbean Summit is to be held in Vienna in May 2006. The future association agreements with the subregions (Mercosur, the Andean Community and Central America) and the economic partnership agreement with the Caribbean will mark the end of a cycle. Through its outermost regions, the EU has a presence in this geographical area in and it is important to take advantage of this to improve their cooperation with Latin America and the Caribbean, in particular through better coordination of the financial instruments. New developments in the process of integration between Central and South America also need to be borne in mind. It is therefore important to map out the options for the future.

¹ Association Agreements have been concluded with Mexico (1997) and Chile (2002). An Association Agreement is currently being negotiated with Mercosur. Political Dialogue and Cooperation Agreements were concluded with the Andean Community and Central America in 2003. A period of evaluation began in May 2004 with a view to opening negotiations on Association Agreements with both regions.

² ECLAC, "Millennium Development Goals in Latin America and the Caribbean", June 2005.

The Commission wishes to send a positive signal indicating that Europe is interested in the region. There would appear to be an erroneous perception that the EU is too absorbed by its own enlargement, its immediate neighbours or problems elsewhere in the world. This perception also raises the issue of the visibility of the EU on the ground, given the complexity of its structures and its means of action. The Commission wishes to reaffirm that the association with Latin America is not merely a matter of fact but is also vital for the interests of both regions, for both the present and the future. However, if Europe is ready to commit itself further to Latin America, it also expects a firm commitment in return.

I. PARTNERSHIP

At the Rio Summit, the EU and Latin America pledged to set up a biregional strategic partnership with a view to forging strong links in the political, economic and cultural spheres.

This alliance also concerns the countries of the Caribbean, with which the EU has had a long-standing relationship under the Lomé and Cotonou agreements in the areas of development cooperation and trade. The Caribbean countries have special ties with Central and South America, owing to their geographical proximity, and have signed a number of agreements.³ The Commission will accordingly be adopting a communication on this issue early in 2006.

The ever stronger ties with Asia, and China in particular, the growing influence of Brazil and Mexico, the region's wealth in terms of human resources and raw materials and the increasing importance of Latin America's role in supplying the EU with agricultural products are just some of the reasons for strengthening the partnership. According to ECLAC (the UN's Economic Committee for Latin America), 2005 will see 4.3% growth in Latin America and approximately 2.5% in the Caribbean. GDP per capita in the region is EUR 2 800, i.e. three times more than China's for a population of 430 million. It is therefore a market of significant potential for the EU. It is expanding and offers numerous opportunities for new technologies.

On the economic front, Europe is a key trading partner for Latin American economic and industrial development and is set to play a major role in science and technology. Latin America's political weight on the international stage is growing. The EU is a strong partner which can help it consolidate its position within the multilateral system. Europe can offer an extra dimension to the close links the region enjoys with North America.

In the cultural sphere, the two regions share common points of reference. Stepping up dialogue and joint activities in this area should facilitate better mutual understanding. This approach might also encourage the development of the cultural industries of the two regions, both in the traditional sectors and in the area of new information and communication technologies.

The Commission proposes to **give a fresh impetus to the partnership** which currently faces a number of challenges. Its objective for the coming years is to:

- establish an enhanced strategic partnership through a network of association agreements (including free trade agreements) involving all the countries of the region and liable to contribute to the integration of the region as a whole;

³ Note in particular the Association of Caribbean States (ACS), Cariforum, Caricom's membership of the Rio Group and participation in the EU-LAC process.

- have genuine political dialogues which increase the influence of both regions on the international scene;
- develop effective sectoral dialogues (e.g. on social cohesion or the environment) with a view to the sustainable reduction of inequalities and promoting sustainable development;
- contribute to the development of a stable and predictable framework to help the Latin American countries attract more European investment, which will eventually contribute to economic development;
- tailor aid and cooperation more to the needs of the countries concerned;
- increase mutual understanding through education and culture.

This policy requires the ongoing commitment of both parties and a steady effort.

II. CHALLENGES

The course of action taken by the EU must be tailored to the **new realities in Latin America**:

- The integration processes which frame our relations are evolving, as demonstrated by the recent creation of the South American Community of Nations.
- These processes are far from complete and progress varies from one region to the next.
- Each country in the region is however pursuing its own foreign policy objectives at regional and international level.
- There are some major players, i.e. Brazil and Mexico, which deserve special treatment because of their important role in regional affairs.

II.1 Two world players joining forces

One key aspect of the partnership between the EU and Latin America is the willingness to coordinate on issues of common interest, particularly in the UN framework. An effective, high quality dialogue is essential to defend and promote the values shared by the two regions. By launching the biregional strategic partnership the two regions have committed themselves firmly on the path to multilateralism (Kyoto Protocol, International Criminal Court, combating the death penalty, etc.). This is a vital factor in key issues for global governance as was once again underlined at the Guadalajara Summit. But it is clear that the actual role of the two regions on the international scene fails to reflect their political and economic importance as regional groups, resulting in a false perception of the prospects for an alliance. The EU also continues to have a low profile in Latin America, and vice versa. Some consideration should therefore be given to joint action to improve the political dialogue between the two regions with a view eventually to expanding their world influence.

II-2 Stimulating economic and commercial exchanges

It is important for the strategic partnership that trade between the two regions continues to grow. Although Europe is the leading foreign investor in Latin America, the United States and Asia (China⁴ in particular) are gaining ground.

Despite a significant increase in **trade flows** between the two regions over the last fifteen years in absolute terms, the growth potential of trade has been underutilised. In particular, the dynamism of the early 1990s has given way to a relative EU slowdown in Latin America: although its exports to the region fell between 2000 and 2004, Latin America's market share of total EU trade stabilised at 5% over the period, reflecting also to some extent the internationalisation of the Latin American economies. Trade relations are also **highly asymmetrical**: while the EU is the number one trading partner of many Latin American countries, Latin America's position in total EU trade remains too low.

As for **investment**, although the EU is still the leading investor in Latin America (and a major investor in the Caribbean) with an FDI stock of EUR 90 billion in 2003, this level is down on the 2001 figure. This is a far cry from the levels of the 1990s which were mainly the result of the privatisation programmes adopted by the region's governments. However, it appears that the decline in FDI in the early 2000s was largely cyclical, caused by crisis situations in a number of countries. The most recent figures for 2004 show a significant increase.

Strengthening the strategic partnership should therefore contribute to establishing a favourable climate for economic exchanges between the two regions: in Latin America this could mean technology transfers, improvements in productivity, the development of its infrastructure and diversification of its markets. It is in the EU's interest on the other hand to develop and consolidate its market positions and to pursue a dynamic investment policy.

II-3 Latin America: a region of ongoing consolidation

To avoid jeopardising long-term stability in Latin America, the EU needs to support its efforts.

- **Social inequality, poverty and exclusion**

According to ECLAC figures, the number of people living in poverty in Latin America amounted to 227 million in 2003, i.e. 44.4% of the population. This high proportion is indicative of the deep inequalities between rich and poor. Indigenous peoples, those of African origin, women and children in particular suffer from marginalisation and deprivation. These inequalities are a contributory factor in undermining democracy and fragmenting societies. They jeopardise growth and economic development. They can lead to social unrest and political instability and foster the growth of crime and insecurity (urban violence, violence against women, juvenile delinquency). In Latin America democratic governance and social cohesion are closely connected: exclusion, poverty, limited access to education and healthcare and a lack of prospects restrict the exercise of civic and political rights. This serves only to undermine confidence in institutions and prevent full participation in the democratic process. Combating inequality therefore represents a major challenge. Despite a relatively high GNP, major pockets of poverty exist in the Caribbean although there are wide variations

⁴ The overall figures for trade between Latin America and China were 50% up in 2003 compared to 2002. Chinese imports from Latin America rose by 79.1% in 2003.

from one country to the next (8% of the population is below the poverty line in the English-speaking Caribbean as opposed to 65% in Haiti).

The promotion of social cohesion and poverty alleviation has become a priority in the national development programmes of several Latin American countries. Major initiatives have also been undertaken to encourage social cohesion at subregional level and to reinforce the social dimension of regional integration processes. In recent years, the substantial rise in social spending has brought about significant improvements in the social sectors, notably education and health. But considerable efforts are still required to improve the poor quality of public services, one source of the social divide. The Commission has made social cohesion in Latin America the priority theme of its political dialogue with the region. Its efforts are geared in two directions :

1. Priority to social cohesion in its aid and cooperation policy and the launch of a special social cohesion programme (EuroSocial).
2. Gradually encouraging the participation of international organisations and civil society in that objective.⁵

Faced with economic exclusion, many Latin American nationals seek work abroad. Migratory flows to Europe have grown rapidly and **migration** has become a major challenge, in economic, social and political terms, for the countries of origin.

- **Need to improve democratic governance**

Democracy has been progressively re-established in Latin America over the last twenty-five years. It has become the dominant political system. Significant progress has also been achieved in the area of human rights. Nevertheless, there is a growing sense of disillusionment with democratic regimes for failing to tackle poverty effectively and spread wealth more fairly. The 2004 report of the Inter-American Commission on Human Rights (of the OAS) states that “democracy finds itself in a state of uncertainty and precariousness”. The number of Latin Americans who would be willing to sacrifice democratic government in exchange for genuine economic and social progress is in excess of 50%.⁶ This situation is reflected in the alarming results of the Latinobarómetro poll.⁷ Respect for political parties is significantly down, participation in elections is diminishing and high levels of corruption persist in many countries. Representation for all members of society in politics (women, in particular) is far from guaranteed. All of this undermines the State. There are, however, encouraging signs. e.g. even if a large section of the population no longer has faith in justice in their country, an anti-impunity movement has developed in the region.

⁵ e.g. the IDB, ILO, World Bank, IMF and OAS (the Commission notes with particular interest the OAS initiative on a Social Charter).

⁶ "Democracy in Latin America: Towards a Citizens' Democracy", report sponsored by the United Nations Development Programme (UNDP), PRODDAL project, 2004.

⁷ Support for democracy fell from 61% in 1996 to 53% in 2004. Over the same period, the number of persons indifferent to the type of political regime went up from 16% to 21%. Informe Latinobarómetro 2004 – Una década de mediciones, 13.08.2004. Corporación Latinobarómetro, Santiago de Chile.

- **Illicit drugs and organised crime**

The never-ending world demand for cocaine exacts a heavy toll on the Latin American region. The phenomenon is no longer limited to the coca-producing countries but now affects the whole subcontinent, though to varying extents. Trafficking has had massive collateral effects along the main drug routes, with those leading to the EU tending to increase in number: organised crime activities linked to corruption and money laundering are spreading both within and outside the region. They have an adverse impact on the democratisation process and the stability of institutions and society. Cocaine consumption is on the increase in Europe, hence the EU's immediate interest in tackling the problems of production, consumption and trafficking of illegal drugs in Latin America.

- **Environmental stakes**

Latin America is endowed with a wealth of natural resources and exceptionally rich biodiversity. With proper management these resources may strengthen the economies of the region. Their mismanagement in some countries, on the other hand, serves only to hasten environmental degradation and health and social problems. The frequent occurrence of natural disasters with serious socio-economic implications is a feature of the region, particularly in the Caribbean basin.

II-4 Taking greater account of Latin American diversity

The EU aims to continue its policy of support for Latin American regional integration. It also intends to tailor political, trade and cooperation relations more to the actual situation of each country/subregion and to take account of recent developments in the area of integration (South American Community of Nations). An initial distinction can be made between the countries on the basis of per capita GDP. Some of them are low-income countries or lower middle-income countries. Most are middle-income countries but also harbour the majority of the region's poor. A differentiated approach is therefore required in the framework of the Commission's development policy. A second distinction concerns the emerging countries which play an increasingly important role both in the Latin American region and at world level.

Though it favours the integration of the region as a whole, the Commission believes that it is time to develop the current approach by tailoring relations with certain countries to specific policies and by conducting a more targeted dialogue.

III. STRATEGY

In this communication, the Commission puts forward a response and some proposals for revitalising the EU-Latin American partnership:

- (1) It proposes stepping up and focusing political dialogue.
- (2) It wants to create a climate favourable to trade and investment.
- (3) It intends to support the efforts of countries in the region to contribute to stability and prosperity.
- (4) It proposes to cooperate more effectively and increase mutual understanding.

III-1 Stepping up and focusing political dialogue

It is vital to **step up political dialogue so as to bring the positions of the two regions on matters of common interest closer together**. The Commission in particular wants clearer identification and better targeting of the subject areas according to the party concerned. i.e. in Summits, ministerial meetings (with the Rio Group, subregional groups, including the Caribbean and countries with association agreements). A regular dialogue between senior officials would enable informal exchanges where the need for political dialogue is identified. To facilitate debate it is important to:

- select a restricted number of topics. The areas of dialogue could, for example, include UN reform, peace-keeping, crisis prevention and crisis situations in certain countries of the region;
- prepare for the formal dialogue at Head of State or ministerial level by means of meetings devoted to specific topics at senior official level (troika format);
- use the senior official troika meetings for regular informal dialogue with some countries;
- continue and step up the existing political dialogue under the EU-Mexico and EU-Chile Association Agreements.

The Commission recommends:

- **conducting a needs-based political dialogue** with the appropriate partners at biregional, bilateral or subregional level, on carefully chosen topics;
- selecting a **restricted number of topics**;
- preparing political dialogue at **meetings of senior officials** (using the troika format);
- **regularly organising informal political dialogue meetings at senior official level with some countries on a needs basis**.

III-2 Creating a climate favourable to trade and investment

The EU and Latin America must continue to cooperate in order to **strengthen the multilateral trading system** in the WTO framework with a view to: (1) progress on access to the commodity and service markets by remedying the problem of the continued application of high duties on certain Latin American industrial products; (2) tighter common rules on trade policy instruments (in particular antidumping), intellectual property rights, investment, services, public procurement and dispute settlement..

To supplement this multilateral approach, biregional **association and free-trade agreements** would be negotiated with regions with an adequate level of integration on trade (Mercosur or the CAN, Central America and the Caribbean). The potential of the existing free trade agreements with Mexico and Chile should also be further exploited. The Commission believes that the economic integration of the region as a whole, including the South American Community of Nations, is a key factor in the development of the productive sectors and the emergence of a genuine regional market capable, in the long term, of responding to the competition resulting from a free trade agreement with the EU. In view of the very small size of some countries, it is in the best interests of the EU and Latin America to benefit from a unified regional market offering greater opportunities to traders and where goods and services move freely. In tandem with the current negotiations, the Commission wishes to strengthen

and further consolidate dialogue with its main Latin American trading partners on **existing and potential obstacles** to the development of trade and investment. The Commission recommends setting up working parties to this end using the existing structures.

The Commission wishes to continue facilitating **access for Latin American exports to the European market**: the generalised system of preferences offers them tariff preferences and customs duty exemptions. The online “Export HelpDesk” service provides information about opportunities for accessing the European Market.

Over the last twenty years **European businesses have invested heavily in Latin America**. Investment growth potential there is still strong because opportunities exist, especially in the strategic sectors where European excellence has proved its mettle: information and communication technologies, the aerospace and automobile industries, engineering and metal-working, energy, the environment, infrastructure and transport. European scientific research is also at the cutting edge in many sectors and has everything to gain from developing the considerable potential of expertise and know-how that exists in Latin America, for instance in the areas of biotechnology (biofuels), aeronautics and health. The presence of European businesses in Latin America is a **source of growth and employment** and may help reduce social inequalities. It encourages the transfer of know-how and offers outlets to local businesses (sub-contracting). The AL-Invest Programme set up by the Commission allows firms in either region, particularly SMEs, to sign trade agreements and take advantage of technology transfers.

European businesses are however faced with **certain difficulties⁸ which hamper their development**: unpredictability of the economic climate, difficulty of accessing markets (tariff and non-tariff barriers), political instability, bureaucracy, customs problems, regulations and standards, complexity of tax systems and lack of international coordination on the subject, inadequacy of infrastructure at regional level, corruption, etc.

The current challenge therefore is to find a way to **facilitate trade and European investment in Latin America**. The Commission’s aim is to encourage the development of a legal climate to guarantee the predictability and security of these investments. In the WTO framework, progress on market access and common standards would allow firms to trade and invest more easily. The Commission encourages the adoption of legislative frameworks and common standards. In this connection it proposes strengthening the existing regulatory dialogue with the Latin American countries on the information society (@lis Programme). It supports developments in air and maritime safety and the use of satellite navigation technology (GALILEO).

⁸ Informal business sector consultation, Brussels, 26 April 2005 (at the Commission’s initiative).

The Commission is committed to:

- **consolidating the multilateral trading system;**
- **strengthening existing association agreements;**
- **negotiating biregional association and free trade agreements;**
- **facilitating access for Latin American businesses in Europe's markets;**
- dialogue on **barriers** to trade and investment;
- macro-economic dialogue to promote macro-economic stability, a key factor in stimulating trade and investment.

The Commission intends to promote:

- the role of Europe's **cutting-edge sectors** in the development of the region, particularly through initiatives under the research and technological development framework programmes;
- a climate favourable to European businesses in Latin America by stepping up the **regulatory dialogue for the adoption of common rules and standards**, in such sectors as transport, energy, information technology and communications, food security and health and phytosanitary matters.

III-3 Contributing together to stability and prosperity

III-3.1 Building more cohesive societies: promoting greater social cohesion for the benefit of all

At the Guadalajara Summit, the EU and Latin America named social cohesion as a **shared goal and priority area** of their relations. In the context of globalisation, the promotion of social cohesion is intended to build more cohesive societies by giving everyone (even the most disadvantaged) the chance to have access to fundamental rights and employment, to enjoy the benefits of economic growth and social progress and thereby play a full role in society. The promotion of social cohesion is fundamental to the fight against poverty and inequality. It is also inextricably linked to the consolidation of democracy, a functioning economy and decent work for all. The challenge is to combine economic growth and employment, fairness and solidarity. That objective demands the adoption of integrated strategies tailored to the specific circumstances of each country and subregion so as to achieve optimal policy interaction. This will require governance capable of involving all the players and achieving consensus.

Particular attention should be paid to: (1) social welfare and tax policies and their effectiveness, transparency and fairness; (2) productive investment for more and better jobs; (3) policies to combat discrimination (based on ethnic origin and gender); (4) improvements in basic social services. As regards high-migration countries, in a recent communication⁹ the Commission made a series of proposals designed to take greater advantage in countries' development policies of the potential which migration and migrants offer.

⁹ "Migration and Development: some concrete orientations", COM(2005) 390 final, 1 September 2005.

The Latin American countries have the primary responsibility for introducing policies to combat poverty, create jobs and improve social integration. Some major initiatives have been taken in this respect. The Commission has made a firm commitment to support them and is willing to share its experience and cooperate on a constructive basis. In concrete terms it is ready to:

- set up a biregional dialogue on how to combine economic growth, employment and solidarity and to start dialogues with the countries and subregions on issues of common interest in relation to social cohesion;
- make social cohesion the priority issue in its aid and development cooperation policy (programme period 2007-2013);
- encourage more coordination with international organisations;
- foster the creation of partnerships between public authorities, social partners, civil society and the private sector (also through the promotion of corporate social responsibility).

The Commission proposes integrating the aim of social cohesion into all actions undertaken in partnership with Latin America, in an ongoing, consistent and practical fashion. This particularly concerns the following:

- setting up a specific dialogue;
- prioritising social cohesion in development cooperation;
- strengthening cooperation with international institutions;
- promoting the participation of the actors involved.

The Commission will also support the organisation (every two years) of a **forum for social cohesion**, to share the results obtained. This forum should include government authorities, civil society, the private sector and international organisations.

III-3.2 Strengthening democratic governance and creating a Euro-Latin American parliamentary assembly

The Commission will continue its support for modernising government in Latin America by: representation for all members of society in politics, cooperation with civil society, promotion of dialogue between social partners, access to justice, strengthening the judiciary, building security force capacity, ensuring the security forces are subject to the rule of law, decentralisation and good governance, tackling corruption and anti-impunity initiatives. The European Parliament, whose role is pivotal, has proposed setting up a Euro-Latin American transatlantic assembly, whose membership would be drawn in equal numbers from the EP on the one hand and from Parlatino, Parlacen, Parlandino, the JPC, Mexico, and Chile on the other.¹⁰

¹⁰ “EU-LAC relations: making a success of the Vienna Summit”: by José Ignacio Salafranca Sánchez-Neyra, MEP. EU-LAC XVIIth Interparliamentary Conference, Lima (Peru), 14 to 17 June 2005.

The Commission will:

- **step up cooperation measures** which strengthen governance and encourage inclusiveness, of poorer citizens in particular;
- involve **civil society** in its operations and promote the involvement of **citizens** (particularly women) in political projects, including through political parties;
- support the EP's desire to set up an **EU-Latin America transatlantic assembly**.

III-3.3 Strengthening security, particularly in the fight against drugs, on a basis of shared responsibility

Destabilising factors are rife in the Latin American region: the internal conflict in Colombia and its knock-on effects, the manufacture and trafficking of drugs, the rapid expansion of organised crime networks, etc. All these issues are naturally interdependent and mutually reinforcing. Any attempt to improve the chances of stabilising the region is thus no simple matter. Some security threats require a specific strategy to deal with them, as in the case of **drugs**. The EU has adopted a strategy¹¹ for tackling the consumption, production and trafficking of illegal drugs covering the years 2005-2012. It is framed around an integrated and balanced approach which focuses on reducing supply and demand. Cooperation under the strategy is based on the notion of shared responsibility: Europe has pledged not only to reduce demand on its territory but also to help Latin America combat trafficking in illegal drugs, e.g. by supporting alternative development programmes. Consumption of cocaine in Europe is on the rise and the traffic from both Latin America and the Caribbean is showing a sharp increase. The EU therefore has a strong interest in strengthening enforcement authorities throughout the region, including the Caribbean. In particular, the Commission envisages sharing its know-how and experience in the area of cross-border cooperation (training courses), encouraging information exchange and giving financial support to the bodies currently being set up.

Tackling drug-trafficking and **other forms of crime** also implies taking action on **money-laundering**. This will require the implementation of minimum rules on the transparency of financial circuits and business structures and effective information exchange between competent authorities. Similarly, the EU and Latin America have a common interest in implementing and promoting standards of good financial, fiscal and judicial governance in order to tackle terrorism and its sources of financing, **corruption**, fraud and tax avoidance and other forms of financial malpractice.

The Commission will pursue the **shared responsibility approach** in international bodies, and continue **its support for Latin America in the fight against drugs**. It will promote **good financial, fiscal and judicial governance** through financial incentives under agreements with the countries of Latin America.

¹¹ Cf. http://europa.eu.int:8082/comm/external_relations/drugs/docs/strategy_05_12.pdf

III-3.4. Encouraging greater regional integration

1. Integration process in Latin America

The Latin American countries have embarked on regional integration processes, which have already made a considerable impact. Latin America is in lead position among the developing countries on the integration path. Regional integration is a fundamental priority area of the Commission's support for the development of the Latin American region, including in the field of macroeconomic convergence. But further measures are needed and the EU should put all its weight behind these efforts, bearing in mind that regional integration facilitates economic growth and investment. The EU supports the subregional integration processes with the aim of concluding association and free-trade agreements with Mercosur and opening negotiations on such agreements with the Andean Community and Central America. The Vienna Summit will provide an opportunity to take stock of the situation and draw the relevant conclusions. The EU has also welcomed the creation of the South American Community of Nations. The Commission is following developments very closely and is ready to support this process. With a population of 360 million people, this body could become a key player on the international scene and make a significant contribution to multilateralism. It would substantially reinforce the dialogue between Europe and Latin America. The Commission would like to discuss with the Latin American partners the advisability of a regional integration strategy for the whole of Latin America. It would be a long-term strategy that would not jeopardise the current commitment to subregional integration processes.

2. Territorial integration and interconnectivity

Latin America's complex geographical configuration stands in the way of its territorial integration. The cost of the virtual absence of trans-national networks is high. More efficient infrastructure would help Latin American exporters to improve their trade performances substantially. The Commission seeks to encourage European and Latin American financial institutions to support territorial integration by means of interconnective network infrastructures, for example in the energy, water, transport, telecommunications and research sectors. Consideration also needs to be given to interconnectivity with, and within, the Caribbean. The Commission could usefully share its experience (trans-European networks) and encourage the Latin American countries to coordinate their infrastructure planning.

The EIB's new mandate should allow it to provide support for regional integration. The funds that will be allocated to this would constitute the "Latin America Facility".

The Commission wishes:

- **to continue its support for all the different processes of regional integration, a key factor in the region's development;**
- **to examine, at the Vienna Summit, whether negotiations have now reached a stage permitting the EU-Mercosur association and free trade agreements to proceed towards their conclusion;**
- to use the Summit as an opportunity to take stock of progress towards regional integration in Central America and the Andean Community, and **to examine whether conditions now permit the rapid opening of negotiations on association and free trade agreements with these two regions.**

The Commission proposes sharing its experience regarding the interconnectivity of network infrastructures, and will encourage the EIB to lend its support as part of the future **Latin American facility**.

III-3.5 Encouraging sustainable development

The Commission considers that the long-term prosperity of the EU, Latin America and the Caribbean is largely dependent on good management of their natural resources and their ability to ensure sustainable economic development. In its view, there should be a dialogue on environmental issues with a view to seeking joint positions in international bodies. Special attention should be paid to the following: **climate change**; **energy** (energy efficiency, use of clean technologies and security of supply); **water** (European Water Initiative, cross-border water management, sanitation); **biodiversity** (implementation of the Convention on Biodiversity) and **forests** (combating deforestation). The Environment Ministers of the two regions could meet every two years to give the impetus needed to adopt decisions at EU-LAC Summits. The Commission is ready to cooperate with the countries of Latin America in the area of marine resource management.

The Commission intends to promote:

- a **dialogue on the environmental aspects of sustainable development**;
- the organisation of a **meeting between Environment Ministers** in preparation for the Summits;
- **in-depth discussions in international bodies**, particularly on climate change.

III-3.6 Joint action on conflict prevention and crisis management

Given the weight of Europe and Latin America in terms of diplomatic presence, economic, cultural and development cooperation ties, the two regions could consider setting up a political dialogue on conflict prevention and crisis management. This dialogue would address the following issues: sharing of information from early warning systems, establishing contact points, developing bilateral procedures for coordinating civil crisis responses and strengthening the capacity of regional organisations in such matters. The EU should also cooperate with other bodies, such as the OAS, which plays a special role in this field. The EU should make use of all possible available instruments, both within the Community's area of responsibility and under the CFSP. The future stability instrument will also play an important role in tackling crisis situations and stabilising the region.

At the request of the countries concerned, the EU should play a more active role in conflict prevention and crisis management in Latin America. It could:

- promote **transfers of experience** in such matters;
- **support the efforts of countries and regional bodies**;
- set up a **dialogue and structured cooperation with the OAS and the Rio Group** on this issue;
- make use of the future stability instrument.

III-4 Cooperating more effectively and increasing mutual understanding

III-4.1 Targeting aid and development cooperation more carefully

The EU is the biggest donor in Latin America. Commission funds to the region have risen steadily over the period from 1999 to 2003.

The Commission is active in many sectors: democracy and human rights, health, education, transport; food security and sustainable rural development, institutional capacity building and the rule of law. It is also involved in reconstruction programmes (e.g. in Central America), in technical assistance linked to trade and integration, and in regional programmes.

The evaluation¹² of the Commission's regional strategy in Latin America showed that this regional cooperation has helped to bring the two regions closer together and that the impact in terms of poverty reduction and social cohesion has been considerable although still not enough.

The objective of poverty alleviation is at the heart of the Commission's aid and cooperation policy for the period 2007-2013. For **low-income and lower middle-income countries**, the funding will primarily be used to support the implementation of reforms aimed at achieving the MDG. In the recent UN report on this subject, some indicators point to insufficient progress in this area for the Latin American countries. The Commission's aid will include budgetary and sectoral support programmes, which, provided the necessary conditions are met, will focus on supporting poverty reduction and social cohesion strategies, with the appropriate conditionality. In some cases this innovatory approach encourages ownership by the beneficiary and simplifies budgetary management. On the other hand, Commission funding for **middle-income countries** must focus more on targeted actions of mutual interest (economic cooperation, trade promotion). Development cooperation with the Caribbean comes under the Cotonou Agreement.

The Commission has adopted a communication¹³ mapping out the **EU's new development policy**. It calls for a "European consensus" that for the first time in fifty years of cooperation would provide a framework of common principles agreed by the Commission, the Member States and Parliament. The Commission is also keen to highlight the Latin American partners' responsibility for ensuring the visibility of Commission-funded projects. Our actions also need to be promoted via the Member States on the spot. The effectiveness of European aid (Commission and Member States) must be boosted by renewed coordination efforts.

As part of its **programming for 2007-2013**, the Commission proposes to:

- focus on priority themes (social cohesion and regional integration);
- target the greater part of poverty reduction funds on low-income countries (including lower middle-income countries);
- carry out targeted actions of mutual interest with upper middle-income countries;

¹² "Evaluation de la Stratégie Régionale de la CE en Amérique Latine", 17 June 2005, Consortium DNR, ADE, ECO and NCG.

http://europa.eu.int/comm/europeaid/evaluation/document_index/2005/951661_docs.htm

¹³ Commission communication COM(2005)311 final, 13.07.2005 – Proposal for a Joint Declaration by the Council, the European Parliament and the Commission on the European Union Development Policy – "The European Consensus".

- continue cooperation in the area of subregional integration with Mercosur, the Andean Community and Central America;
- focus regional programming for the whole of Latin America on areas of strategic regional interest;
- ensure that the resource allocation reflects the importance accorded to the region.

The Commission recalls the need to **improve the coordination of European aid in general and the visibility of its cooperation in particular.**

III-4.2 Reflecting the specific role of certain actors in the region

The strategy for a stronger partnership between the EU and Latin America must also take account of the importance and special role of the region's big countries. This is particularly the case for **Brazil**, with which the EU has only the bare bones of bilateral dialogue with no political dimension. This situation is no longer in keeping with Brazil's rapid development as a global economic and political player. Brazil can take a lead role in regional integration; this remains the prime objective of the EU's strategy towards Mercosur. In the case of **Mexico**, the challenge is to pursue current efforts to exploit more fully the possibilities offered by the Association Agreement.

The Commission proposes setting up **specific political dialogues with certain countries** in the region which play a particular role, and adjusting its cooperation activities accordingly.

III-4.3 Creating a common EU-Latin America/Caribbean higher education area

Studies¹⁴ have recommended strengthening understanding between the two regions. Stepping up university exchanges is one way of improving the situation. For this purpose, the Commission has set up some very successful programmes (Alban, Alfa and Erasmus Mundus). It wishes to further develop this policy with a view to creating a common higher education area.

Following on from the Guadalajara Summit, the Commission is prioritising the creation of a **common higher education area between the two regions**. The aim is to ensure that more than **4000 Latin American teachers and students** are invited to visit European universities during the period 2007-2013.

III-4.4 Improving the visibility of both regions and communication

According to opinion polls, people in Latin America are relatively unfamiliar with the EU¹⁵. The same goes for most EU countries with regard to Latin America. It is therefore essential that the two regions take up the challenge of mutual understanding. Consideration must be given to measures that would improve their visibility, for example in the cultural field. This approach is in line with the future implementation of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. The Commission also considers that the Member States can play a special role in this. Following successful events

¹⁴ "Study on Relations between the European Union and Latin America. New Strategies and Perspectives" Instituto Complutense de Estudios Internacionales, Universidad Complutense de Madrid – Final Report 29 July 2005.

¹⁵ "European Union perception in Latin America", Focus Eurolatino - CJD/Latinobarómetro – 2004 and 2005.

in some countries, it now wishes to organise a joint Europe week every year in all the Latin American countries. Various activities could be considered.¹⁶

The Commission intends to strengthen the **transfer of know-how and good practice regarding cultural cooperation**, both between Latin American countries and between the region and the European Union. It recommends organising a **Europe week** every year around 9 May (the festival of Europe) in all Latin American countries in which it is represented, in close collaboration with the embassies of the Member States.

IV. EU-LATIN AMERICA/CARIBBEAN SUMMITS

EU-LAC Summits are key events. They play a vital role in relations between the two regions and are a unique opportunity to move forwards on issues of common interest. For the Vienna Summit of 12 May 2006, the Commission considers that the topics covered by the Guadalajara declaration – social cohesion, regional integration, multilateralism – remain important, but need to be fleshed out further. The Commission wishes to use this Summit to examine whether negotiations on the EU-Mercosur association agreement can now proceed towards their conclusion. The Summit will also provide an opportunity to assess the progress of regional integration in the Andean Community and Central America, on the basis of the conclusions and recommendations of the working group which carried out the joint evaluation, and to examine whether conditions are now right for the rapid opening of negotiations on association agreements with these two regions. The Commission will also use the occasion to present its aid and cooperation programming for the period 2007-2013 and its funding proposals. It also welcomes the organisation of a business forum and encourages the social partners and civil society to contribute to the Summit. It will attach particular importance to global questions, including the fight against drugs.

V. CONCLUSIONS

Over the last ten years, the EU and Latin America have committed themselves to consolidating their links through a strategic partnership. In this communication, the Commission sets out a series of recommendations whose implementation will depend on all actors concerned. The Commission invites the Council and Parliament to examine this communication. The Commission considers that it should be discussed with the Latin American partners. Its hope is that the document will provide food for thought, and stimulate a debate on ways of strengthening the alliance between the EU and Latin America.

¹⁶ Festival of European cinema, sporting events, cultural activities, games and quizzes about Europe, television and radio programmes, publications in the press, an electronic forum, etc.