



1996 - 2000

The European Union and Latin America

Towards a strengthening of the partnership



THE EUROPEAN UNION AND LATIN AMERICA: A NATURAL ALLIANCE

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Common roots

The two continents are united by historical and cultural factors, which have had a reciprocal influence. This common heritage is characterised by the principles of freedom and democracy, pillars of European thinking, and by family ties sustained by migratory movements.

The right time to strengthen relations

In Latin America

- From a political standpoint, consolidating democracy - helped by a relative stability - goes hand in hand with the strong and pragmatic resumption of regional integration movements.
- In economic terms, the macro-economic reforms of the 1990s have created favourable conditions for growth. This turning point has its roots in three main factors: the reduction in the external debt burden, the improvement of public finance and the return of foreign investment.
- At the regional level, the integration processes have begun again with force. Inspired by the concept of "open regionalism", they are seen both in the vigorous political debates and the significant growth of inter-regional trade (e.g. MERCOSUR, the Andean Community, the Central American Common Market, etc.).



In Europe

The European integration process has helped strengthen the Union's presence throughout the world, especially in Eastern European and Mediterranean countries. Relations between Europe and Latin America were boosted when Spain and Portugal joined the Community in 1986. Close political links have been established thanks to the development of Latin American economies; this has in turn fostered the growth of commercial relations between the two regions.

At the international level

Although trade has become increasingly international, we have also witnessed the reverse side of the coin: withdrawal into national identities. It is therefore in the interests of Europe and Latin America to improve their economic complementarity and to consolidate their alliance based on common values.

RELATIONS BETWEEN THE EUROPEAN UNION AND LATIN AMERICA: THE RESULTS SO FAR

Significant progress in the political dialogue

There has been a steady improvement in the quality of political relations between the European Union and Latin America. This political dialogue is expressed through the following instruments:

- **The institutionalised dialogues**, which have established stable platforms for discussions between the EU and Latin America. Examples include: the San José dialogue, started in 1984 with the Central American countries, and the dialogue with the Rio Group, since the 1990 Rome Conference.
- **The inter-parliamentary conferences** between the European Parliament and Latin American Parliament (Parlatino), which have taken place since 1974. These conferences play an important role in consolidating the State of law in Latin American countries, with the support of MEPs.
- **The cooperation policy** which has developed considerably since 1990, leading to the conclusion of the so-called "third generation" agreements. These cover increasingly wide fields and reflect the political and economic improvements made over recent years in Latin America.

The European Union supports the considerable economic and political efforts made by Latin America. All the same, these must be continued in order to meet the three major challenges facing the subcontinent:

- the reinforcement of the State of law and the irreversibility of the democratic process for institutions;
- the problem of poverty, inequality and social exclusion;
- the consolidation of economic reforms and increasing international competitiveness.

Europe: an important trading partner

Europe is now the leading trading partner for eight Latin American countries and the region's second-most important foreign partner. The dynamic nature of the Latin American market deserves to be highlighted. Latin America is presently the most promising market for European exports. However, the remaining trade structure imbalances could be partially reduced by diversifying exports.

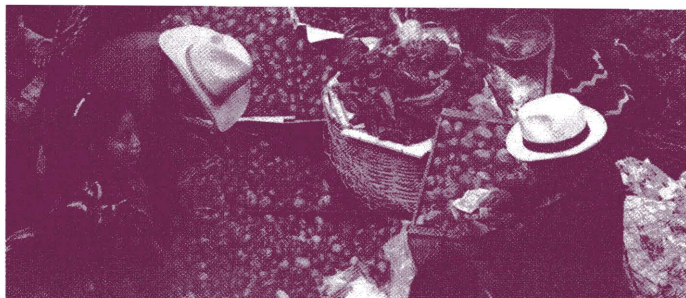
The European Union: the leading development funds donor

The European Union (i.e. the Community and Member States) is Latin America's main development funds donor (62% of the total received by L.A.). Around 20% of this total, which is constantly increasing, is managed by the European Commission.

Cooperation between the European Community and Latin America

Community cooperation mainly comes in the form of grants, but is also channelled through loans disbursed by the EIB (European Investment Bank).

- Grants: since 1976, grants for Latin American countries have been managed by the European Commission. Between

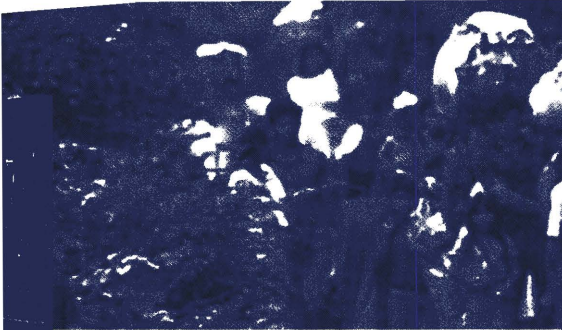


1976 and 1994, the total financial contribution came to more than 3 billion ECU.

- Loans: since 1992, loans for Latin American countries have been granted by the EIB. They include the public sector and, increasingly, the private sector. Their total rose to over 300 million ECU for Latin America over the 1993-95 period.

Cooperation has been intensified in the traditional sectors

- **financial and technical aid**, with priority given to rural development programmes;
- **support for regional integration**: the Andean Community, Central America, MERCOSUR;
- **support for projects** managed by non-governmental organisations (NGOs);
- **humanitarian aid**: emergency aid, food aid, aid to refugees and displaced persons in Central America.



Cooperation has covered new fields since 1990

▪ **Democratisation and human rights:** in recent years, the EU has been able to reinforce the very noticeable democratic transition seen in Latin American countries. This has been achieved by supporting projects that strengthen the State of law and which develop a genuine culture of respect and effective human rights protection.

▪ In the field of **financial and technical aid**, emphasis has increasingly been laid on programmes for the urban sector, the participation of women, respect for the cultural identity of indigenous peoples, education, training and environmental protection.

▪ **Economic cooperation**, the most recent side of our development aid activities, has been highly successful on the subcontinent. It involves mutual interest activities which are typically decentralised, allowing the civil society to play a crucial role. These actions seek to improve the general economic environment and facilitate the growth of the market economy and companies, in addition to putting the economic players in touch with one another. Scientific and technical cooperation too has expanded significantly since 1980.

Diversification of cooperation's action procedures

▪ **Decentralised cooperation:** besides the governmental institutions - which are usually the preferred cooperation representatives - other participants representing civil society have established themselves (professional organisations, universities, etc.) by becoming increasingly involved in the development cooperation processes.

▪ **The establishment of horizontal programmes**, which benefit all Latin American countries, to ensure greater visibility and coherence for Community projects.

▪ **The systematic evaluation of projects**, in order to improve their impact and ensure the quality of cooperation supply is better targeted.

Examples of horizontal programmes:

The AL-INVEST programme is geared to promoting better collaboration between European and Latin American businesses in commercial transactions, direct investment,

joint ventures, subcontracting and economic alliances.

The ALFA programme (Latin American academic training) aims to encourage cooperation between European and Latin American higher education establishments, which are organised within networks. The objective is to enhance scientific and technological potential, as well as the economic, social and cultural situation in countries participating in the programme, through training and the transfer of knowledge.

The ALURE programme (Optimal use of energy resources in Latin America) strives to promote cooperation between players in the European Union and Latin American energy markets. The aims pursued include: a better response to new economic, social and environmental challenges, and improving the technical, economic and financial performance of the energy operators involved.

The URB-AL programme focuses on decentralised cooperation; it is designed to bring about real improvements in the socio-economic conditions and quality of people's lives. It targets the towns, regions and other authorities representing local communities in the European Union and Latin America.

Cooperation is characterised by a regional and differentiated approach

The countries of Central America receive the most Community development aid per capita in Latin America. Following ten years of the so-called San José Dialogue (1984-94), EU cooperation with this region - whose results were reviewed at the XII San José meeting - has been largely positive. It has mainly comprised support for the peace and democratisation processes, substantial development and humanitarian aid (especially for refugees and displaced people), support for regional integration in the isthmus, and the reintegration of these countries into the global market through improved economic cooperation aimed mostly at the private sector.

Like the countries of Central America, those in the **Andean Community** benefit from a special status under the Generalised Preferences System (GPS). This facility allows them to export their main agricultural products to the EU, with the benefit of favourable conditions, and to continue the war on drugs.

The MERCOSUR countries (Argentina, Brazil, Paraguay, and Uruguay) are our principal partners on the subcontinent. Once again, an inter-regional economic and trade cooperation framework agreement, signed in Madrid in December 1995, underlined the determination to reaffirm historical links on new bases.



Countries participating in the Rio Group:

Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela

Countries participating in the San José Dialogue:

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Venezuela

Chile. A new cooperation framework agreement, which ultimately aims to prepare a political and economic form of association between the European Union and Chile, was signed on 21 June 1996, on the fringes of the European Council in Florence. This country also signed an association agreement with MERCOSUR on 25 June 1996.

Mexico is the largest Latin-American national market for European exports. A political, trade and economic agreement deepening relations with the Community should be concluded in the course of 1996.

Cuba. The European Union and Cuba are engaged in talks on the future of their relations. Besides humanitarian aid, selective economic cooperation projects have also been implemented, supporting the reforms undertaken in this area by the country.



1996-2000

ESTABLISHING A GENUINE PARTNERSHIP BETWEEN THE EUROPEAN UNION AND LATIN AMERICA

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The European Union is committed to expanding its partnership with Latin America by taking into account past experiences, grasping new opportunities and facing up to the challenges confronting the two regions. Now that Latin America is an emerging area on the world stage, it is in the EU's interest to intensify its presence there. Yet the Latin American continent, despite its unity, is a very diverse area. The Union therefore needs to adopt a flexible approach, allowing for the different national characteristics and varying levels of development in each country, region or sub-region.

Latin America: a new emerging area on the world stage

The sheer size of the Latin American market and its capacity for expansion make it very attractive for investment and trade relations. The pick-up in economic growth over recent years has helped it to regain its place on the international economic and political scene.

A very diverse but still vulnerable region

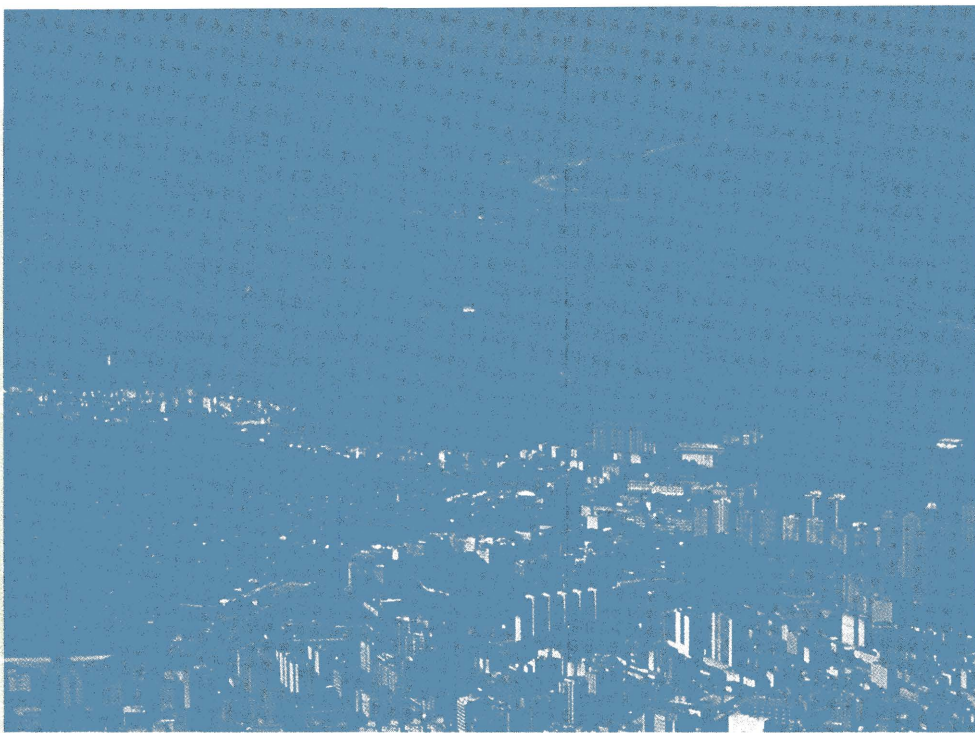
Notwithstanding Latin America's unity, which stems from various historical and cultural factors and a similar development path, it is still characteristically diverse. This is apparent at various levels, especially the size of countries, the diversity of people and their cultures, development disparities



between the different nations, and lastly - in spite of a widespread economic upturn - persistent and significant social inequalities.

A Community response adapted to Latin America's diversity

Community cooperation with Latin America has to be adjusted to the different levels of development achieved by each country or group of countries, while at the same time consolidating a general dialogue. Hence the need for a regional and diversified approach, designed increasingly to take into account the present situation in each country or region. For this reason, some countries are still essentially recipients of development aid, whereas those that are more advanced and successful have become suitable partners in activities of mutual interest. This is the context in which the European Union has defined the strategies to be implemented.



Strategic options for the period 1996 - 2000

The goal is to meet the global and specific challenges facing Latin America and establish a new partnership encouraging the beneficiaries of cooperation to become increasingly active partners. The strategic options defined by the EU can be summed up as a joint commitment to democracy, social development and international competitiveness.

Tightening political links

In accordance with the wishes of the two regions, political dialogue will be deepened, with the focus on maintaining peace and regional stability, Community support for democratic processes and the fervent defence of human rights. Environmental protection and inter-American relations are also tackled in this framework. Europe is ready to play its role to ensure Latin America takes a greater part in the management of international affairs.

Strengthening the free market and regional integration

Activities undertaken in this field, which aim to reinforce trading potential, economic transactions and technology transfer - in addition to providing institutional support for the process of regional integration - are considered priorities by our Latin American partners. In this respect, European integration is a unique experiment and Latin American countries may draw benefit from this experience.

For a better-targeted, more innovative and flexible cooperation

Three main areas and three other areas of common interest have been defined to achieve such cooperation.



The main areas

Institutional support and consolidation of democratic processes

This involves guaranteeing the irreversibility of democratic processes and consolidating the State of law by strengthening institutions. It also means reforming and modernising government and its capacity to formulate sector-based policies (education, health, rural development).

Fighting poverty and social exclusion

The biggest priority for development cooperation with Latin America is still the fight against marginalisation, social exclusion and extreme poverty. The people concerned have to be integrated into a market economy and economic development must be linked to social progress.

Supporting economic reforms and the improvement of international competitiveness

This area is intended to help Latin American countries benefit from Community experience in the following areas: private sector development, mutually beneficial economic cooperation, industrial, scientific and technological cooperation, information society and, lastly, development of trade and investment in both directions. These measures are complemented by the establishment of greater synergy between industrial cooperation and scientific and technical cooperation, by better industrial



marketing, and by an increase in investment and external trade.

Other areas of common interest

Three areas of common interest play a role in each of the main areas outlined above.

They are:

Support for cooperation and regional integration

Europe supports the various initiatives under way. It exploits the regional integration process, which is one of the elements driving economic development.



Education and training

Education is a crucial factor in lasting economic and social development and is one of the pillars of democratic societies. Access to education must therefore be guaranteed for the whole population. Besides the ALFA university cooperation programme, initiatives focus on the development of basic education, professional training, technical teaching, education for the disadvantaged and teacher training.

Managing interdependence

To promote a lasting economic and social development, long-term commitments are vital in areas such as the environment, energy, the fight against drugs, public health and transport.

Environment: at least 10% of the cooperation budget is allocated to environmental protection projects. Moreover, all projects financed by the Community are systematically followed by an environmental impact study.

Energy: the EU plays a role in the development of energy policies, supports restructuring in this area and the development of renewable energies, especially through the ALURE programme.

Drugs: the granting of trade concessions under GPS (Generalised Preferences System) is accompanied by development projects in the area of drug substitution. There are also plans to establish cooperation which will bolster the legal system and the fight against drug trafficking.

Appropriate management techniques

Strategies for each country are regularly updated, just like the sectoral plans for the main cooperation areas. This is to ensure the best combination of current financing and instruments, in line with needs, and to improve planning on a national and regional basis.

Improving the efficiency of Community action

For development programmes to have a real and lasting impact, the beneficiaries must play an active part in each phase of the project. It is also important to seek complementarities and cofinancing with Latin American countries, the EU Member States and other international money lenders.



Better coordination of development projects

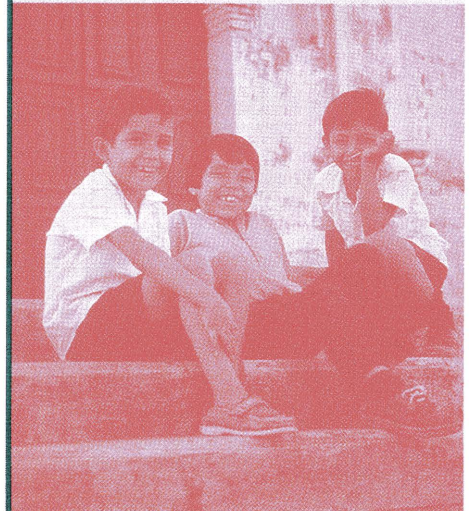
Joint efforts between the European Union and its Member States will lead to a qualitative improvement in the programmes, as well as a more efficient and visible use of available resources. Priorities should be determined for coordination. Initiatives that target the partners, as well as the Latin American and European public, will be taken at all levels; this will enhance the profile of cooperation work.

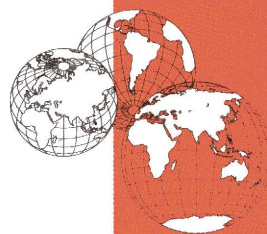
Decentralising cooperation

The partnership between the EU and Latin America calls for civilians - in Europe and Latin America - to participate more actively in the development process. New actors (towns, local authorities, businesses, universities, professional bodies, etc.) are invited to play a more active role on the cooperation stage.

GETTING TO KNOW ONE ANOTHER TO BETTER UNDERSTAND ONE ANOTHER

The European Union is a well-known and recognised partner in Latin America. However, much still remains to be done to increase the visibility of inter-regional relations, especially with regard to cooperation work. Information campaigns will be launched to raise public awareness and encourage civilians involved in cooperation - which is now based on a genuine and desired partnership - to take more responsibility.





European Commission

Directorate General IB
External Relations
Latin America Direction
Rue de la Loi 200
B-1049 Bruxelles, Belgium



Tel: +32-2 299 11 11
Fax: +32-2 299 10 10
Telex: COMEU B 21877