



**EUROPE AND LATIN AMERICA:  
A PARTNERSHIP FOR ACTION**

**BASIC DOCUMENT ON THE RELATIONS  
OF THE EUROPEAN UNION  
WITH LATIN AMERICA AND THE CARIBBEAN**

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**BASIC DOCUMENT ON THE RELATIONS  
OF THE EUROPEAN UNION WITH LATIN  
AMERICA AND THE CARIBBEAN**

**Approved by the Council of the European Union under the Chairmanship  
of the Foreign Minister of the Federal Republic of Germany, Dr. Klaus Kinkel  
Luxembourg, 31 October 1994**

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1. The countries and peoples of the European Union are united with those of Latin America and the Caribbean by many common historical, spiritual and cultural roots and share with them the values and ideals of freedom, solidarity, Universal Human Rights, and the Rule of Law.

The successful course of Latin America and the Caribbean towards peace, democracy, and sustained development has enhanced their role within the International Community while, at the same time, Europe is progressing on the road to unity.

In the framework of our Common Foreign and Security Policy we propose to undertake common efforts with Latin America and the Caribbean to bring about a new partnership of the two regions aimed at safeguarding peace, ensuring universal respect for Human Rights, increasing balanced economic exchanges, fostering sustained development, combatting poverty and environmental degradation, and activating cultural and scientific bonds.

2. We pay tribute to and support the endeavours undertaken in the region to consolidate representative democracy and the Rule of Law, modernise institutions and raise public ethics, open up and integrate economies, and promote social justice. We are ready, if so desired, to contribute our advice, experience, and, if appropriate, assistance.
3. Respect for Human Rights and fundamental freedoms, as well as the participation of all citizens in shaping their country's political future and economic and social progress, are of vital significance for peaceful development, both at a national and international level.

We, therefore, condemn all violations of Human Rights and demand that those responsible be punished. Impunity must be

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overcome by determined action and effective administration of justice.

4. The control of the Armed Forces by constitutional civil authority is of decisive importance for the internal stability of all states and for their role in international cooperation as well as for the consolidation of peace in the region.

We encourage endeavours to create a new, forward-looking role for the Armed Forces in support of international efforts towards peace and security.

5. We recognise the recent progress made by our partners as regards disarmament and arms control, non-proliferation, and control of sensitive exports. We urge countries that have not yet ratified the Tlatelolco Treaty to do so soon, and encourage countries that are not as yet party to the Non-Proliferation Treaty to accede to it. We call upon all countries to support the indefinite and unconditional extension of the Non-Proliferation Treaty. We welcome the dialogue initiated on confidence building measures, to which we can contribute specific European experiences.
6. We express our satisfaction at the enhanced role taken upon by the Organisation of American States in the defence of representative democracy and Human Rights as well as in the fight against poverty. We give our full support to the actions of the Organisation of American States in ensuring free, democratic elections.

We appreciate and support the peace endeavours made by the United Nations and the Organisation of American States, as well as groups of friends, in Central America and the Caribbean. We reconfirm our readiness to help re-integrate refugees and ex-combattants into civilian life.

7. We welcome the significant contributions of Latin American and Caribbean countries to safeguarding world peace and international security and to meeting the global challenges of our time, as well

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as to better enabling the United Nations for its fundamental tasks. We propose to intensify the dialogue on these matters.

8. We note with particular satisfaction the processes of regional and subregional integration, under way in Latin America and the Caribbean, and reaffirm our willingness to share our experiences in this field.

We seek to intensify the dialogue and cooperation between the European Union, the Rio-Group, Central America (San José), and Mercosur, broaden the agenda and enhance the political aspects of this dialogue. We are prepared to take up and strengthen dialogue and cooperation with other regional and sub-regional groupings, as well as with individual countries.

We are determined to pursue, together with our Caribbean partners, the cooperation outlined in the Lomé Convention.

We welcome the recent establishment of the Association of Caribbean States.

9. The promotion of trade and investments will remain the cornerstone of our relations with our Latin American and Caribbean partners. We warmly welcome the successful conclusion of the Uruguay Round, as well as the establishment of the World Trade Organisation. We advocate a dynamic increase in the economic exchanges between Europe and the emerging markets in Latin America, especially through rapid implementation of tariff reductions and the abolition of trade impediments.

We encourage additional national and international measures as well as the conclusion of agreements, by member states, to promote and protect investment, and the improvement of the investment climate in general. This includes enhancing legal security and further developing legislation on intellectual property.

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We acknowledge the important role of the European Community Investment Partners program in promoting joint ventures.

We intend to make the fullest use of the successful Third-Generation Cooperation Agreements of the European Union with countries and regional groupings in Latin America. We are prepared to start discussions on new, more ambitious agreements that reflect the economic potential of our partners and their emerging systems of integration.

10. Building on the well-established profile of development cooperation of the European Union and its member states, we offer to continue to accompany reform-minded partners in Latin America and the Caribbean on their way to sustained development.

Our cooperation, based on the principle of help towards self-help, aims at broadening the foundations for economic progress and social justice, democracy, and Human Rights. Our assistance should benefit, above all, the poorest, most disadvantaged social groups including indigenous populations, and should increase their ability to preserve their cultural identity and improve their economic and social situation.

We underline the important role of the European Investment Bank as an instrument of cooperation between the European Union and Latin American and Caribbean countries.

11. We see it as a task of fundamental political importance to further strengthen the cultural ties with our partners and to increase exchanges at all levels. We underline the idea of cultural cooperation in a spirit of equal partnership by offering the Latin American and Caribbean countries greater opportunities to present their cultures in Europe, as well as by contributing to the preservation of their cultural patrimony.

We look forward to further develop cooperation in the fields of education, science and technology.

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12. In accordance with the results of the United Nations Conference on Environment and Development, held in Rio de Janeiro, we dedicate special attention to cooperation on environmental issues in support of sustainable development. We want to join efforts with our partners in Latin America and the Caribbean to conserve endangered eco-systems, in particular tropical rain forests.

We are ready to assist with modern environmental technologies, tried and tested in Europe and world wide, with a view to relieve the plight of the inhabitants of great urban agglomerations, rehabilitate existing industrial sites and build new ones according to modern environmental standards.

13. We are prepared to intensify cooperation with our partners in the fight against terrorism, drug trafficking, and related crimes. Countries where drugs are produced, transited, or consumed must jointly shoulder the responsibility to combat the underlying causes of the problem. This calls for a balanced program of alternative development, law enforcement, and demand reduction.

In order to support continuous efforts of Andean and Central American countries in their fight against drugs, we are examining, in a spirit of understanding, the question of prolongation of the special regime, in favour of these countries, of the Generalised System of Preferences.

14. We express the desire that the dialogue between the parliaments of Europe, Latin America and the Caribbean be enhanced.

Likewise, we call upon all non-governmental organisations, actively interested in Latin America and the Caribbean, as well as citizens of the two regions to participate in more intensive exchanges as an expression of solidarity between the peoples.



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The Maastricht Treaty entrusts the European Union (EU) with the task of developing a common foreign and security policy (CFSP). In the context of the CFSP, the European Council's *Basic Document on the Relations of the European Union with Latin America and the Caribbean* seeks to reaffirm Europe's enduring commitment to a broader and deeper relationship with its Latin American and Caribbean partners. It also aims to restate Europe's determination to continue joint efforts on a solid biregional agenda. To discuss that agenda, the EU wishes to intensify dialogue and cooperation with regional and sub-regional groupings, as well as with individual countries.

### **The EU and the Rio Group**

Since the EU-Rio Group dialogue was institutionalized via the Rome Declaration of 20 December 1990, it has contributed to specific biregional accomplishments.

- As a mechanism of **political consultation and cooperation** between regions, this dialogue is unique. It has given rise to a partnership not just on themes in the biregional relationship, but also on global issues generally. The two sides have forged a set of common principles with which to confront global problems, and a collective vision of such international issues as democracy and good government, the protection of human rights, non-proliferation, the preservation of the environment, combatting the drugs trade and the coordination of approaches in international fora.
- Some **trade** difficulties remain to be resolved via biregional dialogue, and in some areas (particularly the agricultural sector) Latin America has expressed substantial concern about European "protectionism". It is equally true, however, that biregional trade disputes have declined markedly. In fact, of the 20 countries normally considered to comprise "Latin America", the EU is the main export market for no less than nine. From a European perspective, since 1990 Latin

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America alone has accounted for over 12% of the growth in EU exports to the world.

- In the field of **integration**, EU cooperation includes several large projects that are directly related to the Rio Group itself. The European Commission has supported various regional integration programmes in Rio Group countries, as well as the transfer of integration know-how and training activities. No other external partner has so consistently supported integration in Latin America with funding and the transfer of expertise. The EU itself, moreover, has provided a positive example of successful integration.
- In part a result of EU-Rio Group discussions, the guidelines for extending the operations of the **European Investment Bank (EIB)** to Latin America and Asia were approved in 1992. For 1993-1995, the EIB can offer 750 million ECUS to finance investment in both regions; about half of that sum will go to Latin America. At the III Institutionalized Ministerial Meeting in April 1993, the ministers of both regions drew attention to the important role that the Bank can play in the implementation of large infrastructure projects in Latin America.

The EU-Rio Group meetings have proved to be a decisive forum of clear benefit to both partners. For the EU, such a dialogue is a genuinely European means to foster political stability and promote economic development in other parts of the world, and to encourage integration efforts outside Europe. For Latin America, concerted action via group-to-group dialogue also has obvious advantages. To approach the EU and its Member States together offers a better position from which to negotiate for economic and political support.

For both partners, the dialogue has enabled mutual understanding to mature into a joint spirit for biregional action on issues of common concern. Nourished by the firm historical links of cultural affinities, the collective principles of this group-to-group partnership — on

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democracy, human rights, international security and a range of other issues — are more deeply embedded in this case than in virtually any other dialogue that the EU maintains with other regions of the world.

### **The EU and the Southern Cone: MERCOSUR and Chile**

Special relations have long existed between the EU and the countries of the Southern Cone, and those links continue to be reinforced. The EU is the main external trade and investment partner for MERCOSUR, while the Southern Cone as a whole is a clear priority sub-region in the EU's relations with Latin America. In fact, given that Europe is also Chile's main trade partner, the EU has looked favourably on recent proposals for closer Chilean association with MERCOSUR, and would see Chile's later accession as a very positive development.

**Biregional trade links** are already very strong. The EU supplies a quarter of MERCOSUR's imports and takes over a quarter of its exports. In 1993, MERCOSUR registered a trade surplus with the EU totalling \$2.6 billion. As for Chile, the EU is by far the country's main market, taking over a quarter of Chilean exports. In 1993, Chile alone ran a trade surplus with the EU of over \$400 million.

The EU is also MERCOSUR's principal source of direct **investment**, accounting for 36% of the stock. Some 40% of foreign banks operating in the sub-region are European. Moreover, the presence of European firms in MERCOSUR has increased significantly in recent years; in Argentina alone they represent 50% of the largest multinationals. The most recent figures also show a substantial increase (\$213 million in 1992) in European investment in Chile. In percentage terms, in fact, this was by far the most important increase (25%) of European investment in any Latin American country.

All Southern Cone countries have **third generation agreements** with the EU, and benefit from EU programmes to promote **biregional**

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**business links.** Argentina, Brazil, Chile and Uruguay have access to the BC-Net, a databank that provides companies with information on the opportunities for joint ventures with European firms. Chile, moreover, is the location of the first centre for business cooperation that the EU established in Latin America, even before the EU's AL-INVEST programme of investment promotion for the region became operational.

In view of such considerations, the vision of a **free trade agreement** between the EU and MERCOSUR has been welcomed on both sides of the Atlantic. Currently, the EU is considering a European Commission document of October 1994 on ways of intensifying EU policy towards MERCOSUR. This document proposes the signing of an inter-regional framework trade and cooperation agreement between the partners, as the first stage in a process that could culminate in a free trade accord. The prospect of such a free trade zone introduces a radical new dimension to European-Latin American relations.

An accord would provide MERCOSUR with preferential access to its main, and growing, foreign market. Moreover, it is likely that an association agreement will improve the sub-region's access to European technology, helping it to increase its competitiveness and accelerate its members' insertion into the world economy, while stimulating the internal integration process.

### **The EU and the Andean Pact**

The new era of European-Andean relations, which began with the signing of a **third generation agreement** in April 1993, is based on long-standing reciprocal links. The countries and integration institutions of the Andean region began their contacts with the European Commission in 1970, barely a year after the Pact came into being. In fact, the first cooperation agreement that the EU concluded with a Latin American sub-region was signed with the Andean Pact, in December 1983.



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In the Andean region, the EU has been particularly active in the protection of the **environment** and the fight against **drugs**. The countries of the Andean Pact have received the largest Latin American share of the EU's funding for "Environment in Developing Countries". European cooperation on the drugs issue has, most notably, extended to the area of **trade** relations. Since 1991, all Andean countries except Venezuela have benefitted from special access for their exports to the European market, as a means of promoting alternatives to coca cultivation. All industrial products, as well as most major agricultural goods, enter the EU duty-free. This is an unprecedented innovation in the EU's commercial policy towards Latin America, and has proven to be a useful instrument for helping to diversify exports.

In 1987, the Andean Pact modified its regulations on foreign **investment** and, in the following four years, EU countries became the main source of investment in the sub-region. From 1985 to 1991, European countries invested almost \$700 million, when other economic partners were disinvesting. By 1992, European countries were responsible for about a third of investment flows to the Andean region.

Additionally, EU Member States are by far the most important source of **cooperation** for the Andean countries: since 1980, more than half of all such funds have come from Europe, totalling about \$5 billion. Over that same period, bilateral cooperation from EU Member States has been substantially higher for the Andean Pact than for any other sub-region of Latin America: Pact countries have received more than a third of the total for the whole region.

### **The EU and Mexico**

Mexico and the EU are of obvious importance to each other as economic partners. In recognition of this, at the Corfu summit in June 1994, the European Council welcomed Mexico's accession to the Organization for Economic Cooperation and Development (OECD), and expressed its

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wish to strengthen political and economic relations with the country. A subsequent European Commission study on the future of EU-Mexican links makes clear that the EU wishes to upgrade the relationship: political dialogue will be reinforced, and a new framework for strengthening economic and trade links is being evaluated.

**Trade** relations are already dynamic. On the one hand, Europe is Mexico's second largest export market in the world. On the other, Mexico is the largest market for EU exports in the whole of Latin America, taking about a quarter of all European sales to the region. And commercial flows are growing: between 1990 and 1993, the value of European exports to Mexico expanded by no less than 50%.

The EU, moreover, is the second most important source of **direct investment** in Mexico, having contributed some 20% of flows in 1990-1993. Again, flows are dynamic: over the past decade, European investment has grown faster than that from any other source. Furthermore, it is expected that direct European investment will continue to grow, since Mexico's NAFTA membership offers further guarantees for investment and consolidates Mexico's position as a bridge to western hemisphere markets.

Mexico is also a key beneficiary of EU cooperation. The partners signed a **third generation agreement** in April 1991, granting each other most favoured nation treatment and agreeing to cooperate in fields such as industrial development, technology transfer and environmental protection. Hence, with regard to the promotion of **business activity**, Mexico has benefitted more than any other Latin American country from the European Community Investment Partners (ECIP) programme to support joint ventures. In November 1989, moreover, Mexico became the first non-EU Member State to gain access to the BC-Net.

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## The San José Process

The EU has for a decade maintained a fruitful and mutually-beneficial dialogue with Central America: the San José process. From a European perspective, the process has been an opportunity for the EU to contribute to a peaceful resolution of the conflicts in the isthmus, to foster democracy and integration in the area, to support economic reconstruction and to promote national reconciliation. As a result, in a newly-pacified Central America, Europe has a strong presence in a region from which it had been conspicuously absent.

The San José process was not only important in Central America's own search for a peaceful solution to the crisis of the last decade: it also has a fundamental economic dimension which has increased in significance as peace has been established. The current framework for that economic relationship is established by a **third generation agreement**. The accord includes multi-annual programming and provides for a diversified range of cooperation instruments.

EU **cooperation** has therefore consistently increased. On a per capita basis, Central America is the largest recipient of European cooperation in the world. Funds from the European Commission have risen by 29% since 1991 alone. The total, moreover, is about 40% of all Commission cooperation with Latin America. ODA flows from the Member States have also increased, rising from \$110 million in 1985 to almost \$350 million in 1992.

With regard to **trade**, in December 1991 the EU extended to Central America preferences similar to those already granted to the Andean countries. These privileges, which allow duty-free access for virtually all (only bananas are excluded) of the sub-region's agricultural and fisheries products, are useful for gaining greater access to Europe's single market. Significantly, the programme includes coffee, which accounts for 70-90% of all exports covered by the scheme for El Salvador, Guatemala, Honduras and Nicaragua.

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Having contributed to the pacification of the isthmus (the EU's involvement in the peace process is mentioned in the Esquipulas peace accords), Europe has also been a key player in the continuing advance of Central American integration, and in the sub-region's reinsertion into the international economy.

### **The EU and the Countries of the Caribbean**

The Lomé Convention establishes a **preferential trade regime** which is particularly supportive of Caribbean countries' commerce. By granting free access to the European market for virtually all Caribbean exports, guaranteeing sugar purchases and offering funds for export promotion, the trade preferences have been a source of valuable foreign exchange and have provided a vital safety net for the smaller island monocultures. Crucial for many Caribbean countries in this respect have been the funds available under the STABEX system, which compensate for falls in the international prices of agricultural goods. The resources for STABEX have grown substantially with Lomé IV to 1.5 billion ECUS: 62% more than was originally envisaged for Lomé III.

In fact, all resources offered under Lomé to countries in the Caribbean, as well as in Africa and the Pacific region, have grown enormously since the first Convention of 1975. The 3.4 billion ECUS of Lomé I have leapt to 12 billion ECUS for the 1990-1995 period of Lomé IV. Moreover, with the signing of Lomé IV by Haiti and the Dominican Republic in 1989, the Convention now extends to most countries in the Caribbean. The imminent mid-term review of Lomé IV can be expected to base EU development policy more solidly on the real needs of developing countries in the 1990s, rather than on colonial ties.

The European Development Fund has delivered significant **cooperation** programmes, which have been especially appreciated by the smaller, less developed countries of the Caribbean. The scale of

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this cooperation has been universally welcomed, and has been favourably compared to assistance from elsewhere. Concessional funding from Europe has had a marked impact on infrastructural development in the Caribbean: in fact, the EU is now the primary source of such finance for the sub-region.

A key innovation of Lomé IV is its emphasis on the **promotion of the private sector** in beneficiary countries. This is critical for Caribbean states, where the business sector is acutely aware of its vital role in delivering sustainable development. Apart from technical assistance and structural adjustment funds provided for this end, the EU has increased the level of risk capital to 825 million ECUS. The European Investment Bank, moreover, can now participate in Caribbean institutions that finance private investment.

Moreover, Caribbean countries benefit substantially from the 1.2 billion ECUS of Lomé IV made available to promote regional **integration**. The European Development Fund's Regional Programme has been decisive in supporting regional institutions in the Caribbean Community (CARICOM). Lomé has encouraged CARICOM to act collectively, and to negotiate as a group with the EU. In conjunction with European encouragement of such collective action in Central America and the broader Caribbean region (as well as the EU's own example in the field of integration), it can be argued that this European support contributed to the process that recently culminated in the creation of the Association of Caribbean States. The latter has potential as an important trade grouping in which Europe, with its traditional ties to the sub-region, would have great interest.

### **A Partnership for Action**

The responses of Europe and Latin America to the challenges of a new global system include a determined effort to intensify biregional relations. In the field of political consultation, the various biregional

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dialogues are increasingly solid partnerships for joint efforts on international issues. Shared values and common goals have made these dialogues decisive fora through which the partners can develop true biregional policies.

For Europe, Latin America is a dynamic and growing market to which even greater attention will be paid in the future. For Latin America, the EU remains the region's second most important trade partner, and the single most important in the cases of several countries.

The long-term signals on biregional investment are promising. Europe provides about a third of Latin America's inflows of direct investment, and holds a third of the stock. In several countries, Europe is the main source of investment.

Integration is advancing on both sides of the Atlantic, creating bigger markets for commerce, greater scope for investments, and a sounder basis for group-to-group dialogue in which each region speaks increasingly with a single voice.

Economic and development cooperation links are also encouraging. Europe remains by far the most important donor for Latin America, and European aid commitments show substantial increases in all the principal fields of cooperation. New instruments are being consolidated, which are more attuned to the new realities of relations between the EU and Latin American countries and sub-regions, as well as to global economic trends.

Both regions are enhancing their own competitiveness and influence in a newly-ordered world. In doing so, neither one can afford to neglect the other. On the contrary, developments *within* each of them will depend on the continually-strengthened links *between* them. Those biregional links now represent a true partnership for action.

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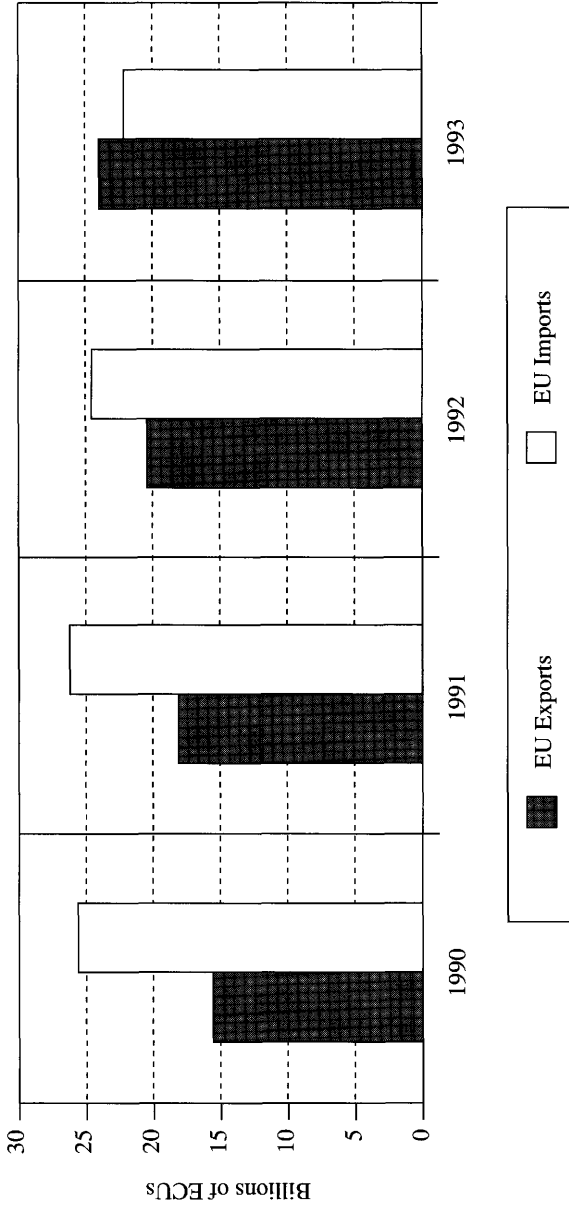
**STATISTICAL PROFILE OF ECONOMIC  
RELATIONS BETWEEN THE EUROPEAN UNION,  
LATIN AMERICA AND THE CARIBBEAN**

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## EU Trade with Latin America

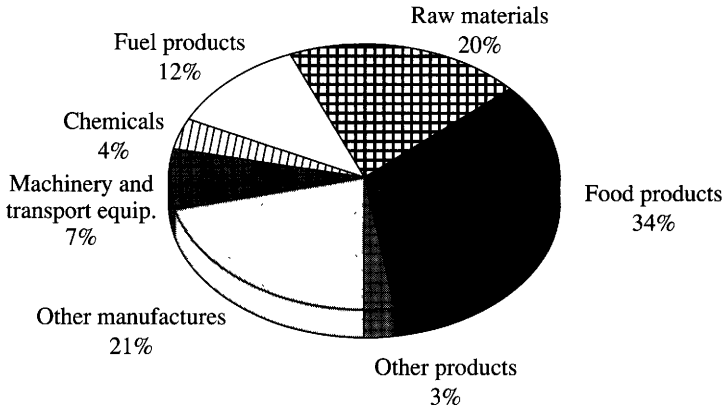


Source: EUROSTAT, Brussels-Luxembourg. Presentation: IRELA.

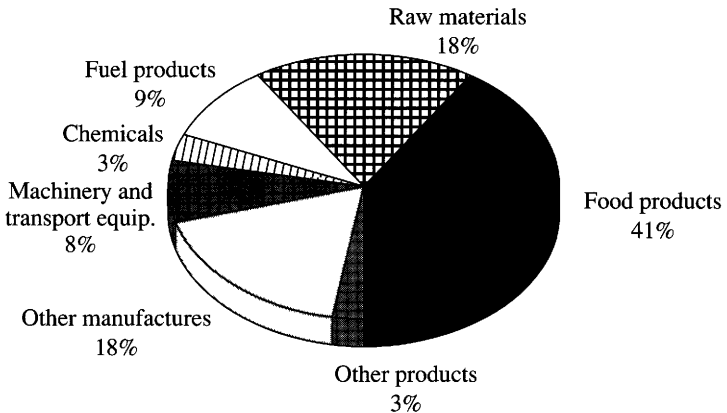
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## EU Imports from Latin America by Product Groups

1990



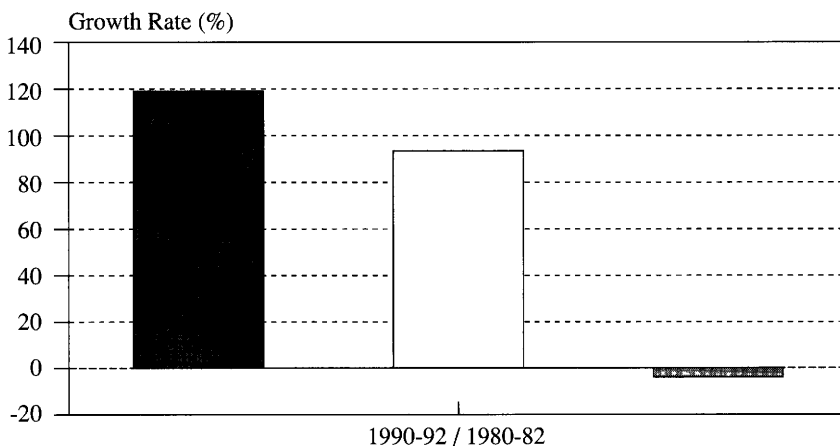
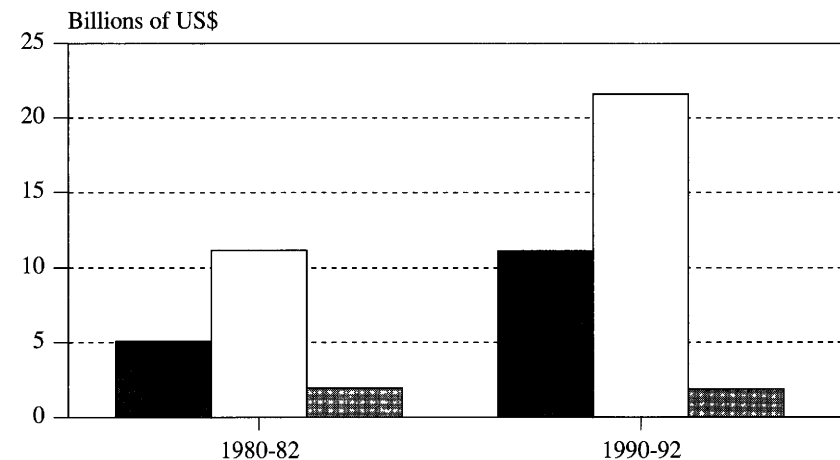
1993



Source: EUROSTAT, Brussels-Luxembourg.  
Presentation: IRELA.

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## Direct Investment Flows to Latin America and the Caribbean



Source: OECD, Paris; and EU Member States. Presentation: IRELA.

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.

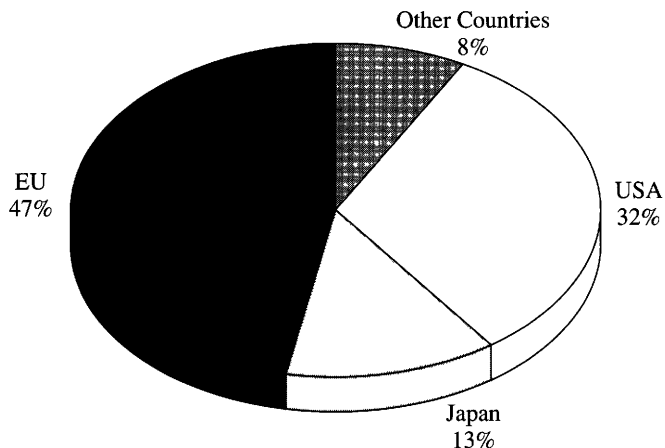
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## EU Participation in Official Development Assistance Received by Latin America

(based on bilateral ODA, net disbursements)

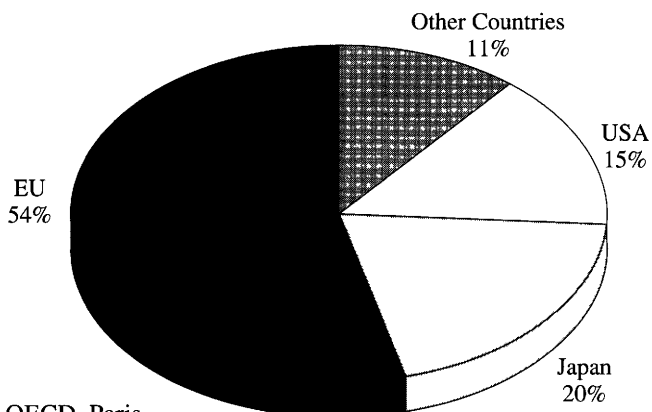
**1982**

(Total ODA = 1,382 mn US\$)



**1992**

(Total ODA = 3,741 mn US\$)



Source: OECD, Paris.  
Presentation: IRELA.

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