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Report

drawn up on behalf of the Committee on External Economic Relations

on economic relations between the European Community and Central America

Rapporteur: Mrs H. WIECZOREK-ZEUL

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English Edition

By letter of 8 December 1981 the Committee on External Economic Relations requested authorization to draw up a report on economic relations between the European Community and Central America.

By letter of 18 December 1981 the President of the European Parliament authorized the committee to draw up a report on this subject. On 2 April 1982 the Committee on Development and Cooperation was asked to deliver an opinion.

On 26 January 1982 the Committee on External Economic Relations appointed Mrs Wieczorek-Zeul rapporteur.

The committee considered the draft report at its meetings of 26 January 1982, 24 February 1982, 28 April 1982, 27 May 1982, 25 June 1982 and 21 September 1982 and adopted the motion for a resolution and explanatory statement on 21 September 1982 by 21 votes to none with 1 abstention.

The following took part in the vote: Sir Frederick Catherwood, chairman; Mrs Wieczorek-Zeul, vice-chairman and rapporteur; Dr Seal, vice-chairman; Mr Almirante, Mrs Baduel-Glosioso, Mr Bonaccini (deputizing for Mrs Poirier), Mrs Carettoni-Romagnoli (deputizing for Mr Alavanos), Mr Cohen (deputizing for Mr Caillavet), Mr Lagakos (deputizing for Mr Rieger), Mr Lemmer, Mrs Moreau, Mr Paulhan, Mr Pelikan, Mr Pesmazoglou, Mrs Pruvot, Mr Radoux,Prince Sayn-Wittgenstein-Berleburg, Mr Seeler, Mr Spencer, Sir John Stewart-Clark, Mr Tolman (deputizing for Mr Mommersteeg) and Mr Ziagos.

The opinion of the Committee on Development and Cooperation is attached.

C O N T E N T S

A

The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on economic relations between the European Community and Central America

The European Parliament,

A having regard to the Guidelines for intensifying Community action vis-à-vis Central America (COM(81) 737) of 20 November 1981,

B having regard to the European Council decision of 29 March 1982 concerning Central America, which stated that 'the aid given by the Member States of the Community and by the Community itself for development in Central America and the Caribbean should be coordinated and increased within the limits of their possibilities',

C having regard to the fact that the European Community is of major economic and political importance for Central America; for example, the Community States represent Central America's second largest market after the USA, accounting for 24% of its foreign trade (1979), and, likewise after the USA, the second largest source of investment,

D recognizing that the European Community has already granted substantial aid in the past to this region and that it has committed itself to greater responsibility,

E seeking to support the independent self-determined development and autonomy of the region and its efforts towards integration and to assist in its concern to diversify its economic and political relations,

F recognizing that the development of the Community's policy towards Central America must be viewed in conjunction with its existing obligations towards the ACP States under the Convention of Lomé and towards the associated countries in the Mediterranean area and other countries, G having regard to the report of the Committee on External Economic Relations and the opinion of the Committee on Development and Cooperation (Doc. 1-645/82

1. Welcomes in general the European Community's approach to Central America as laid down in the Commission's guidelines (COM(81) 737);

2. Welcomes the fact that the Commission has formulated a proposal for specific Community action in Central America, based on the European Council decision; hopes that this action will be implemented immediately under the 1982 budget and that the relevant amount of 65 million EUA proposed by the Commission will be spent; is in favour of continuing Community action in Central America in the years to come, since isolated measures can only be of limited effect;

3. Feels that the European Community should formulate a global policy towards Central America which incorporates the various factors and instruments at present operating individually (trade policy, development cooperation, direct investment, etc.), and insists in particular on long-term binding Community action, since this would be more effective in both financial and economic terms;

4. Calls on the Commission and Council to propose an economic cooperation agreement as a further visible sign of the EEC's commitment to Central America;

5. Further calls on the Commission and Council to supplement this general offer of a cooperation agreement through bilateral agreements with the countries in the region which have or are developing democratic structures, such as Costa Rica, or which are particularly under-developed and do not belong to the ACP group of countries, such as the Dominican Republic;

6. Would like to see the creation of a joint cooperation committee between the EEC and the countries of Central America with which such agreements are concluded;

7. Urges the European Community to support the region of Central America in its efforts to achieve integration or to establish intra-regional cooperation (e.g. development of communications and a joint infrastructure; Costa Rica - Nicaragua - Honduras) , and to assist intra-regional land

reform projects (e.g. in the context of the Interamerican Institute for Cooperation of Agriculture);

8. Assumes that the development of individual states and of the region on the basis of an enlarged market is an important economic prerequisite for regional integration and for the more self-determined development of the area, and is therefore particularly interested in encouraging, through cooperation, new and effective forms of an enlarged 'Central American common market'; recognizes at the same time that an increase in mass purchasing power in the countries of the region is absolutely essential for this strategy;

9. Considers, therefore, that cooperation between Central America and the large neighbouring states of Mexico and Venezuela is particularly important and offers a form of tripartite cooperation on matters relating to development finance, energy supplies and industrial cooperation;

10. Assumes that a greater economic commitment by the European Community to Central America must in the long term entail substantially higher payments by the Community, particularly in the field of financial and technical cooperation, trade promotion, regional integration, energy policy cooperation and the development of education, and with regard to funds for cooperation agreements and to the European Development Fund; suggests that consideration could also be given to the ways in which existing Community institutions (European Investment Bank) or Community instruments (e.g. Ortoli facility) could help through increased credit facilities; takes the view, however, that in the light of the financial resources available to the Community and the burden of its existing obligations, it is impossible for the Community alone to cover the requirements of Central America's development; believes that an additional multilateral development programme is necessary. For this purpose the European Community should cooperate with other countries and the relevant financial institutions;

11. Would like to see these resources used in particular to promote the reforms needed in the countries of Central America:

- agricultural reforms to encourage the development of agriculture and ensure permanent indigenous food supplies for the whole population and more effective rural development; development of the food industry,

- creation of local associations for the production and marketing of agricultural products,
- specific aid for the general education and training of the population (literacy campaigns),
- extension of the internal market for certain industrial consumer goods and the agricultural supply industries (specific import substitution),
- industrial development on the basis of the resources available in the region (agricultural raw materials),
- development of local alternative energy sources (hydroelectric potential as a substitute for oil imports),
- reduction of the balance of payments deficit by selective increases in exports of products not traditionally exported to markets outside Central America,
- development of the transport infrastructure as part of a programme of greater decentralization;

12. Would like to see the creation of a special EEC instrument to promote and channel direct investments which are compatible with development policy;

13. Draws attention to the possibility of making better use of the European Community's generalized system of preferences, which is at present under-exploited by the countries of Central America, and would like to see an extension of the European Community's advisory facilities and resources designed to promote exports from these countries;

14. Asks the Commission to consider the possibility of setting up a system to stabilize export earnings for the benefit of those Central American and Caribbean countries which are not parties to the Lomé Convention. Such a system should enable the countries in question to reduce their balance of payments deficits, plan their economic development more successfully and diversify the agricultural commodities they produce and export; alternatively, the Commission should consider how to arrange supply contracts with the countries of this region so as to guarantee an EC market for their exports, although without providing price guarantees;

15. Repeats its call for the EC to accede to the International Sugar Agreement in order to put an end to extreme fluctuations in world prices for this commodity and the consequent adverse effects on the Central American and Caribbean countries which are so greatly dependent on it;

16. Hopes that the EC will open an office in Central America in the near future as a token of its commitment to that region;

17. Instructs its President to forward this resolution to the Commission and Council.

B

EXPLANATORY STATEMENT

1. In line with the practice adopted by the Commission the countries of Central America are understood in this report to mean the five member states of the Central American Common Market (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), Panama, the independent Caribbean countries (Dominican Republic and Haiti) which are not party to the Lomé Convention, and Cuba.

The European Community has not so far formally established bilateral contractual relations with the countries of Central America.

However, it maintains relations with some of these countries in a number of areas of development cooperation, such as financial and technical aid and support for regional integration. In addition, the countries of Central America have access to the generalized system of preferences.

With a surface area roughly equivalent to that of France and a population of 32.7 million the six republics of the Central American isthmus (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) together with the Dominican Republic and Haiti account for less than 25% of the surface area and 10% of the population of Latin America as a whole. Unlike other regions of the subcontinent Central America has relatively few raw materials and 40.5% of its total exports consists of two tropical products (coffee and bananas).

In 1960 five of the Central American republics founded the Central American Common Market (CACM) with the aim of integrating the national economies of the region by means of a global customs union and common industrial policies. For a number of reasons, which will be set out in more detail below, the CACM has in practice now ceased to function.

2. The external motivation for this report is the Commission's intention to intensify the Community's contacts with Central America by extending trade and development cooperation.

The main points of its guidelines of 20 November 1981[1] are as follows:

- in the development aid sphere, additional financial aid,
- introduction of consultation and coordination in the cooperation sphere, at Community level and at multilateral international level,
- in the trade sphere an effort to find any opportunities for specific improvements of the GSP in the agro-food sector .

Finally, in its resolution of March 1982 the European Council commented for the first time on Central America:

> 'The European Council discussed the situation in Central America. It expressed serious concern at the continued growth of tensions in the region. It welcomed with interest any initiative likely to put an end to violence and lead, through dialogue and respect for democratic norms and for human rights, to the restoration of peace in the region, while safeguarding national sovereignty and the wishes of the people. In this context it noted with interest the proposals made by a number of countries in the region.

Noting that the tensions and conflicts ravaging Central America frequently stemmed from the grave economic problems and social inequalities which had been aggravated by world economic conditions to the detriment of the poorest countries, the European Council believed that the international community could not remain indifferent to these evils. It welcomed the efforts currently being exerted to remedy them, and particularly hopes that the initiative of the Nassau Group will contribute to this in accordance with the principles set out above.

The Community and its Member States, too, had in the past provided substantial assistance to the region.

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[1] COM(81) 737 - Guidelines for intensifying Community action vis-à-vis Central America

The European Council however agreed that the aid given by the Member States of the Community and by the Community itself for development in Central America and the Caribbean should be coordinated and increased within the limits of their possibilities.

The European Council instructed the Foreign Ministers to draw up, on the basis of proposals from the Commission, detailed arrangements for the granting of Community aid.'[1]

On the basis of these decisions the Commission has proposed the following additional measures[2]:

- Community action to improve agricultural structures and rural development (agricultural reforms);

- aid to reduce the balance of payments deficit of the countries of Central America;

- integration of the various instruments used by the EEC for development cooperation with Central America;

- an allocation of 65 m EUA, which should be entered in 1982 in a rectifying budget under Article 930. The rapporteur considers that this amount is far too low compared with planned USA expenditure (Caribbean Basin initiative), which totals US $ 320 m for 1982 and is to be increased in subsequent years (planned for 1983: US $ 664.5 m).

3. Central America's importance for EEC foreign trade at present consists primarily in its role as a supplier of two tropical products, coffee and bananas. The European Community obtains 39% of its banana imports and 17% of its coffee imports from this region (1979). Exports to central America account for a negligible share of total EEC trade (1979: 0.52%; 1980: 0.43%) and consist almost entirely of raw materials.

However, there is a great interest in direct investment from the countries of the European Community in the region. Moreover, the Community's interests are jeopardized by the fact that, like the Third World as a whole, Central America is being drawn into the East-West conflict. Unlike the two superpowers, the USA and the USSR, the EEC's interests lie in the independent development of the Third World countries, the creation of internal social stability and in the kind of partnership embodied in the Lomé Convention.

1 European Council decision of 29.3.1982

2 Special action in favour of the economic and social development of Central America, Communication from the Commission to the Council (COM(82) 257 final)

Moreover, the European Community has always given high priority to cooperation with other groups of countries and to economic integration. The Community is not only of political but also of major economic importance for Central America: after the USA the EEC is its second largest market and source of foreign investment. In 1979 24% of its exports went to the EEC and 35% to the USA. In 1975 around 20% of its foreign investments were placed in the EEC and 73% in the USA, these figures showing a tendency to rise and fall respectively.

Partnership with the EEC is seen in Central America, as in many other countries throughout Latin America, as a possible means of diversifying their relations more widely and hence of reducing the dependence of individual Latin American countries on the USA. In addition, the EEC is regarded as a medium-size power which cannot 'intervene' on a military level and does not prescribe any particular models for the development of society.

4. Relations are based on the visits paid by the EEC Commissioner Christopher Soames in 1975, which were consolidated by subsequent visits by Commissioners Haferkamp and Cheysson, and on the Council decisions concerning the extension of development aid to include non-associated developing countries.

In 1975 the main idea was to develop relations at regional level and to intensify contacts through the possible conclusion of a global agreement. This approach was determined primarily by the size of the individual countries, the relatively high level of intregration within the Central American market (20% internal trade) and the Community's development policy objective of promoting this kind of integrated federation in the Third World.

However, this initiative has so far had only partial success. The Central American Heads of Mission formed a group (Gruca) and held two exchanges of views with the Commission services (1979 and 1980). Contacts with SIECA[1] were intensified, for

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[1] Secretaria Permanente de Integracion économica de Centro America (Permanent secretariat for the economic integration of Central America), the CACM secretariat

example in connection with aid for regional integration and with the Tokyo Round. In 1978 the Central American Ministers for the Economic Affairs instructed SIECA to investigate the possibility of a cooperation agreement with the Community.

However, a number of factors prevented the conclusion of an outline agreement of this kind. On the one hand, economic and political tensions among the countries of Central America increased to such an extent that it was no longer possible for them to adopt a unanimous position vis-à-vis the EEC. At the same time there was a decline in the hitherto successful cooperation within the CACM, which began to disintegrate.

As far as the EEC was concerned, alarm at the rapidly worsening human rights situation in a number of Central American countries, e.g. Guatemala and El Salvador, was the main factor which led the Community to abandon any further moves towards an economic cooperation agreement. On the other hand, perhaps unjustified account was taken of the USA's supposed 'sphere of influence'.

5. However, even without a contractual framework the Community has continued to extend development cooperation with Central America (including non-associated Caribbean countries). Although this aid amounts to less than the aid granted to the Lomé Caribbean countries from the EDF, it nevertheless represents a substantial share of the total aid granted to Latin America (1980: 50 m EUA out of 84.7 m EUA = about 59%). In this connection the Community took account of the relatively low standard of development of Central America (1979: $ 826 GNP per capita) in relation to Latin America as a whole (1979: $ 1,270) and of the frequent natural disasters to which this tropical region is particularly prone.

Given the situation prevailing at the time, most of the aid was granted not to the region but to individual countries, although account was nevertheless taken as far as possible of its regional objectives. As regards financial and technical aid (budget Article 930) the Community was guided in particular by the standard of development and the political situation. As a result, aid was focused on Honduras and Nicaragua, which together received about 50% of the total allocation to Central America (1979/80: 33.5 m EUA), that is 11 m EUA and 5.3 m EUA respectively. Grants were also made to Haiti and the Dominican Republic and the remainder was used for regional projects. In 1981 the aid was again concentrated on Honduras and Nicaragua and the grants to the Dominican Republic maintained.

Food aid (Chapter 920) naturally aims above all at eliminating food shortages. However, in certain cases the political situation can influence the extent of and arrangements for the aid, particularly if it raises problems concerning the implementation of the aid. For example, in 1981 no aid was earmarked for Cuba or Guatemala, indirect aid was granted to Haiti and El Salvador through the intermediary of non-governmental organizations, and direct aid was again concentrated on Honduras and Nicaragua. In 1980 these two countries received 50% of the food aid granted to Central America (Nicaragua: 6.89 m EUA, Honduras: 6.65 m EUA). Of particular importance in this connection were projects financed by means of sales on the local market (Nicaragua: 5.4 m EUA, used for example to finance the literacy campaign; Honduras: about 1 m EUA, used for example for silos).

The general points concerning food aid also apply to emergency aid for political and natural disasters (Article 950) and aid to non-governmental organizations (Article 945), which by definition is granted not to states but to private aid organizations. Emergency aid was used to assist a number of countries in the wake of natural disasters and in certain cases of political emergencies (1979: Nicaragua, following the overthrow of Somoza; 1981: El Salvador), and in 1980 totalled 0.65 m EUA for the region as a whole. Aid to non-governmental organizations amounted in 1980 to 0.75 m EUA.

While these four aid schemes are used principally to help individual countries of Central America, two further measures are implemented primarily on a regional scale: aid for regional integration (Article 932 - 1980 total: 50,000 m EUA) and export promotion (Article 931 - 1980 total: 1.3 m EUA). Despite their modest scope these measures are useful because they facilitate the dialogue with the regional bodies and the handling at regional level of exports from Central America to the Community. A further item involving small amounts but of undoubted value concerns scholarships (Item 941).

In addition to this financial aid, since 1971 the Community has accorded to Central America the concessions provided for by the generalized system of preferences, which has since been extended. However, little advantage is taken of these concessions.

There has been a dramatic increase in contacts between Central America and the Commission as a result of this development aid. In March/April 1981 several ministers from Central American States (Nicaragua, Honduras and Costa Rica) visited the Commission. Sergio Ramirez (Nicaragua Junta) and Rodrigo Carazo (President of Costa Rica) spent some time in Brussels in 1979 and 1980, and 1982 respectively.

6. The principal factors currently influencing the national economies of the countries of Central America are extremely unfavourable:

- The price of coffee has been falling for some time. This affects primarily Costa Rica (26% of its exports), El Salvador (61%), Haiti (20%), Honduras (28%) and Nicaragua (35%), which are particularly dependent on this raw material. A similar situation prevails for the other principal agricultural raw materials.

- There has been a dramatic increase in the cost of the oil imports of the non-oil-producing developing countries in Central America (e.g. for Costa Rica, from around US $ 71 million in 1975 to around US $ 116 million in 1978).

- Industrial imports have risen in cost as a result of world-wide inflation.

- Trade within the CACM has been disrupted.

- The situation is characterized by foreign debts, high balance of payments deficits, and rates of inflation varying between 11% and 65%.

These factors are exacerbated by the fact that most Central American states, as in the colonial period, still have economies based primarily on the export of one or two agricultural commodities.

This system of agricultural exports is entirely dependent on the world market, on traditional outlets and hence on fluctuations in these outlets.

The share of industry in the national economies is still very small (18% of the population of the Dominican Republic are employed in industry, 21% in Guatemala, 7% in Haiti and 14% in Honduras).

National industrial sectors are virtually non-existent. In most cases growth and industrialization are not priority issues, the aim being rather to safeguard the traditional economic and power elite and the armed forces who frequently form part of this elite. Around 60% of the active population is employed in agriculture.

However, even where agriculture plays a predominant role in the economy, in many cases it is not adequately developed and exploited because of the traditional system of latifundia and minifundia.

Thus in January 1980 4% of landowners in El Salvador owned 67% of the arable land. Half (48.9%) of all landowners had to manage on minifundia of less than 1 hectare and their share of the arable land amounted to only 4.8%.

This means that there are two options for the rural population: either seasonal employment during the harvest as agricultural labourers on the latifundia or a wretched existence on their own farms without sufficient capital and equipment and without any economic incentive to encourage local production and supply of agricultural goods for the local population.

The situation in El Salvador is repeated in other countries of Central America. A growing number of landless rural families (1961: 30,000 landless campesinos = 11% of all campesinos; 1971: 112,000 landless campesinos = 40% of all campesinos) together with massive income disparities and a rapidly increasing population are confronted by the traditional political alliance between the numerically small landowning oligarchy and the military which, however, is opposed to any kind of reform.

Agricultural reforms, which have been attempted on many occasions in the face of fierce opposition, are therefore essential for the countries of Central America in various respects:

- they should facilitate more productive exploitation of the land;
- they should alleviate national dependence on exports;
- they should enable sufficient food to be produced for the indigenous population;
- they should stop the rural exodus;
- they should remove the bases of social inequality and hence of the widespread social conflicts.

Between 1950 and 1954 the Arbenz Government in Guatemala attempted to pursue a policy of agricultural reform to benefit the lower classes of American Indians, and in particular agricultural labourers and the lower middle classes, but it encountered strong opposition from coffee planters and agricultural exporters and from their military allies. Since

1954 Guatemala has had a military regime, without any base in the various 'elections', the results of which were regularly falsified in favour of candidates supported by the military. Agricultural reform was blocked.

In Nicaragua the Sandinista revolution was possible only because in over fifty years in power the Somozas stood in the way of any effective agricultural reform and exploited the land as though it were their private property until finally all sections of the population, including employers and the middle classes, rose up in protest.

The situation in Costa Rica is completely different. Its per capita gross domestic product (GDP - 1979: US $ 1,311) is one of the highest in Latin America and is exceeded among the Central American states only by Panama. El Salvador, which has a very similar economic structure, falls a long way behind Costa Rica with a per capita GDP of US $ 690 in 1979.

This is mainly a result of the fairer distribution of income over the country. 'This is explained by the late settlement of smallholders in the country (mid-nineteenth century) and the fact that these structures have to a large extent been retained. Since Costa Rica has few mineral resources, there was little incentive during the colonial period for more dense settlement, with the result that the country has managed to retain a stronger social dualism than for example in El Salvador'.[1]

'A traditionally high proportion of the national budget is allocated to the education sector, which sets an example for the whole of Latin America (...). Many social policy measures have been introduced to ensure a fair distribution of income (...)' (ibid).

[1] German Institute for Development Policy: Direktinvestitionen im Industriesektor Costa Ricas (Direct investment in the industrial sector in Costa Rica), Berlin, November 1981.

Appropriate EEC action should include support for the agricultural reforms which have been initiated with these objectives in a number of Central American countries. The principal goal of these reforms is the transfer of large plantations to cooperative management and the cultivation by farming cooperatives of land which has hitherto lain fallow. However, the countries of Central America have not in the past had sufficient financial resources or technical equipment and advice to achieve these aims.

The development of the agro-industry in Central America is in many cases controlled by a small number of US concerns. For example, in Honduras virtually the whole of the banana crop is in the hands of Standard Brands and United Fruit. The same situation applies to the beef sector. Almost all the pastureland in Central America, with the exception of Nicaragua, is controlled by US companies producing beef for export (including the Latin-American Agribusiness Development Corporation, LAAD, whose shareholders are fourteen US banks and agribusiness firms).

6a. The following measures, which are aimed at stabilizing the economic situation in the short or medium term are being considered or have already been taken in all the countries I visited on my trip to Central America, i.e. the Dominican Republic, Panama, Costa Rica, Nicaragua and Cuba. The actual measures vary from one country to another and not all apply to Cuba and Panama:

- legislation to control outflows of foreign exchange and drastic restrictions on imports;
- devaluation of currencies against the dollar and splitting of exchange rates;
- negotiations with the International Monetary Fund, whose terms in most cases, however, run counter to the objective of more balanced development and fairer distribution;
- specific programmes to promote exports;
- emergency programmes for crisis-hit industries; there is a growing interest in direct investment from the countries of the European Community;
- movement away from oil by exploiting the potential for hydroelectric and geothermal power;

- concentration on agrarian reform and rural development;

- measures to increase the efficiency of the tax system;

- measures to improve the efficiency of public services and administrations, higher prices;

- wage and price controls.

7. The interests of US industry traditionally lay in seeking out raw materials, markets and investment potential in Central America and additional opportunities for trade and the installation of production plant in Latin America as a whole.

In addition, since the Cuban revolution in 1959 there has been 'more far-reaching concern to maintain intact the whole American sphere of interests in the world-wide struggle for power and influence with the Soviet Union, and the related strategic argument'.[1]

The basic pattern of unilateral dependence by the countries of Central America on the USA was made explicit in the so-called Monroe Doctrine of 1823, which prohibited the major European powers from interfering in the western hemisphere but left the USA, as a country belonging to this hemisphere, free to do so.

Between the turn of the century and the beginning of the 1930s the US Government repeatedly intervened in Central America with a view to achieving the objectives of North American industry and particularly of agricultural exporters. This interference took the form not only of direct military intervention but also of other ways of 'exerting influence', such as the Panama agreements or, in the case of Cuba (before Castro), fixed sugar quotas and the Platt Amendment, which gave the USA the right to intervene in the Cuban constitution (Puhle). The last act of major interference was the invasion by the marines of the Dominican Republic in 1965. In the interests of a 'security

[1] Hans Jürgen Puhle: Die Politik der USA in Mittelamerika (USA policy in Central America) in 'Vorgänge' No. 54; there are further references to this work in this section.

policy' which concentrates solely on military security and which suspects any system that deviates from its own position of being unreliable, the USA has also frequently intervened for primarily political reasons. The most striking manifestation of this policy was the overthrow in 1954 of the left-wing liberal populist Arbenz Government by the CIA and Guatemalan armed forces. Since then the country has been tottering in the face of constant unrest, violence and infringements of human rights.

In this area there is a serious divergence of interests between the USA and the countries of Latin America (Central America). The latter can solve their economic and social problems only if the state intervenes more actively in the economy and in society, and this is a policy which has been successfully pursued for a long time by three of the larger countries of Latin America.

US business circles and the US Government wrongly regard this policy as a threat in the longer term to their own interests.

Following the interlude of the Carter Government, which tended to concentrate more on cooperation and in doing so carefully nurtured American interests in Latin America, this misunderstanding seems to be again gaining ground.

The fact that the USA still maintains its rigid position most firmly in Central America, whereas it sometimes shows much greater flexibility towards the more southerly countries of Latin America, derives not only from the size of these countries but also from historical causes.

Whereas Mexico and other Latin American countries began as early as the 1920s and 1930s to introduce social and political reforms, the oligarchic social and power structures continued unreformed for a considerably longer period in the countries of Central America.

There were few direct threats to the balance of power (scarcely any modernization of the economy) and those that did exist provoked widespread suppression, as in El Salvador in 1932.

By contrast with the rest of Latin America, the world economic crisis at the beginning of the 1930s brought to Central America, with the direct or indirect support of the USA, a series of long-lasting dictatorships which remained in power until well after the Second World War: Ubico in Guatemala (1931 - 1944), Hernandez Martinez in Salvador (1931 - 1944), Carias Andino in Honduras (1933 - 1949), Batista in Cuba (1933 - 1959), Trujillo in the Dominican Republic (1930 - 1961) and the Somozas in Nicaragua (1932 - 1979).

In most of these countries it was virtually impossible for a nationalist middle and entrepreneur class to evolve, development was impeded, agricultural structures remained untouched and the education of the people was neglected. Apart from Costa Rica, Panama was the only country of Central America to implement economic and social reforms, admittedly under the special conditions prevailing in the canal zone.

8. Efforts to achieve integration in Latin America are based substantially on the concept of economic integration developed by the US Economic Commission for Latin America (ECLA) at the end of the 1950s[1]. The objective was to strengthen the continent's international negotiating position and its central tenet was that the previous 'introverted' development involving import substitution linked with industrialization was inadequate, since at national level such substitution would soon encounter limitations. Further development could thus be maintained only if Latin America operated a form of collective protectionism which would enable import substitution to take place at regional level. The ECLA concept thus envisaged economic integration as the establishment of increasingly interdependent industrial structures inter alia by abolishing customs duties between the various countries. The long-term objective was the creation of a Common (Latin American) Market.

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1 See on this question Wolfgang König: Zu den Möglichkeiten der wirtschaftlichen Integration Lateinamerikas (The possibilities for economic integration in Latin America), in 'Lindenberg', op. cit.

In its first five years, up to 1966, the Central American Common Market, comprising Costa Rica, Guatemala, El Salvador, Honduras and Nicaragua, was outstandingly successful. During this period regional trade was largely liberalized, a common external tariff was fixed for application to third countries, industrialization forged ahead and the total volume of trade of these countries doubled each year. The development of trade was linked with an influx of direct foreign investment, attracted by the extension of the market and the liberalization of trade. From 1966 onwards the CACM lost impetus and immediately there was a revival of the traditional dependence of the countries of Central America on outside aid. Following the armed conflict between El Salvador and Honduras, the latter withdrew from the CACM.

The main causes of the collapse of the CACM are linked to the fact that successful industrialization by means of a policy of import substitution depends largely on the size of the internal market. In terms of population the CACM is only a quarter the size of Mexico so that, although regional import substitution on the lines of the ECLA concept was achieved in the initial phase, this was only because the original level of industrialization was minimal. Moreover, regional import substitution took place not on the basis of an overall programme, as indicated in the ECLA concept, but simply as a result of the introduction of free trade within the CACM.

This meant that, as soon as the impetus began to wane, serious disputes over distribution arose between countries which had derived fewer benefits from the process of integration and those which had gained from it, such as Costa Rica. No attempt had been made to develop policies which could have provided compensation.

Moreover, the import substitution model underlying the concept of the CACM gave rise to a whole series of additional structural problems which were partly responsible for its stagnation: (the industries which were established following the creation of the CACM (artificial fertilizers, pharmaceutical products, tyres, batteries, electrical equipment, etc.) were highly dependent on imports of raw materials. They were capital-intensive and had a low net product together with a high level of dependence on foreign investors and foreign technology.

As imports for these industries became more expensive and, in particular, as oil prices rocketed, while at the same time the prices of the region's traditional exports fell, this model of import substitution, and with it the CACM of which it was the principal mainstay, was hit by crisis.

As a result, the policy of import substitution was no longer consistently pursued and from the mid-1970s there was a renewed increase in imports of food and intermediate products.

A serious shortcoming of the import substitution model on which the CACM was based was the fact that to a large extent it failed to exploit indigenous resources, in particular, agricultural resources and the availability of a large workforce.

Moreover, disparities in the political evolution of the individual member states inevitably contributed to the stagnation of the CACM.

Any concept aimed at reviving regional cooperation and integration in Central America must reflect on the causes of the collapse of the CACM.

8a. No one with whom I spoke in the countries of Central America saw any chance of reviving the Central American Cimmon Market in its previous form. There appeared instead to be signs of a broader-based cooperation, which included Venezuela and Mexico. The 'Latin America declaration of San Jose' of 8 May 1982 which was signed by eight Central American countries, including Venezuela and Mexizo, is another indication of this trend towards a broader form of cooperation. There are, at the same time, signs of a trend towards more bilateral trade relations. Costa Rica, for instance, has concluded a bilateral agreement with Mexico to improve access to the Mexican market.

9. The above considerations form the basis for proposals for new European Community action vis-à-vis Central America and a remodelling of relations between the two parties.

The concept of cooperation agreements to be concluded bilaterally with the governments of individual Central American states brings me back to a proposal mooted in internal Commission documents. 'As in the similar context of the Andean Pact, consideration should thus be given as to whether such agreements could be concluded with interested member states of the region' (confidential Commission document).

The proposal for a cooperation agreement was greeted by all the representatives of Central American states with whom I held discussions in Brussels, including the Mexican representative - though from different political standpoints - as an important move by the European Community. I encountered the same positive response in the course of my visit to the Central American countries of the Dominican Republic, Panama, Costa Rica, Nicaragua and Cuba, where all the government representatives I met enthusiastically supported the proposal for a cooperation agreement. From the EEC's point of view it contains several positive aspects, in that it represents:

- an approach to the region and a recognition of its concern to establish regional cooperation,

- a move, which is rational in development policy terms, towards cooperation with groups of countries which are themselves attempting to achieve integration,

- an attempt to integrate various EEC policies.

- a commitment to longer-term binding action which could ensure a follow-up to isolated EEC measures.

There are likewise several aspects which could influence the choice of partners for bilateral agreements:

- whether an agreement would stabilize existing 'stable pockets', such as Costa Rica. This aspect is particularly important, since the structural economic problems described above are placing a great strain on Costa Rica, which could easily undermine the existing internal democratic structure.

Similarly, support could be given to relatively stable countries such as Panama;

- whether the development of democracy would thereby be more effectively ensured. Consideration under this aspect could include countries such as Nicaragua, which overthrew the Somoza dictatorship but which, because of the lack of USA support and indeed of its openly aggressive attitude, is in danger of isolating itself at great military cost. Countries such as this must be offered a new European option designed in particular to help combat economic problems which date back to the Somoza period. From another, quite different, point of view Honduras could also be included among these countries;

- In Cuba, reactions were mixed to the rapporteur's suggestion that better relations should be established between the EC and that country. Criticisms of this proposal were mainly based on Cuba's existing membership of COMECON. It was argued that bilateral relations between the EC and Cuba would not be possible until the EC had concluded an agreement with COMECON, although multilateral relations between the EC and SELA were possible.

  There were, however, also some positive reactions from people I spoke to in Cuba who regarded the proposal with interest.

  Of course, there are also considerable reservations about this possibility on the part of the EC.

- whether support could thereby be given to particularly under-developed Caribbean countries which are not party to the Lomé Convention, such as the Dominican Republic;

- whether an agreement would promote necessary structural reforms in the countries of Central America;

- whether support would thereby be given to intra-regional cooperation by Central American countries on individual projects, e.g. shared communications;

- no support should be given to countries whose governments or national authorities systematically violate human rights.

The proposal for tripartite cooperation between the European Community, Central America and Mexico results from experience of the existing cooperation arrangement between Mexico and Central America (oil supplies at preferential prices), that is, from the practical moves towards intra-regional cooperation in Central America.

It is also the result of reflections prompted by the collapse of the CACM. Any plans for industrialization in Central America must always relate to a larger region and, where necessary, involve a form of division of labour between the economically stronger countries (Mexico) and economically weaker countries of Central America.

Calls for the Central American countries to be guided towards industrialization and development at national and regional level are based on the following considerations:

- the recognition that the import substitution model which formed the basis of the CACM, has failed;

- changes are needed, if only for energy policy reasons, on account of the high cost of oil imports;

- the existing model whereby the economy of 150 developing countries is oriented towards a small number of Western industrialized countries does not provide most of the smaller developing countries with adequate opportunities for development and growth because of the worldwide economic recession, protectionism and the existence of a large number of extremely efficient newly industrialized countries.

However, a number of far-reaching reforms are essential for the national and regional development of the countries of Central America:

- agricultural reforms designed to break up the traditional system of latifundia and minifundia. They should first create an agriculture 'which provides a permanent and secure domestic source of food for the whole population and adequate food for families of low incomes' (Esser - apart from the existing generalized preferences system and with reference to sugar). They should also halt the migration of the rural population to the cities (see guideline laid down in the EP resolution on hunger in the world, Ferrero report, September 1980);

- expansion of demand for simple mass consumer goods by increasing mass purchasing power;

- generalized basic qualifications for the workforce and the education and training of the population;

- development of basic industries and of the capital goods sector which are labour intensive;

- utilization of indigenous resources;

- internal industrialization together with the selective diversification of exports to industrialized and developing countries to include products not traditionally exported.

The European Community can offer few concessions in the field of direct trade policy (apart from the existing system of generalized preferences and in respect of sugar). It is therefore only realistic and consistent for the analysis of Community action in Central America in this report to concentrate on the direct transfer of financial resources or the granting of loans through the European Investment Bank (EIB).

Basic data

Population (1980) (million inhabitants):	32.7	(Latin America:	329)
Area (million km²):	0.6	(Latin America:	20)

GDP (US $ million at 1978 prices)	1979	1980	Change %
Total	24 951	25 643	+ 2.8
of which:			
Costa Rica	2 840	2 886	+ 1.6
Dom. Rep.	4 626	4 867	+ 5.2
El Salvador	3 060	2 877	- 6.0
Guatemala	6 916	7 151	+ 3.4
Haiti	1 217	1 216	- 0.1
Honduras	1 947	1 995	+ 2.5
Nicaragua	1 545	1 711	+10.7
Panama	2 800	2 940	+ 5.0

Per capita GDP	1979	1980	Change %
Total	782.2	784.2	+ 0.25
Costa Rica	1 311	1 299	- 0.9
Dom. Rep.	877	896	+ 2.7
El Salvador	690	625	- 9.4
Guatemala	988	1 014	+ 2.6
Haiti	243	245	+ 0.8
Honduras	546	539	- 1.3
Nicaragua	627	634	+ 1.1
Panama	1 488	1 547	+ 4.0

Trade balance		
(8 countries, balance in US $ million)[1]	-1 558	-2 449

[1] Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama.

Import cover afforded by gold and foreign exchange reserve (months)	end 1979	end 1980
Costa Rica	2	3
Dominican Republic	3	3
El Salvador	2	2
Guatemala	6	4
Haiti	2	1
Honduras	3	2
Nicaragua	4	1
Panama	-	-
Gold and foreign exchange reserves (except Panama, US $ million)	1 846	1 564
External debt[1] (The 8, US $ million)	8 787	10 378

Pattern of foreign trade

Exports:	USA:	41.3% of the total in value
	EEC:	21.3%
Imports:	USA:	36.8%
	EEC:	11.2%

Private EEC investment (1978 US $ million)

Total developing countries: 720 = 100%

of which Central America (CACM 3.78) (Panama 4.23) Total 8.01 or 1.11%

[1]Figures for end 1979 for Haiti and Nicaragua.

TRADE OF THE EEC (9) WITH CENTRAL AMERICAN COUNTRIES[1] + HAITI + DOMINICAN REPUBLIC -

(Balance of trade for EEC)

in m ECU

1977			1978			1979			1980		
Exp.	Imp.	Trade balance	Exp.	Imp.	Trade balance	Exp.	Imp.	Trade balance	Exp.	Imp.	Trade balance
34	47	- 13	35	44	- 9	37	43	- 6	37	64	- 27
144	257	-113	167	211	-44	139	220	-81	130	264	- 134
81	63	+ 18	74	58	+ 16	74	56	+ 18	102	54	+ 48
47	111	- 64	55	107	-52	68	127	-59	69	132	- 63
101	337	-236	106	169	-63	91	280	-189	60	233	- 173
75	165	- 90	54	124	-70	24	118	-94	36	85	- 49
94	177	- 83	108	174	-66	98	189	-91	92	186	- 94
241	131	+110	263	104	+159	308	195	+113	334	148	+ 186
817	1288	- 471	862	991	- 129	839	1228	- 389	860	1166	- 306

1 Central American Common Market + Haiti + Dominican Republic + Panama

2 Panama, the most recent member of the CACM (1980) is the only CACM country which has traditionally had a balance of trade deficit with the EEC

Source : Eurostat - Monthly Bulletin.

1980 - COMMUNITY AID TO LATIN AND CENTRAL AMERICA[1]

m ECU

	Central America and Caribbean	Total Latin America	Central / Latin America / America
Chapter 92 of the budget: Food aid[2]	20.81	52,52	39.6
Chapter 93 of the budget:			
• Art. 930 : Financial + technical aid	20.10	29,80	68
• Art. 931 : Export promotion	1.36	3,22	43
• Art. 932 : Aid for regional integration	0.05	0,30	17
Chapter 94 of the budget:			
• Art. 941 : Training (scholarships and information visits)	-	0,04	-
• Art. 945 : NGOs	0.75	2,80	27
Chapter 95 of the budget: Emergency aid	0.65	0,65	100
TOTAL 1980	43.74	84,74	51.4

1 Costa Rica , Guatemala, Haiti, Honduras, Nicaragua, Panama, Dominican Republic, El Salvador

2 Domestic market prices

COMMUNITY AID TO CENTRAL AMERICA

1979 and 1980

in m ECU

1979	Costa Rica		Dominican Republic	El Salvador	Guatemala	Haiti	Honduras	Nicaragua	Panama		Total Central America
Chapter 92 of the budget											
Food aid	-	-	0,33	0,93	-	1.33	8.66	5,37	-	-	16,82
Chapter 93 of the budget											
Financ.& tech. assist.	-	-	-	-	-	5. 0	3,20	2,50	-	2,70	13,40
Export promotion	0,11		0,026	0,105	0,101	0.036	0.089	0,089	0,085	-	0,641
Aid for reg. integration	-		-	-	-	-	-	-	-	0,10	0,10
Chapter 94 of the budget											
Training	-		-	-	-	-	-	-	-	0,03	0,03
NGOs	-		0,205	0,18	0,082	0.106	-	0,036	0,003	-	0,582
Chapter 95 of the budget											
Emergency aid	-	-	0,60	-	-	3,10	-	-	-	0,55	1,25
TOTAL	0,11		1,171	1.215	0.183	6.572	11.949	8.165	0,088	3.38	32.82
1980											
Chapter 92 of the budget											
Food aid	-		0.97	3,42	-	2.88	6,65	6,89	-	-	20,81
Chapter 93 of the budget											
Financ. & tech. assist.	-		4,00	-	-	4.80	7.80	2,80	-	0,70	20,10
Export promotion	0,237		0.06	0,12	0,225	0,103	0,21	0,205	0,158	-	1,253
Aid for reg. integration	-		-	-	-	-	-	-	-	0,05	0,05
Chapter 94 of the budget											
Training	-		-	-	-	-	-	-	-	0,035	0,035
NGOs	-		-	-	0.065	0.195	-	0.491	0,015	-	0,744
Chapter 95 of the budget											
Emergency aid	-	-	-	-	-	0.40	-	-	-	0,25	0,65
TOTAL	0.237		5,03	3.54	0.27	8.378	14.66	10.336	0,213	1,085	43,74

Economic profiles

Costa Rica

During 1980 the Costa Rican economy was seriously affected by oil price rises, with problems being compounded by a fall in the price of the main export, coffee. The sharp decline in the rate of growth of gdp experienced in 1979, when the rate fell from an average of 6.9% over the preceding 3 years to 3.3%, was further exacerbated in 1980, with a rate of 1.6%: the recession is forecast to continue into 1981. The slowdown in growth has been accompanied by rising inflation: the official consumer price index indicated a 17.8% increase in 1980, compared with 13.5% in 1979. A sharp rise in inflation took place in 1981, given the floating of the colon in December 1980, and increases in the prices of diesel oil (+ 80%), gasoline (+ 17%), electricity (+ 36%) and telephone services (+ 30%).

In 1980 exports (fob) increased by 9% to reach US $1,005 Mio whereas imports (cif) increased by 6% to US $1,491 Mio, leaving a trade deficit almost the same as in 1979. The international reserve position has also been weak, ending 1980 with a negative figure of US $95 Mio. Delays in payments abroad by the private sector and requests to banks for extensions on payments terms have been widespread. Indeed, in mid-May the Central Bank was forced to sell about three quarters, US $42 Mio, of its total gold reserves.

On 26 September 1980, in an attempt to stimulate exports and contain imports, the government decreed a series of stabilizing measures and three months later floated the colon. The value of the US dollar has since risen from 12.50 colones in December 1980 to a record level of 21 colones in April 1981. In March 1981 the government introduced new foreign exchange regulations, obliging exporters to sell all their dollars to the Central Bank at a rate of 15 colones and importers to buy theirs at the higher free market rate.

Tough negotiations with the IMF, which lasted six months, ended with the granting of a standby credit of US $350 Mio, to be repaid over three years; it represents 450% of Costa Rica's quota, the maximum available under current IMF rules. Conditions for the IMF loan are believed to include promotion of exports, alternative energy resources (no subsidies to the national oil refinery RECOPE), and agriculture, together with a reduction in public spending. The IMF plan foresees a growth of gdp of 4% by 1983.

The 1981 banks' credit programme has been set at 7.6 bn colones, of which 71% will be devoted to agriculture and fishing and 25% to industry. Of the total programme, 48.5% will be at subsidized or preferential rates of interest.

The recently elected Monge government has introduced an emergency programme to come to grips with the disastrous economic situation, to improve agriculture and employment, to reduce and control the high balance-of-payments deficit and foreign indebtedness. The measures provided for in the programme include import restrictions, controls on outflows of foreign exchange and improvements in the system of tax collection.

COSTA RICA

CAPITAL San Jose

POPULATION MID-1980 2.2 m.

AREA (000 km. sq.) 51

1980 GROSS NATIONAL PRODUCT per capita. US $ 1,730

1980 GROSS DOMESTIC PRODUCT US $ 4,850 (current prices)

% OF WORKING POPULATION ENGAGED IN

- AGRICULTURE 29
- INDUSTRY 23
- SERVICES 48

1976 ADULT LITERACY RATE 90% (15 years +) Life expectancy at birth: 70

1979 RATE OF INFLATION % 18.2

1980 CURRENT BALANCE OF PAYMENTS. US $ - 620.3 m

1980 BALANCE OF TRADE. US $ - 480.0 m

PRINCIPAL EXPORTS % (d) 1979

Coffee	31%
Bananas	19%
Beef	8%
Sugar	2%

1978 Total imports of petroleum US $ 115.694 m. (SITC 33)

1975-77 Per Caput Dietary Energy Supplies (% of nutritional requirements) 111 %

PRINCIPAL TRADING PARTNERS :

IMPORTS 1979	EXPORTS 1979
USA	USA
Japan	FRG
Guatemala	Guatemala
El Salvador	El Salvador
FRG	Netherlands

COSTA RICA

Agricultural land holdings

Type of farm	1955 % of farms	1955 % of agric. land	1973 % of farms	1973 % of agric. land
Large farms with 700 ha. or more	0.5	33.6	6.6	30.5
Medium to large family farms, 20-699 ha.	31.2	55.8	27.6	60.9
Family farms, 3.5-20 ha.	39.4	9.3	29.1	7.4
Smallholdings with less than 3.5 ha.	28.9	1.3	37.7	1.2

Sources: Federal Office of Statistics 1974; DGEC: Census figures

CUBA

CAPITAL Havana

POPULATION MID-1980 9.7

AREA (000 km. sq.) 115

GROSS NATIONAL PRODUCT per capita. US $ 1410

GROSS DOMESTIC PRODUCT US $ n.d. *

% OF WORKING POPULATION ENGAGED IN

- AGRICULTURE 23
- INDUSTRY 31
- SERVICES 46

1979 ADULT LITERACY RATE % 95,4 (15-49 years) Life expectancy at birth: 73

RATE OF INFLATION n.d.

1980 BALANCE OF TRADE. US $ - 200m.

1980 PRINCIPAL EXPORTS %

Sugar -84%

Minerals 5%

Sugar (- 7% of world's total production)

Nickel (- world's fourth largest producer)

PRINCIPAL TRADING PARTNERS :

Imports 1980	Exports 1980
USSR	USSR
Japan	German Democratic Republic
German Democratic Republic	Canada
Bulgaria	Japan
Spain	Bulgaria

1975-77 Per Capita self-sufficiency in food (% of requirements): 114 %

* owing to the manner in which Cuba presents its economic data, a GDP figure was not available.

El Salvador

Estimates indicate that in 1980 gdp in real terms declined by 6 %, compared with a 1,5 % decline in 1979. The Emergency Plan for 1981-1983, recently introduced, aims to raise gdp at current prices by an injection of US $ 950 Mio into the country, 80 % locally funded. However, with prospects of a high inflation rate (officially 18.6 % in 1980, unofficially about 30 %) and a fall in coffee output.

Provisional balance of trade figures show that in 1980 exports fell by 5 % to US $ 1,080 Mio and imports increased by 13 % to US $ 1,107 Mio. In an attempt to reduce imports, from February 1981 all non-essential imports have been prohibited and certain imports such as basic foods, medicines, fuel and machinery now require a 200 % prior import deposit with the Central Bank. International reserves also deteriorated, ending 1980 at a level of US $ 99.5 Mio compared to US $ 161.7 Mio at end 1979.

The Government is hoping to reach an agreement soon with the IMF for an Extended Fund Facility of US $ 150 Mio. A decree of March 1980 prohibited deposits in foreign banks from March 1981 ; this implementation date has now been postponed and the BOLSA branch has been granted permission to receive deposits from existing clients until 15th. March 1982.

EL SALVADOR

CAPITAL San Salvador

POPULATION MID-1980 4.5 m.

AREA (000 km. sq.) 21

1980 GROSS NATIONAL PRODUCT per capita. US $ 660

1980 GROSS DOMESTIC PRODUCT US $ 3,768 m. (Current prices)

% OF WORKING POPULATION ENGAGED IN

- AGRICULTURE 50
- INDUSTRY 22
- SERVICES 27

1976 ADULT LITERACY RATE % 62 Life expectancy at birth (1980): 63

1980 RATE OF INFLATION 18,6 % (official figures)

1980 CURRENT BALANCE OF PAYMENTS. US $ - 152,6 m

1980 BALANCE OF TRADE. US $ -27 m.

PRINCIPAL EXPORTS % 1979

Coffee 64

Cotton 7

1978 Total imports of petroleum US $ 79,7 m. (SITC 33)

PRINCIPAL TRADING PARTNERS :

Imports 1978	Exports 1978
USA	USA
Guatemala	FRG
Venezuela	Guatemala
Japan	Netherlands
Costa Rica	Japan

1975-77 Selfsufficiency in food
(% of nutrit. requirements) 91 %

EL SALVADOR

Land distribution 1961

Size of farm in ha.	No. of farms	% of farms	Area in 1,000 ha.	% of agric. land
0 - 1	107,054	47.0	61	3.9
1 - 2	48,501	21.2	68	4.4
2 - 5	37,743	17.1	118	7.5
5 - 10	14,001	6.1	99	6.3
10 - 50	15,235	6.7	326	20.2
50 - 100	2,214	1.0	155	9.8
100 - 200	1,121	0.5	158	10.1
200 - 1,000	902	0.4	347	22.1
1,000 - 2,500	91	0.0	132	8.3
over 2,500	34	0.0	117	7.4
Total	226,896	100.0	1,581	100.0

Source: Federal Office of Statistics 1973

THE DOMINICAN REPUBLIC

CAPITAL Santo Domingo

POPULATION MID-1980 5.4 m.

AREA (000 km. sq.) 49

1980 GROSS NATIONAL PRODUCT per capita. US $ 1,160

1980 GROSS DOMESTIC PRODUCT US $ 7,120 m.

% OF WORKING POPULATION ENGAGED IN

- AGRICULTURE 49
- INDUSTRY 18
- SERVICES 33

1976 ADULT LITERACY RATE % 67 Life expectancy at birth: 61

RATE OF INFLATION 90% (Average 1970-80)

1980 CURRENT BALANCE OF PAYMENTS. US $ - 341 m.

1980 BALANCE OF TRADE. US $ - 474 m. *

PRINCIPAL EXPORTS % (1980)

Sugar	30%
Alloy of gold and silver	27%
Ferronickel	10%
Coffee	5%
Cocoa	5%

1979 TOTAL IMPORTS OF PETROLEUM US $ 279.3 m

PRINCIPAL TRADING PARTNERS :

Imports 1979	Exports 1979
USA	USA
Venezuela	Switzerland
Netherlands Antilles	Venezuela
Japan	Netherlands
	Puerto Rico

DOMINICAN REPUBLIC

Agricultural land holding 1971

Farm size in ha.	No. of farms	% of farms	Area in 1,000 ha	% of agric. land
0.5 - 4.9	182,222	71.9	339	12.7
5.0 - 9.9	30,782	12.2	210	7.9
10 - 49.9	33,479	13.2	677	25.5
50 - 99.9	3,734	1.5	253	9.5
100 - 199.9	1,785	0.7	248	9.3
200 - 499.9	873	0.3	262	9.8
500 - 999.9	223	0.1	150	5.6
over 1,000	202	0.1	526	19.7
Total	253,300	100.0	2,665	100.0

Source: ILO : Generación de empleo productivo y crecimiento económico
El caso de la R.D., Geneva 1975

Guatemala

The economy has been adversely affected in 1980 by the decline in Central American trade (30 % of Guatemala's exports go to CACM countries) and low world coffee prices. GDP grew by only 3.5 % in 1980 (4.5 % in 1979), scarcely above the rate of growth of the population, and the increase is expected to be still lower in 1981.

Official trade figures in 1980 showed a slight improvement on 1979 ; exports (fob) increased by 18 % to US $ 1,44 Mio, imports (cif) by 12 % to US $ 1,570 Mio. The performance of export commodities was uneven. Coffee earnings (31 %) fell by US $ 108 Mio because of the low world price combined with production problems. Cotton earnings (11 %), despite good prices, fell because of poor weather. Only sugar earnings (5 %) and non-traditional exports (35 %) showed any improvement. The year ended with a current-account deficit of US $ 315.4 Mio, compared with US $ 210.2 Mio in 1979.

Pressure was also felt on the level of international reserves, which fell by 35 % to US $ 466.8 Mio at end-1980. In an effort to ease the liquidity position, in September 1980 the Junta Monetaria reduced the legal cash reserve requirement for commercial banks from 40 % to 35 % for sight deposits and from 12 % to 10 % for savings deposits. In April 1981 restrictions on the transfer of foreign capital imposed in 1980, were also relaxed.

Here have been developments in 1980 and 1981 in the oil sector. In January Hispanoil, in a joint venture with Elf Aquitaine and Braspetro of Brazil, announced that their Yalpepech well in Alta Verapaz would yield about 3.000 bpd; while in April, Texaco et Amoco made a wild-cat oil-strike in the Petén basin on NW Guatemala. These discoveries will bring Guatemala better oil supply.

The Government also hopes to reduce consumption of petroleum, currently 25,000 bpd, by an investment of over US $ 1.7 bn (eq) in five major hydroelectric plants ; three of which, at Aguacapa (90 mw), Chixoy (300 mw) and Quezaltenango (55 mw) are now under construction.

GUATEMALA

CAPITAL GUATEMALA

POPULATION MID-1980 7.3 m.

AREA (000 km. sq.) 109

1980 GROSS NATIONAL PRODUCT per capita. US $ 1080

1980 GROSS DOMESTIC PRODUCT US $ 7,850 m.

% OF WORKING POPULATION ENGAGED IN

- AGRICULTURE 57
- INDUSTRY 21
- SERVICES 24

1973 ADULT LITERACY RATE % 46 % (15 years +) Life expectancy at birth (1980): 59

1980 RATE OF INFLATION 9,1 % (official figures)

1980 CURRENT BALANCE OF PAYMENTS. US $ - 315.4 m

1980 BALANCE OF TRADE. US $ - 7 m.

PRINCIPAL EXPORTS % (1980)

Coffee	31
Cotton	11
Sugar	6
Nickel	4

1979 Total imports of petroleum (SITC 33) US $ 1349 m.

PRINCIPAL TRADING PARTNERS :

Imports 1980	Exports 1980
USA	USA
Venezuela	El Salvador
Japan	West Germany
El Salvador	Nicaragua
West Germany	Costa Rica

1975-77 Self-sufficiency in food
(% of nutrit. requirements) 99 %

Haiti

CAPITAL Port au Prince

POPULATION MID- 1980 5 m.

AREA (000 km. sq.) 28

1980 GROSS NATIONAL PRODUCT per capita. US $ 270

1980 GROSS DOMESTIC PRODUCT US $ 1410 m

% OF WORKING POPULATION ENGAGED IN

- AGRICULTURE 74
- INDUSTRY 7
- SERVICES 19

1971 ADULT LITERACY RATE % 23% (15 years +) Life expectancy at birth (1980): 53

RATE OF INFLATION 9.4% (average 1970-1980)

1980 CURRENT BALANCE OF PAYMENTS. US $ - 77 m.

1980 BALANCE OF TRADE. US $ + 237 m.

PRINCIPAL EXPORTS % 1976/1977

Coffee	41
Bauxite	11

1978 TOTAL IMPORTS OF PETROLEUM US $ 24.4 m

PRINCIPAL TRADING PARTNERS :

Imports 1976	Exports 1976
USA	USA
Netherlands Antilles	France
Canada	

HAITI

Farm structure 1971

Size of farm in ha	No. of farms	No. of plots	Area in ha	No. of farmers	Size of plo in ha (a)
0 - 1	361,985	530,480	184,843	1,498,020	0.34
1 - 2	141,930	275,510	211,940	666,180	0.76
2 - 3	53,600	130,400	137,359	279,990	1.05
Subtotal in %	91	84	62	88	
3 - 4	27,370	74,390	96,762	143,800	1.30
4 - 5	8,440	29,340	38,790	48,000	1.32
over 5	23,385	78,110	193,822	143,030	2.48
Total	616,710	1,118,230	863,516	2,779,020	0.77

(a) Average size per plot in ha

Source: IHS

Honduras

Real growth of the Honduran gross domestic product declined to 1.9 % in 1980, compared with 6.7 % in 1979. The sudden fall was caused by low investment (in view of capital flight of some US $ 140 mio during the year) and poor performance of the agricultural sector. Current projections of the 1981 growth rate given by COHEP, the Honduran employers' federation, now stand at - 2 % because of Honduras' vulnerable position in the worlds commodity markets.

The traditional productive sectors contracted in 1980. Despite its potential, agricultural output was marred by natural disasters (forest fires) and fell by 2.8 % (+ 7.7 % in 1979). 1980 also saw reduced activity in construction ; delays in the execution of large public works such as Puerto Castilla were experienced and private demand was sluggisch.

Internally, economic policy has been concentrated on reducing inflation, which has risen rapidly since September 1979. The official cost-of-living index showed an increase of 18.8 % in 1980 (8,8 % in 1979); however, since this index reflects only a few basic commodities the actual rate is believed to have been higher, at about 30 %. Money supply growth fell from 19.2 % in 1979 to 3 % in 1980, and a severe shortage of liquidity was experienced. The IMF this year refused to sign its annual standby agreement with the government. Though certain loans are to be granted (US $ 28 Mio from World Bank, US $ 27.5 Mio from the Commonwealth Development Corporation and US $ 8.5 Mio from EEC) these will not be sufficient to have a major impact on the liquidity crisis.

The overall budget deficit in 1980 amounted to US $ 178 Mio (eq) against US $ 130 Mio in 1979 and rose to US $ 285 Mio in 1981.

The external-accounts position was also weak in 1980. Coffee exports were restricted by the quota while the import bill rose because of large oil-price increases (US $ 176 Mio in 1980, US $ 113 Mio in 1979) and increased cost of agricultural equipment. The current-account deficit of the balance of payments increased from US $ 215 Mio in 1979 to US $ 330 Mio. Gross international reserves fell from US $ 209 Mio at end-1979 to US $ 150 Mio at end-1980, and reached an all-time low of US $ 22 Mio in February this year. The foreign debt at end-1980 was estimated at US $ 989 Mio (38 % of GDP).

The 1979-83 investment plan gives priority to the energy sector, which will receive 40 % of the US $ 1.2 % bn (eq) proposed investment ; transport will receive 22 %, public health 14 % and agriculture 11 %. Work on the El Cajón hydroelectric project, costing US $ 500 Mio (eq) and designed to provide sufficient energy to cover the country's needs over the next 8-10 years, is now in process. Carbones Industriales has found a large lignite deposit in the west of the country, and the possibility of commercially viable oil deposits has been announced. At present, however, the Government is involved in a heated dispute with Texaco, which operates the only oil refinery in the country, and has requested a 204 % price increase for oil and its derivatives.

Honduras

CAPITAL Tegucigalpa D.C.

POPULATION MID-1980 3.7 m.

AREA (000 km. sq.) 112

1980 GROSS NATIONAL PRODUCT per capita. US $ 560

1980 GROSS DOMESTIC PRODUCT US $ 2230

% OF WORKING POPULATION ENGAGED IN

- AGRICULTURE 63
- INDUSTRY 15
- SERVICES 22

1979 ADULT LITERACY RATE % 60 (15 years +) Life expectancy at birth (1980): 58

1980 RATE OF INFLATION 18,8%

1980 CURRENT BALANCE OF PAYMENTS. US $ -330 m (Current Account)

1980 BALANCE OF TRADE. US $ - 213 m

PRINCIPAL EXPORTS % 1979

Bananas	25
Coffee	24
Frozen Meat	8
Timber	5

1978 Total imports of petroleum (SITC 33) US $ 74,3 m

PRINCIPAL TRADING PARTNERS :

Imports 1979	Exports 1979
USA	USA
Venezuela	West Germany
Japan	Netherlands
Guatemala	Guatemala
	Japan

1975-77 Self-sufficiency in food (% of nutrit. requirements) 92 %

Nicaragua

The economic results of the Civil War were catastrophic. It was estimated that over 30,000 people were killed, that total damage exceeded US $2 bn, that real gdp per head had fallen back to the level of 1962 (with a fall of 26% in the 1979 gdp as against 1978), and that inflation was estimated at 60% for the year December 1978-December 1979. The gdp grew by 10.7% in 1980, showing a lower rate than that expected in last year's economic plan.

The industrial sector in 1980 also showed the effects of the Civil War but on the whole the economy has recovered exceptionally well under the new government since 1979. In 1980 the rate of growth reached 38.3% with very marked recovery in some sectors such as beverages (57.5%), tobacco (40.2%), timber (43.2%), petroleum products (50.4%), rubber (71.1%) and non-metallic minerals (70.4%). Some industrial sectors registered declines, such as paper (-30%) and machinery (- 23.2%). The most dynamic sector was construction (+ 99.3%) because of the reconstruction of the areas worst affected by the Civil War and the development of working-class housing. The process of economic reactivation and more effective price controls helped to reduce the inflation rate from 83.3% in 1979 to 27.1% in 1980.

The trade balance showed a deterioration during 1980 with exports declining to US $470 Mio (US $567 Mio in 1979) and exports increasing to US $870 Mio (US $360 Mio).

The Junta's new development plan forecasts a real increase of 18.5% in gdp with increases of 8.8% and 9.0% respectively in employment and productivity; construction and agriculture are the main sectors to be developed. Investment is expected to show a sharp rise (+ 43.5%) mainly concentrated in the productive sectors and in infrastructure, and more encouragement will be given to the production of basic goods as opposed to luxury items. The government is seeking to encourage private business ventures by preparing a new investment code. In 1980 the share of the public sector in agriculture was all of 20%, that of the private sector 80%. In processing industry the public sector controlled 25% and the private sector 75%.

An agreement was reached with 110 international banks in December 1979 for the payment of US $600 Mio of the Nicaraguan external debt due at end-1980. Also a long-term agreement has been reached on the repayment of a US $ 62 Mio debt with Spain to be made from 1987 to 1993. Total debt-service payments in 1981 are estimated at US $ 190 Mio.

Nicaragua

CAPITAL Managua

POPULATION MID-1980 2.6 m

AREA (000 km. sq.) 130

1980 GROSS NATIONAL PRODUCT per capita. US $ 740

1980 GROSS DOMESTIC PRODUCT US $ 2120 m

% OF WORKING POPULATION ENGAGED IN

- AGRICULTURE 39
- INDUSTRY 14
- SERVICES 47

ADULT LITERACY RATE % 90 Life expectancy at birth (1980): 56

19 80 RATE OF INFLATION 27,1 %

1980 CURRENT BALANCE OF PAYMENTS. US $-382 m (Current Account)

1980 BALANCE OF TRADE. US $ - 110 m.

PRINCIPAL EXPORTS %

Cotton	23
Coffee	35
Meat	15

1978 Total import of petroleum (SITC 33) US $ 118,3 m

PRINCIPAL TRADING PARTNERS :

Imports 1979	Exports 1979
USA	USA
Costa Rica	West Germany
Guatemala	Costa Rica
El Salvador	Japan
	Italy

1975-77 . Self-sufficiency in food
(% of nutrit. requirements) 109 %

Panama

Definite signs of reactivation have been shown by the Panamanian economy since 1978 : gdp growth rate was 6.5 % in 1978, 7.0 % in 1979 and 4.9 % in 1980. In 1980 the construction sector showed the highest rate of growth (13 %), mainly because of the expansion of the private dwellings market in Panamy City. Other sectors with good rates of growth included banking and insurance (+ 11 %), commerce (+ 9 %), mining (+ 7 %) and transport and storage (+ 6 %). Agriculture showed an increase of 1 % after negative growth rates in previous years ; this sector, which represents 16 % of the gdp, is socially very important because it employs 35 % of the labour force. One of Panama's major crops is banana production, which was hard-hit by bad weather in 1980. Banana output is expected to return to 1979 levels of about 55-60 Mio boxes, while sugar produccion is to increase slightly from 200,000 to 215,000 tonnes.

The heavy government investment, with a high import content, has resulted in a weak external position. For 1979 there was a deficit in the balance of trade of US $ 674.3 Mio (- US $ 417.3 Mio in 1978) and a current-account deficit of US $ 317.9 Mio (- US $ 206.8 Mio).

By the end of 1979 the Government faced an increase in the public debt (both internal and external) to 2.62 bn balboas (2.37 bn in 1978), of which 76.8 % corresponded to the external public debt. The banking sector has grown considerably, particularly international banking. The volume of bank loans by end-June 1980 reached 13,996 Mio balboas, a 7.3 % increase over that for the end of 1979. There has been no major change in monetary policy or banking regulations. Wholesale prices increased by 17.3 % in January-September 1980, against 14.0 % in the whole of 1979.

The Government is undertaking an active investment programme, including the expansion of the Colón Free Zone, the improvement of the Canal and the construction of container ports ; however, new public development projects will be more carefully selected, and some postponed or cancelled because of the high level of the public debt.

The trend towards an improved rate of growth paused in 1980, though last year's figure is still well above the population increase. Private investment is returning to the levels reached before the mid-1970s recession. Inflation showed a higher level and the current account deficit is thought to have continued to expand. However, it is expected that the foreign debt increase will be slowed down because of a more restrictive financial policy followed by the government.

Panama

CAPITAL Panama City

POPULATION MID-1980 1.8 m

AREA (000 km. sq.) 77

1980 GROSS NATIONAL PRODUCT per capita. US $ 1730 m

1980 GROSS DOMESTIC PRODUCT US $ 3390 (Current prices)

% OF WORKING POPULATION ENGAGED IN

- AGRICULTURE 27
- INDUSTRY 18
- SERVICES 55

1970 ADULT LITERACY RATE % 88 % (15 years +) Life expectancy at birth (1980):70

RATE OF INFLATION 13.2% ~~(official~~ figures)

1980 CURRENT BALANCE OF PAYMENTS. US $ - 288 (Current Account)

1980 BALANCE OF TRADE. US $ - 800 m.

1980 PRINCIPAL EXPORTS % (B)

Refined petrol	24
Sugar	19
Bananas	18
Shrimps and Prawns	13

1978 Total import of petroleum (SITC 33) US $ 227,8 m

PRINCIPAL TRADING PARTNERS :

Imports 1980	Exports 1980
USA	USA
Venezuela	Panama Canal Zone
Japan	Costa Rica

1975-77 Self-sufficiency in food
(% of nutrit. requirements) 102 %

PANAMA

Farm structure

Size of farms in ha	No. of farms	% of farms	% of agric. land	No. of farms	% of farms	% of agric. land
0 - 0.5				13,211	12.5	0.06
0.5 - 1	4,959	5.2	0.16	6,821	6.5	0.2
1 - 5	38,733	40.5	5.1	34,368	32.6	3.4
5 - 50	45,021	47.1	36.8	42,254	40.1	32.8
50 - 100	4,329	4.5	15.7	5,526	5.2	17.3
100 - 200	1,574	1.6	11.1	1,920	1.8	12.0
200 - 500	665	0.7	10.4	853	0.8	11.4
500 - 1,000	133	0.1	4.8	211	0.2	6.5
over 1,000	91	0.1	15.7	108	0.1	16.5
Total	95,505		1,806(a)	105,272		2,098(a)

(a) In thousands of ha (usable agricultural land)

Sources: Stat. Bundesamt 1973; Panama en cifras 1974

OPINION

of the Committee on Development and Cooperation

Draftsman : Mr Christopher JACKSON

On 24 November 1981 the Committee on Development and Cooperation appointed Mr Chr. Jackson draftsman.

It had a first exchange of views at its meeting of 24 February 1982.

It considered the draft opinion at its meeting of 2 April 1982 and adopted it with one abstention.

Present : Mr Poniatowski, Chairman; Mr Chr. Jackson, draftsman; Mrs Carettoni Romagnoli, Mr Cohen, Mr de Courcy Ling, Mr De Gucht, Mr Enright, Mr Ferrero, Mr Fuchs G., Mr Ghergo (deputizing for Mrs Cassanmagnago Cerretti), Mr Michel and Mr Pearce.

Opinion of the Committee on Development and Cooperation provided to the Committee on External Economic Relations on the motion for a resolution on the economic and commercial relations between the European Community and Latin America [1].

The opinion is expressed in the form of preambular and operative paragraphs for inclusion in the report of the Committee on External Economic Relations.

PREAMBULAR

(1) Having regard to the fact that all Latin American countries are counted among the developing countries of the world, but that, even so, great disparities of wealth and development exist within and between these countries,

(2) Believing that Latin America cannot be treated as a totally homogeneous entity but that European Community actions should take account of the precise economic, social and political circumstances of each country,

(3) Having regard to the desire expressed by Latin American countries for closer relations with the European Community and the significance of such relations in the light of Spanish and Portuguese applications for membership,

(4) Recalling the Final Act of the Fifth EEC - Latin American Interparliamentary Conference [2]. and in particular its paragraphs 16 and 32 which stress the existence of a link between the economic and social development aided by the Community and the promotion of human rights and fundamental freedoms ; and acknowledge that a selective approach in the relations between the European Community and Latin America would increase the chances of achieving real results,

(5) Recalling the resolution of the European Parliament calling for a more effective help to be provided to non-associated countries [3].

OPERATIVE PARAGRAPHS

1. Calls on the European Community to be open to a gradual restructuring of the Latin American export trade from agricultural products and raw materials towards manufactured goods,

2. Asks the Commission, in consultation with the Latin American countries, to propose means by which the European Community could encourage the processing of raw materials in their countries of origin - e.g. by promoting European investment - having due regard to the interests involved both in Latin America and in the European Community,

[1] Doc. 1-406/81
[2] PE 70.678
[3] OJ N° C11/195, 18.1.1982

3. Calls for the European Community System of Generalised Preferences to be adapted in line with the level of industrial development in the beneficiary countries and on a product by product basis,

4. Stresses the usefulness of the Community aid programmes - Food Aid, Aid to Non-Associated Countries, Emergency Aid - provided that they are directed towards the poorest categories of population,

5. Welcomes the prospect of the imminent accession of Spain and Portugal to the Community, and notes that this should encourage a still closer relationship between the Community and Latin America,

6. Proposes that consideration be given to the establishment of new legal frameworks for commercial and development relations between the European Community and certain states or groups of states in Latin America as referred to in the Final Act of the Fifth EEC-Latin American Interparliamentary Conference,

7. Instructs its Committee on Development and Cooperation to investigate the advantages and disadvantages of offering certain Latin American countries a special cooperation agreement, having regard to the needs and resources of the countries involved and of the European Community.

Basic Indicators

	Population (millions) mid-1978[a]	Area (thousands of square kilometers)	GNP per capita: Dollars 1978[a]	GNP per capita: Average annual growth (percent) 1960–78[b]	Average annual rate of inflation (percent) 1960–70[c]	Average annual rate of inflation (percent) 1970–78[d]	Adult literacy rate (percent) 1975[e]	Life expectancy at birth (years) 1978	Average index of food production per capita (1969–71 = 100) 1976–78
44 Honduras	3.4	112	480	1.1	3.0	8.0	57	57	84
48 Bolivia	5.3	1,099	510	2.2	3.5	22.7	63	52	111
54 El Salvador	4.3	21	660	1.8	0.5	10.3	62	63	111
56 Peru	16.8	1,285	740	2.0	9.9	22.2	72	56	90
58 Nicaragua	2.5	130	840	2.3	1.9	11.0	57	55	102
59 Colombia	25.6	1,139	850	3.0	11.9	21.7	81	62	114
60 Paraguay	2.9	407	850	2.6	3.0	12.3	81	63	103
61 Ecuador	7.8	284	880	4.3	..	14.8	74	60	103
63 Guatemala	6.6	109	910	2.9	0.1	10.8	47	57	108
73 Mexico	65.4	1,973	1,290	2.7	3.5	17.5	76	65	90
74 Panama	1.8	76	1,290	2.9	1.6	7.5	78	70	103
76 Chile	10.7	757	1,410	1.0	32.9	242.6	88	67	94
78 Costa Rica	2.1	51	1,540	3.3	1.9	15.7	90	70	114
79 Brazil	119.5	8,512	1,570	4.9	46.1	30.3	76	62	117
80 Uruguay	2.9	176	1,610	0.7	51.1	66.6	94	71	106
81 Argentina	26.4	2,767	1,910	2.6	21.8	130.4	94	71	114
85 Venezuela	14.0	912	2,910	2.7	1.3	11.1	82	66	97

Population Growth, Past and Projected, and Hypothetical Stationary Population[a]

	Average annual growth of population (percent) 1960–70	Average annual growth of population (percent) 1970–78	Projected population (millions) 1980	Projected population (millions) 2000	Hypothetical size of stationary population (millions)	Assumed year of reaching net reproduction rate of 1	Year of reaching stationary population
44 Honduras	3.1	3.3	4	7	15	2030	2090
48 Bolivia	2.5	2.6	6	9	20	2030	2120
54 El Salvador	2.9	2.9	5	8	14	2015	2075
56 Peru	2.8	2.7	18	29	57	2025	2090
58 Nicaragua	2.9	3.3	3	5	9	2020	2090
59 Colombia	3.0	2.3	27	39	57	2005	2070
60 Paraguay	2.6	2.8	3	5	9	2015	2075
61 Ecuador	3.1	3.3	8	14	26	2020	2080
63 Guatemala	2.8	2.9	7	12	23	2025	2085
73 Mexico	3.3	3.3	70	116	205	2015	2075
74 Panama	2.9	2.6	2	3	4	2005	2065
76 Chile	2.1	1.7	11	15	19	2005	2070
78 Costa Rica	3.4	2.5	2	3	5	2005	2065
79 Brazil	2.9	2.8	126	201	345	2015	2075
80 Uruguay	1.1	0.3	3	4	4	2005	2070
81 Argentina	1.4	1.3	27	33	41	2005	2065
85 Venezuela	3.4	3.3	15	24	40	2010	2070

I. SURVEY OF THE ECONOMIC SITUATION IN LATIN AMERICA

Latin America is comprised - since the recent accession to independence of Belize - of 20 countries[1] which are representing slightly more than 310 mio inhabitants on approximately 20 mio sq. kms.

In spite of the importance of Brazil and of the fact that all Latin American countries are developing countries in the category of the middle income countries[2], therefore with no least developed countries among themselves, Latin America still represents a great variety of economic situations:

- 3 countries (Argentina, Brazil, Mexico) are among the group of newly industrialising countries (NICs);[2]
- 2 countries (Ecuador, Venezuela) are OPEC members;
- 3 countries (Bolivia, Mexico, Peru) are net-oil exporters;
- the GNP per capita in the 2 poorest countries (Honduras, Bolivia) is in a proportion of 1 to 6 compared with the GNP per capita of Venezuela, the highest in the region;

More specifically :

. 5 countries (Honduras, Bolivia, Guyana, El Salvador, Peru) with a population of more than 30 mio people are below a level of GNP per capita of 750 US dollars,

. 10 countries, with a population of more than 75 mio people, are below a level of GNP per capita of 1000 US dollars;

- during the 1970-1979 period, the yearly average increase of GNP per capita was :
  . negative in the case of Nicaragua
  . less than 1% for Panama and Peru
  . less than 2% in the case of Argentina, Chile, Honduras, Mexico, El Salvador, Uruguay
  . 3.8% for Colombia, 4% for Ecuador, 4.5% for Paraguay and 5.9% for Brazil,

[1] With the exception of French Guyana which is a French Overseas Department (D.O.M.)

[2] According to the international classification agreed upon e.g. by the IBRD, OECD

- In 1979 and 1980 the inflation rate was equal to or higher than 20% in 11 countries with rates of about 80% in the case of Brazil and still higher in the case of Argentina;

In the appreciation of global statistics relating to the various countries account needs to be taken of the existence of important disparities between categories of population or regions within the different countries : "countries like Brazil suffer deficiencies typical of those affecting the poorest countries and in Brazil whole categories of population have just enough or hardly enough to live"[1]. This opinion is confirmed by the FAO which indicates that, in the 1972-1974 period, 46 mio people in Latin America got a supply of food below the critical level[2].

II. COMMERCIAL RELATIONS BETWEEN THE EEC AND LATIN AMERICA

The share of Community trade with Latin America within its whole trade with the third countries went down - concerning its imports - from 5.5% in 1971 to 5% in 1980[3] and - as regards its exports - from 6.3% to 5.3%.

50% of Community imports in 1979 came from Brazil and Argentina and up to 67.3% of its imports were originating from the 2 above-mentioned countries plus Chile and Venezuela.

Throughout the whole 1970-1979 period these 4 countries have constantly been the major Community trading partners as regards its imports from Latin America.

In 1979 the breakdown of Community imports by category of products was as follows :

. food products	:	46%
. raw materials	:	31%
. mineral fuels	:	7.5%
. manufactured products	:	15%

Brazil and Argentina supplied respectively 48.1% and 14.8% of the manufactured products exported towards the Community.

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[1] Mr Vergeer, Opinion on the cooperation agreement between the EEC and Brazil, Doc. 1-529/80, p. 32

[2] FAO "The Fourth World Food Survey" cited in the Annex of the Ferrero report on the European Community's contribution to the campaign to eliminate hunger in the world, p. 54 - Doc. 1-341/80/Ann.I, p.4

[3] Including Belize, Guyana, Surinam and French Guyana. All the other statistics exclude these 3 countries and this territory but include Cuba, Haïti and the Rep. Dominica.

10 products accounted in 1979 for 57.3% of the Community imports out of which :

. 5 agricultural products : coffee (16.3%), soya beans (4.6%), fresh fruit (4.6%), meat (3.2%), cereals (2.2%)

. 1 processed agricultural product : oil-seed cake and meal (7.2%)

. 3 raw materials : copper (6.5%), iron ore and concentrates (5.3%), crude petroleum (3.8%)

. 1 processed raw-material : petroleum products (3.6%)

In 1979, 86.5% of the Community exports to Latin America were manufactured products.

The European Community imported from Latin America in 1977 23% of its whole imports of food products originating from third countries, 15% of its imports of fertilizers and raw minerals and 11% of its imports of non-ferrous metals.

The dependence of the European Community is particularly high concerning the following products : ores and concentrates of tin (62%), bananas (59%), coffee green and roasted (54%), meat and fish meal ([illegible]%), oil-seed cake (44%), iron ores and concentrates (29%), ores and concentrates of zinc (28%), copper (26%), ores and concentrates of lead (26%), soya beans (22%), ores and concentrates of nickel (19%), cotton (17%).

As regards the Latin American countries, only one product accounted in 1979 for more than 50% of the exports to the EEC in 8 cases, this product being coffee in 4 countries, and 3 other countries were relying upon 2 products to reach this export level.

III. LATIN AMERICA WITHIN THE FRAMEWORK OF THE COMMUNITY'S DEVELOPMENT POLICY

Two of the Latin-American States - Guyana and Surinam - are members of the Lomé Convention. They benefit from the dispositions of this Convention, the implementation of which has recently been closely studied within the framework of the ACP-EEC Consultative Assembly.[1]

These two countries as well as Belize - which became recently independent and expressed the wish to join the Lomé Convention - and French Guyana do not fall within the scope of this opinion.

[1] OJ N° C15/13, 20.1.1982

The European Community does have various contacts at multilateral level with the 17 states of continental Latin America :

- Since 1970 regular meetings between the Latin American Ambassadors accredited to the Community and the Permanent Representatives of the Member States and the Commission,

- Since 1977 contacts with the Permanent Secretariat of the Latin-American Economic System (SELA),

- Since 1979 contacts with the Group of Latin American Ambassadors (GRULA) which has been established by the Council of Ministers of SELA to act as the Community's interlocutor in the EC-Latin American dialogue,

- Since 1979 regular meetings with the secretariat of the Central American Common Market,

- Since 1979 the Community undertook negotiations with Andean Pact countries for the conclusion of a framework agreement for economic and political cooperation. These negotiations were broken off in 1980 and have not yet been resumed,

- Since 1974 the European Parliament and the Latin-American Parliament met five times to debate principal political and economic issues.

At bilateral level, the Community signed contractual arrangements with some Latin-American countries :

- a framework commercial and economic cooperation agreement signed with Brazil in 1980 (replacing the non-preferential trade agreement of 1974) with a five year validity,[1]

- a non-preferential agreement on economic and commercial cooperation signed with Mexico in 1975, initially valid for five years, then renewed annually,

- a non-preferential trade agreement signed with Uruguay in 1973 and renewed every year,

- agreements on trade in textile products with Argentina, Brazil, Colombia, Guatemala, Mexico, Peru and Uruguay concluded in accordance with the GATT Multifibre Arrangement and valid until the end of 1982.

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[1] Opinion by Mr Vergeer on a draft regulation concerning a cooperation agreement between the EEC and Brazil, Doc. 1-529/80, p.28

Latin-American countries benefit furthermore from the application of a whole set of instruments which the Community has created to cooperate with developing countries :

- Generalised system of preferences (GSP) : particular care has been taken with the rules of origin to accomodate the member countries of regional economic groups and the Community has adopted a system accepting cumulation of origin between the member countries of the Central American Common Market or of the Andean Group. In 1978 Brazil was the third country to make the best advantage of this system with a 10.3% use of the system[1].

- Financial and technical assistance to the non-associated developing countries : from 1976 to 1980 Latin American countries benefitted respectively from 10, 22, 21, 20 and 20% of the total Community amounts. Bolivia, Honduras, Ecuador, Peru, Nicaragua took advantage of this assistance[2].

- Food aid : Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay received Community Food aid.

  Up to 1979 they received in direct aid :

  . 163,489t cereals (3.3% of the total progra-'
  . 22,365t milk powder (5.5% " ")
  . 5,030t butteroil (3.2% " ")

  From 1977 to 1979 they received - in direct and indirect aid - respectively 4.3%, 8% and 6.3% of the program in cereals, milk powder and butteroil[3].

- Emergency Aid : during the last 3 years - i.e. 1979, 1980 and 1981 - 1,87 MECU has been granted to Costa Rica, El Salvador, Honduras, Nicaragua and Paraguay.

- Export promotion : in 1978, 1979 and 1980, 807,000, 1,264,000 and 3,090,000 ECU have been granted to various Latin American countries as well as regional organizations to finance e.g. seminars and workshops, appearances by Latin American exporters in trade fairs and specialized exhibitions in Europe, missions of experts.

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[1] EP debate of 16.10.80

[2] Report by Mr Enright on financial and technical aid to non-associated developing countries Doc.1-819/81, p.10 and 39.

[3] EC Court of Auditors, Special Report on Community Food Aid, 1980, p.145-6-7.