



68/83

## THE EUROPEAN COMMUNITY AND LATIN AMERICA

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THE COMMUNITY AND LATIN AMERICA

GENERAL INFORMATION ON LATIN AMERICA<sup>1</sup>

- Population : 354 million in 1981 (70% accounted for by Brazil, Mexico, Argentina and Colombia), compared with 207 million in 1960 and an estimated 600 million by the year 2000.
- GDP growth : 1979 + 6.1%  
1980 + 5.7%  
1981 + 1%
- Per capita income : Highest and lowest levels in 1980: Bolivia \$ 567, Honduras \$ 636, Mexico \$ 1 867, Argentina \$ 1 929, and Venezuela \$ 2 470
- Rates of inflation : 1980 (a few examples): Honduras 17.5%, Venezuela 21.6%, Mexico 26.4%, Bolivia 47.2%, Brazil 82.8% and Argentina 100.8%.
- Production : Latin America's share of world production:  
coffee 65.2%, sisal 52.6%, bananas 46.1%, sugar cane 43%, oranges 36.6%, cocoa 33.6% (1978);  
mining products: silver 29.4%, antimony 26.6%, tin 20.2%, copper 18.7% (1977).

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<sup>1</sup> Sources: Inter-American Development Bank and Eurostat.

## I. CURRENT STATE OF COMMUNITY - LATIN AMERICAN RELATIONS

Since the establishment of the European Community and of regional integration organizations in Latin America, relations between Europe and Latin America have taken on a new dimension, the historic links between certain Member States of the Community and countries in the subcontinent being broadened to relations between the Community as a whole and different Latin American countries or subregional groupings.

The recent hiatus in relations - an indirect result of political and economic events in a number of Latin American countries (including the effects of the Falklands crisis) - is being overcome. A number of steps have been or are being taken to strengthen links. For example:

- (i) in June 1982 the European Council declared itself in favour of improving cooperation with and assistance for Latin America;
- (ii) the Cooperation Agreement with Brazil entered force in October 1982;
- (iii) also in October 1982, at an informal meeting with the Latin American ambassadors accredited to the Community, Mr Haferkamp, a Commission Vice-President, stressed the need for a strengthening of mutual relations;
- (iv) in November 1982, following the recommendations of the European Council, the Council approved a supplementary special aid allocation of 30 million ECU (\*) for Central America;
- (v) a Commission Delegation visited Lima in March 1983 in order to prepare for a resumption of negotiations on a Cooperation Agreement with the Andean Pact;
- (vi) also in March 1983, the Commission proposed the establishment of a Europe - Latin America Institute;
- (vii) in April 1983, the countries of the Latin American Economic System (SELA) met in Buenos Aires to prepare for a resumption of the Dialogue with the Community.

In addition, the European Parliament has been intensely active, working throughout 1982 and 1983 to achieve improved cooperation with Central America and South America and adopting several resolutions to this end. In August 1982 the President of the European Parliament attended a meeting of the Latin American Parliament in Bogotá and a further meeting of the European and Latin American Parliaments will take place in Brussels in June 1983.

These initiatives are evidence of the concern of both sides to improve their relations.

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(\*) 1 ECU (European Currency Unit) = US\$ 0.95 (1983).

**II. EEC - LATIN AMERICAN TRADE**

The important role played by Latin America as a source of supply, the sustained rate of economic growth and rapid industrialization of a number of countries in the subcontinent have resulted in a steady increase in Latin America's trade with the European Community. The Community, however, has generally run a trade deficit with Latin America.

Trend of trade between the Community and Latin American countries from 1958 to 1982

(million ECU)

Year	EC imports	EC exports	EC balance of trade with Latin America
1958	2 637	2 180	- 457
1963	3 452	2 168	- 1 284
1972	4 610	4 559	- 51
1977	11 057	10 737	- 320
1980	16 028	14 206	- 1 822
1981	16 560	14 569	- 1 991
1982	18 127	12 809	- 5 318

Source : Eurostat

Despite the substantial growth of trade illustrated above, Latin America's relative share of the Community's external trade has progressively declined; its share of the Community's total imports fell from 11% in 1958 to 5.6% in 1982.

This trend is easily explained by the fact that, worldwide, exports of raw materials, except oil, have tended to increase at a slower rate than manufactures and some 75% of Latin America's exports consist of raw materials. Moreover, the faster growth of the Community's oil imports to which Latin America contributes only 5% has swollen the total value of its imports. Also, new exporting countries, in particular various Asian countries, have begun to play an increasingly important role as Community suppliers, thus reducing the relative share of the Community's imports from Latin America.

Structure of EC-Latin American trade

January-June 1982  
in %

Category of products	EC imports from Latin America	EC exports to Latin America
1. Food, beverages and tobacco	38	6
2. Raw materials	16	1
3. Energy products	24	0,6
4. Oils, fats and waxes	1	0,1
5. Chemicals	2	14
6. Machinery and transport equipment	4	54
7. Other manufactures	15	25
	100	100

Source : Eurostat

The importance of their trade for both the Community and Latin America is evident from the table below: the Community ranks second, after the United States, as a market for Latin American goods and is Latin America's second largest supplier.

The table also shows the increase in trade between the countries of Latin America, a result of the promotion of economic integration within the sub-continent.

Geographical distribution of Latin America's trade

in %

Country or group of countries	Destination of Latin American exports		Origin of Latin American imports	
	61 - 63	77 - 79	61 - 63	77 - 79
EEC	29,4	21,4	28,1	19,4
United States	37,2	35,0	41,8	32,9
Japan	3,3	4,1	3,7	7,9
Canada	3,2	3,0	3,0	2,5
Middle East	0,2	1,4	1,8	9,8
Latin America	8,4	15,9	10,7	16,9
Other	18,3	19,2	10,9	10,6

Sources: Inter-American Development Bank and International Monetary Fund, Trade Directorate.

### III. BILATERAL CONTRACTUAL RELATIONS

The European Community has concluded several agreements or arrangements with various Latin American countries:

- Brazil

Framework Agreement for cooperation between the European Economic Community and the Federative Republic of Brazil (1). Protocol concerning commercial and economic cooperation between the ECSC and Brazil.

Signed on 18 September 1980, the Framework Agreement, which replaces the EEC-Brazil Trade Agreement of 1974, entered into force on 1 October 1982.

- Mexico

Agreement for commercial and economic cooperation between the European Economic Community and Mexico (2).

Signed on 15 July 1975, the Agreement entered into force on 1 November 1975.

- Uruguay

Non-preferential Trade Agreement between the European Economic Community and Uruguay (3), in force since 1 August 1974.

Other bilateral agreements have been concluded in more specialised fields:

- cooperation agreements concerning the peaceful uses of nuclear energy have been signed with Argentina (4) and Brazil (5) and will be in force until 5 November 1983 and 23 June 1985 respectively;

- in the context of the Multifibre Arrangement concerning textiles, the Community has negotiated Agreements with Brazil, Columbia, Guatemala, Haiti, Mexico, Peru and Uruguay. These Agreements are applicable for the period 1983 to 1986. Although in general they involve voluntary restraint arrangements for certain categories of products, they also guarantee access to the Community market. No agreement has been concluded with Argentina and, as from 1 January 1983, the Community introduced special surveillance measures in respect of Argentine products;

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(1) Official Journal L 281/82, page 1

(2) Official Journal L 247/75, page 10

(3) Official Journal L 333/73, pages 1 to 14

(4) Official Journal L 186/63, page 2966

(5) Official Journal L 79/69, page 7

- arrangements in the form of an exchange of letters on trade in mutton and lamb with Argentina and Uruguay are in force from 20 October 1980 until 31 March 1984;
- an Agreement in the form of an exchange of letters with Brazil concerns imports of manioc from Brazil and lays down annual tariff quotas;
- the Community has concluded Agreements with Argentina, Bolivia, Chile, Ecuador, El Salvador, Guatemala, Honduras, Panama, Paraguay, Peru and Uruguay with the aim of facilitating importation into the Community of certain handicraft products from those countries;
- since 1978, the Community has concluded arrangements with Brazil concerning imports of pig iron into the Community. The arrangement for 1983 was signed last April.



#### IV. MULTILATERAL RELATIONS

##### 1. Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela)

On 28 February 1980 the Commission recommended to the Council that negotiations be opened with the Andean Group with a view to concluding a framework agreement for commercial and economic cooperation. This recommendation was a follow-up to the discussions which took place in July 1979 between the President of Colombia, Mr. Turbay Ayala, and members of the Commission.

Following a meeting at ministerial level on 5 May 1980 in Brussels, the negotiations for the conclusion of such a framework agreement commenced. However, the situation created by the coup d'état the following month in Bolivia interrupted these negotiations.

In January and November 1981, Commission officials held two working meetings with the Junta of the Cartagena Agreement which set up the Andean Group, to discuss the areas to be covered by the proposed cooperation agreement. These technical discussions resulted in considerable progress being made towards drawing up a draft agreement.

A Commission delegation visited Lima in March this year in order to re-establish contact with the Andean Pact countries. It was received by Mr Gonzalo de la Puente, President of the Junta, and by the coordinator and members of the Junta. As a result of this visit, formal negotiations on the agreement were resumed in June this year.

##### 2. Central American Common Market (CACM)

Five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) established the Central American Common Market in 1960. Its aim is the economic integration of the member countries through a customs union and common policies similar to those of the European Community. Several bodies have been set up, such as the Secretariat for Central American Economic Integration (SIECA), whose headquarters is in Guatemala City.

In 1975, Sir Christopher Soames, at the time Vice-President of the Commission with responsibility for external relations, was the first Member of the Commission to pay an official visit to the institutions of the Central American Common Market. Subsequent visits were made by Mr. Wilhelm Haferkamp and Mr. Claude Cheysson, Members of the Commission with responsibility respectively for external relations and development cooperation.

In 1978, the Economic Ministers of the five member countries of the CACM instructed SIECA to study the possibility of concluding an economic cooperation agreement with the European Community, similar to the agreement linking the Community with the five member countries of ASEAN<sup>1</sup> and to the agreement currently being negotiated between the Community and the Andean Pact. However, internal problems in Central America have prevented any follow-up.

### 3. European Community - Latin-American Dialogue

Following the Buenos Aires declaration in 1970 by the Latin American countries which make up CECLA (Special Coordinating Committee for Latin America) proposing a more systematic form of cooperation between Latin America and the European Community, a joint declaration was adopted by the ambassadors of the Latin American countries belonging to CECLA, the Permanent Representatives of the Member States and representatives of the Commission of the European Communities, in which the broad lines and procedures of a dialogue between the two parties were defined. This joint declaration emphasized the great political and economic importance which the European Community and the CECLA Latin American countries attached to their reciprocal relations.

In the context of this dialogue, one and, subsequently, two meetings annually were organized in Brussels. At the tenth meeting on 13 June 1979, the Latin American ambassadors made proposals for reforming the operation and objectives of the dialogue, which they considered not to be as efficient as it might be.

In May 1981, the two parties reached agreement on a procedure for renewing the dialogue. Since then, two meetings have taken place, in June and December 1981, between, on the one hand, representatives of the Council and the Commission and, on the other, the group of Latin American ambassadors accredited to the Communities. In accordance with the new procedure, these meetings were on each occasion followed by meetings between the Commission and the Latin American ambassadors.

The subjects covered by the new dialogue are as follows: trade (in particular the external effects of the common agricultural policy, international trade in textile products and generalized preferences) and development cooperation.

Following the cancellation, at the request of the Latin American countries, of a meeting scheduled for June 1982, the Commission, at an informal meeting held on 15 October 1982 with the Latin American ambassadors, expressed its willingness to resume the dialogue unconditionally in the expectation that the Latin American countries would be willing to do the same.

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<sup>1</sup> Indonesia, Malaysia, Philippines, Singapore, Thailand.

#### 4. SELA (Latin American Economic System)

Since the establishment of SELA in 1975, the Commission has had official contacts with SELA's Permanent Secretariat in Caracas. These contacts have been more frequent since the Commission Delegation for Latin America has been located in Caracas.

SELA, which comprises all the Latin American countries and a number of the Caribbean countries, has a twofold objective: to promote regional cooperation and integration and to encourage consultation between its member countries in order to coordinate their position in international forums and vis-à-vis other countries.

In the context of this second objective, the SELA member countries have set out the policy guidelines which they wish to see implemented in their relations with the European Community.

In July 1981, SELA's Permanent Secretary, Mr Alzamora, paid a visit to the Commission. The talks centred on SELA's activities and the opportunities for cooperation with the Communities.

In April 1983, government experts from the SELA member countries discussed the conditions and ways and means by which the dialogue might be resumed (see section 3 above), recommending that their political authorities declare themselves in favour of a resumption of the dialogue under certain conditions. The SELA Council is due to take a decision in this connection in September 1983.

#### 5. Parliamentary links

Since 1974, the European Parliament and the Latin American Parliament<sup>1</sup> have met together five times (in Bogotá in 1974, in Luxembourg in 1975, in Mexico City in 1977, in Rome in February 1979 and in Bogotá in 1981) in order to discuss the major political and economic questions of common concern: economic and trade cooperation, development problems, the state of parliamentary democracy in the two regions, human rights, the law of the sea and international terrorism.

On 22 August 1982, Mr Piet Dankert, President of the European Parliament, spoke at the 10th plenary session of the Latin American Parliament in Bogotá. He was accompanied by Mr. Pedini and Mr Tuckman, Chairman and Vice-Chairman of the European Parliament delegation for relations with the Latin American Parliament. Mr Dankert spoke in favour of strengthening relations between the two regions and advocated an increase in economic and financial aid.

The VIth Europe - Latin America Interparliamentary Conference will take place in Brussels from 13 to 16 June 1983. The main topics will be the political situation in Latin America, economic and financial cooperation, energy and cultural relations.

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<sup>1</sup> The current members are: Bolivia, Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, the Netherlands Antilles, Panama, Paraguay, Peru and Venezuela. Representatives from the dissolved parliaments of Argentina, Chile and Uruguay took part in the meetings as observers.

## V. COMMUNITY DEVELOPMENT COOPERATION IN LATIN AMERICA

In parallel with the Lomé Convention, by which the European Community is linked with over 60 countries in Africa, the Caribbean and the Pacific, the Community has created special instruments of cooperation with the developing countries which are not party to the Convention. These include the Generalized System of Preferences and other forms of assistance described below.

Despite the suspension in 1982, due to political factors, of some of the institutional relations with Latin America, and with Central America in particular, at the aid-programming level, Community contacts with the authorities have generally been maintained or even strengthened.

While respecting the sovereignty of the Latin American countries, the Community's policy is to make its aid and development cooperation conditional upon an evaluation of the situation so that it can make sure that the part of the population concerned really benefits from the aid provided.

### 1. Generalized System of Preferences (GSP)

Under this system, the developing countries have the benefit of full duty-free entry, subject to certain guarantees, for all industrial products and, in general, partial duty-free entry for certain processed agricultural products.

The preferences are granted unilaterally, do not result from negotiations with the recipient countries and are not reciprocal. For their part, the recipient countries are not obliged to grant duty-free entry.

The new GSP, to be applied over the decade 1981-90, aims to permit utilization over a more diversified range of products and to accord the broadest and most liberal preferential access possible to those beneficiaries most in need.

Experience shows that, in the main, Latin America has taken advantage of the opportunities offered by the GSP, though the system chiefly benefits those countries with the best production, processing and marketing capacities.

Much therefore remains to be done, by the Community and by the authorities in the recipient countries, in order to make businessmen in those countries more aware of how they can extract greater benefit from the GSP. To this end, the Commission arranges each year a series of information seminars in various Latin American countries (for example, in Quito and Guayaquil, Ecuador, in July 1982, and in Bolivia and Peru in May 1983) and also publishes a Spanish edition of its Practical Guide to the GSP.

## 2. Financial and technical assistance

The Community is engaged upon a programme of financial and technical assistance for the non-associated developing countries, which is being improved each year.

The Andean countries, bilaterally and regionally, in general receive 50 % of the technical and financial assistance given to Latin America. The Community is also one of the largest donors of funds to the Andean Pact Junta.

From 1977 to 1982, over 14 million ECU went to the Junta for the financing of regional projects. The aid to countries within the region was mainly for rural projects. Bolivia received 8.7 million ECU between 1976 and 1979 and, in 1983, in the context of its economic recovery programme, it is due to receive assistance amounting to approximately 15 million ECU. Peru, over the same period, received 4.4 million ECU, mainly for reforestation and micro-dam projects; over the period 1982-83, the amount of assistance reaching Peru should total approximately 10 million ECU. Ecuador received approximately 6 million ECU between 1979 and 1981 for irrigation projects and rural micro-projects. Colombia, as from 1983, is due to begin receiving financial and technical assistance from the Community.

Hence, aid to the Andean region between 1979 and 1982 totalled 47.3 million ECU.

With regard to Central America, the Council approved on 22 November 1982 an allocation of 30 million ECU in the form of supplementary special aid, thus demonstrating - following decisions taken by the Heads of State or Government of the Community Member States at the end of March and June 1982 - the concern of Europe's leaders with the deep economic and social problems affecting Central America. By means of this aid, the Community will be able to contribute towards the agricultural restructuring of the region and thus help to increase and improve agricultural productivity (in particular basic food products).

This special aid brought the total amount of financial and technical assistance for Latin America in 1982 up to 71.5 million ECU.

## 3. Food aid

A considerable amount of food aid has been provided either directly or indirectly through non-governmental organizations, for the Latin American countries.

In 1981 and 1982, approximately two-thirds of the funds allocated to such aid went to Central American countries, mainly in the form of cereals, skimmed milk powder and butteroil and, in some cases, in the form of colza oil and red beans. In El Salvador and Honduras, much of the food aid has been used to lessen the plight of tens of thousands of refugees. In other cases, the use of counterpart funds has made it possible to cofinance rural development projects.

Other Latin American countries have also received food aid through non-governmental organizations, which do a remarkable job for the poorest sectors of the population.

#### 4. Emergency aid

Aid is provided in the event of natural disasters, and political upheavals too. The enormous increase in 1982 in the number of displaced persons in Central America - in excess of 1 million - led the Community to allocate 10.3 million ECU in the form of food aid and emergency aid for the benefit of such refugees.

In January this year, 100 000 ECU was provided for flood victims in Ecuador. In April, 100 000 ECU was provided to assist flood victims in Bolivia and 200 000 ECU was given to victims of the recent earthquake in the south-west of Colombia. In May, 320 000 ECU was allocated for flood victims in Peru.

#### 5. The Carajás Project

In July 1982, the European Coal and Steel Community decided, under Article 54 of the ECSC Treaty, to make a loan of 600 million dollars, to be paid in several instalments, to the Brazilian company Companhia Vale do Rio Doce for the development of the Carajás mining complex.

This is a very important step for both parties since it is the first time that the ECSC has made such a large loan to a Latin American country. By so doing, the ECSC is putting into practice one aspect of its economic policy, namely the long-term diversification of its sources of supply. The decision guarantees regular supplies of iron ore to the European steel industry as from 1985. Among the Member State, France, Germany, Italy and Luxembourg have signed bilateral agreements with Brazil for the purchase of 13 million tonnes of iron ore per year, thereby increasing Brazil's foreign exchange earnings.

COMMUNITY AID TO LATIN AMERICA

(million ECU)

	1980		1981		1982	
	Total Lat. Amer.	of which Centr. Amer.	Total Lat. Amer.	of which Centr. Amer.	Total Lat. Amer.	of which Centr. Amer.
Financial and technical assistance	29.85	(25.00)	20.61	(11.50)	71.50	(68.50)
Food aid (at world prices)	27.88	(17.65)	37.21	(23.69)	46.56	(27.38)
Emergency aid	-	-	1.05	( 1.05)	10.34	(10.30)
Export promotion	3.22	( 1.45)	3.94	( 1.70)	3.46	( 1.75)
Training	0.15	-	0.20	-	0.25	-
EC assistance via NGOs	3.52	( 0.81)	2.04	( 1.09)	6.54	( 2.17)
Regional integration assistance	0.30	( 0.15)	0.30	( 0.16)	0.10	-
Grant total	64.92	(45.06)	66.44	(39.17)	138.75	(110.10)

VI. COMMISSION DELEGATION AND INFORMATION OFFICE IN LATIN AMERICA

The Commission of the European Communities is represented in Latin America by a Delegation, whose headquarters is in Caracas, Venezuela (Quinta Bienvenida, Valle Arriba, Calle Colibri, Distrito Sucre), with a branch office in Santiago, Chile (Avenida Américo Vespucio, 1835).

The Information Office attached to the Delegation in Caracas is at the disposal of journalists and the general public for the purpose of answering questions or providing documentation on the Community's activities.

VII. ESTABLISHMENT OF A EUROPE-LATIN AMERICA INSTITUTE

In March this year, with a view to intensifying the dialogue and improving reciprocal understanding between the Community and Latin America, the Commission proposed to the Council and Parliament that support should be given to a project to establish a Europe-Latin America Institute.

The Institute could act as a centre for the exchange of information, organize conferences and seminars, and assist journalists, politicians, researchers and businessmen by distributing information. It would provide advice, encourage studies and undertake research on political and economic matters concerning relations between Europe and Latin America.

The Institute would operate as a private non-profit-making organization and would be financed partly by grants, a large share of which should, according to the Commission, be provided by the Community during the start-up period.



EUROPE INFORMATION "EXTERNAL RELATIONS"

The following copies of "European Information" are still available, and may be obtained from:

Directorate-General for Information  
Documentation Service, Berl. 2/74 A  
Commission of the European Communities  
Rue de la Loi 200  
B - Brussels

- 37/80 List of main EEC agreements with other countries
- 40/80 The Community of Ten in figures
- 41/81 The Generalized System of Preferences and the European Community
- 43/81 Spain and the European Community
- 44/81 The European Community's Textiles Trade
- 45/81 The European Community and Bangladesh
- 46/81 The European Community and Sri Lanka
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