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THE EUROPEAN COMMUNITY'S
RELATIONS WITH LATIN AMERICA

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December 1989

I. OVERVIEW

1. The June 1987 strategy

At its meeting in Luxembourg on 22 June 1987 the Council, acting on a proposal from the Commission, adopted a policy paper outlining an overall, coordinated strategy for strengthening relations between the European Community and Latin America. In adopting this text the Council was acknowledging developments in recent years which had been particularly conducive to rapprochement between the two regions. One of the foremost developments was the restoration of democratic systems of government in most Latin American countries.

The Council was also recognizing the additional historical and cultural dimension which the accession of Spain and Portugal to the Community brought to the traditional links between the two regions. It was affirming the community of values and interests between the peoples of Europe and Latin America and their shared aspiration towards a society based on the observance of human rights.

The Council was also pointing to the benefit for the European Community in seeing Latin America overcome its serious economic problems, in particular the constraints imposed by its external debt.

The strategy adopted by the Council for strengthening relations was based on three main courses of action:

- (i) the intensification of political relations;
- (ii) proposed informal consultations on major international economic issues affecting the two regions;
- (iii) more extensive economic and trade cooperation which would take into account Latin America's level of development and the individual countries' differing requirements.

In June this year, when meeting in Madrid for the European Council, the Heads of State or Government called for "continued development of political contacts and of economic, technical, commercial and financial cooperation between the Community and Latin America", and urged the Commission to continue its efforts to that end.

2. A community of values

The Council's call for the resumption of cooperation and strengthening of political links can largely be explained by the democratization process in Latin America and Europe's wish to help restore peace in Central America. It also came in response to the efforts made jointly by the Latin American countries themselves to find a solution to the crises and problems affecting them. The absence of representative Latin American discussion partners has for a long time been a major stumbling block for the development of political relations between the two regions but now such partners exist and political dialogue is conducted at ministerial level between the two regions (see section V.). Most European political and social movements have throughout maintained particularly close relations with their Latin American counterparts. Consequently, an inter-regional network unrivalled elsewhere in the world and embracing political parties, trade unions, foundations and non-governmental organizations can be mobilized to develop the strategy adopted by the Community institutions. Similarly, the many companies in the Community which, despite the debt problem, have maintained or even raised their investments in the region must be encouraged to strengthen their foothold and establish even closer links with Latin American businessmen.

The interest taken by the European Parliament in all the events in Latin America testifies strongly to the community of values between the peoples of the two regions. Between July 1987 and July 1989, almost 63 resolutions were adopted on subjects concerning Latin America, and delegations from Parliament paid a number of visits there. On 22 August 1988 a group of members of the European Parliament went to Esquipulas, the site of the future Central American Parliament, and there they confirmed the Community's wish to contribute to the setting-up of this Parliament.

Regular EC-Latin American interparliamentary conferences have been introduced by the European and Latin American Parliaments. During these conferences, held approximately every two years, all aspects of relations between the two regions are examined and ways of intensifying these relations are proposed. The IXth Conference of this kind was held in San José, Costa Rica, in February of this year. The main topics of interest to the public in Europe and Latin America were examined: human rights, regional integration, foreign debt, trade and cultural relations, drug abuse control, and environmental protection. The consensus obtained between the two parliaments is undoubtedly a positive indication as regards the future development of the Community's relations with Latin America.

In conducting these activities the European Parliament is fully in tune with European public opinion, as evidenced by the increasing role played by European NGOs in humanitarian or development projects in the region. The number of projects launched by Community-based NGOs with the Community's financial support rose from 81 in 1982 to 456 in 1987.

3. Reciprocal Interests

The European Community is a very important partner for Latin America:

(i) the Community has concluded many trade and economic cooperation agreements with countries in the region or regional bodies: Andean Pact, Central America, Brazil, Mexico, Uruguay;

(ii) the Community is Latin America's second trading partner, after the United States;

(iii) the Community and its Member States contribute about 40% to the total official development assistance received by the region;

(iv) it should be remembered that, although Latin America is at present experiencing economic and social difficulties, it is well endowed with raw materials, it has large markets, certain branches of its industry have been modernized, and it has immense natural, human and economic potential;

(v) the Community, with its aim of economic integration and European union, is, by its very nature, particularly mindful of the dual process of democratization and regional integration taking place in Latin America. The Community hopes, by supporting these developments, to contribute towards the political stability and economic and social development of a region which is seeking to diversify its international relations;

(vi) special historical relations and a common cultural heritage unite Europe and Latin America. The high level of cultural exchange between the two regions, the attraction which Latin America's literary, artistic and musical creations hold for Europe and the reputation which European works enjoy in Latin America point to a particularly promising area of cooperation. The accession of Spain and Portugal to the Community should make it possible to exploit this potential even further, notably, as pointed out by the Council, in the spheres of information and communication.

4. The economy

LATIN AMERICA: the external debt burden

By the end of 1988 Latin America's external debt was USD 412 billion and the debt-servicing burden has kept on increasing. The ratio between debt servicing and exports had risen to 42% and the ratio between interest paid and exports, to 26%. There had also been an increase in payment arrears in certain countries. In 1988 the servicing of Latin America's external debt resulted in net transfers of resources to other countries, for the seventh consecutive year, of USD 41 billion, i.e. about 4.5% of the region's GDP. This large sum can be explained not only by a higher level of interest payments (an unfavourable trend for Latin America) but also by the proliferation of voluntary debt-reduction operations (a welcome trend.)

The situation is all the more serious in that, despite the very marked deterioration in the standard of living of the population, which has been subjected to an austerity policy over the last seven years, Latin America is not able to amass sufficient resources for the essential modernization of its production apparatus. The fact that the external constraint is given priority over growth and price stability means that it is not possible to achieve the level of investment required to secure the far-reaching industrial changes which Latin America must make if it is to adapt to the new international division of labour, nor is it possible to create the climate of stability and confidence which would encourage business initiative.

Over and above the strategy for dealing with debt problems which was put in place a few years ago, there is an increasing awareness at international level of the need to reduce the volume of debt more quickly and at the same time pursue structural adjustment programmes in the countries in question. This need was recognized in 1988 by certain industrialized countries and also by the International Monetary Fund and the World Bank.

The governments of the Community Member States have resolutely supported all international initiatives aimed at improving the treatment of debt problems. They have in particular made a very weighty contribution to the resources the international financial institutions need to operate successfully. The Community has done what it can to help make the international economic environment stabler and more conducive to growth by making access to its market easier, through unilateral initiatives or by playing an active part in the Uruguay Round negotiations.

Over and above these efforts, and despite their lack of formal powers in this sphere, the Community institutions recently started to play a more active role in seeking solutions to the increasingly urgent problems created by the debt of "middle-income developing countries", a category which includes the Latin American countries. In March 1989 the Council on Finance approved the general proposals put forward by the US Treasury Secretary, Mr Nicholas Brady, for providing direct public support for voluntary reductions in debt and in debt servicing. The European Council of June 1989 confirmed this approach by stressing the "extremely worrying" situation of the heavily indebted countries and pointing to the particular importance of finding a solution to the debt problem in order to consolidate and strengthen democracy in these countries. A proposal from Spain for the setting-up of a "European Guarantee Fund" for reducing heavily indebted countries' debt-servicing payments and the level of their external debt was put before the Council.

EUROPE: the road towards the single market in 1993

Despite the high degree of priority it gives its own economic integration process and its progress towards political union, the Community is particularly dependent, for its own growth, on a stable economic environment and the growth of world trade and so it neither wants nor is able to remain indifferent to the fate of the population and economy of its partner countries, particularly in the Third World.

The Rhodes European Council reaffirmed the Community's resolve not to turn Europe into a fortress in 1992 but to make it a partner which will contribute to greater liberalization of international trade, on the basis of GATT principles.

In the same declaration, the European Council stressed the need to improve, through official development assistance and trade, the level of economic and social development in the developing countries, and also confirmed its intention of actively pursuing dialogue and cooperation with developing countries and groups of developing countries, particularly in Latin America.

The impetus given to its economy by the prospect of the unification and total integration of its market of 320 million inhabitants is already reflected in the speeding-up of its growth, its investment and its imports. The establishment of a market of this size free of any internal frontiers, the removal of the few remaining national quantitative restrictions on imports, the removal of various non-tariff barriers, and the free provision of services will significantly improve the opportunities for access to the Community market for goods and services from other countries. Latin America should benefit greatly from this new opportunity provided it succeeds in maintaining and increasing the competitiveness of its products.

5. A wide range of cooperation agreements

The cooperation agreements between the Community and Latin America at present involve 14 Latin American countries. Important cooperation agreements entered into force in 1987 between the Community and two of the main regional groupings: the Andean Pact and the Central American countries. These two agreements, which reflect the Community's wish to support all regional integration initiatives, followed the agreements signed with Uruguay, Mexico and Brazil. Furthermore, the Community is watching closely, and plans to support, the economic and trade integration efforts of Argentina, Brazil and Uruguay.

The agreements between the Community and the Latin American countries cover increasingly varied spheres. The first agreements signed during the seventies related only to the development of reciprocal trade, on the basis of the most favoured nation clause. The agreements signed in the eighties, by contrast, extended, beyond trade, to economic, industrial, scientific, and technical matters and trade promotion and cooperation on energy. The two regional agreements with the Andean Pact and the Central American countries also provide for development cooperation. Under these agreements joint committees have been set up and meet at regular intervals to examine the trend in reciprocal trade, take stock of what has been done and provide the necessary impetus for further action.

6. Representation of the Community in Latin America

The Community has been constantly represented in Latin America since 1965, the year in which the ECSC High Authority opened a "liaison office" in Santiago de Chile with the Latin American Iron and Steel Institute (ILAFA). In 1967 it became the Latin American Delegation of the Commission of the European Communities, and this was the only Community "base" in the entire region until 1978, when the Delegation was transferred from Santiago to Caracas, Venezuela, and the Santiago office became a branch of the Caracas Delegation. A number of other Commission Delegations have been opened over the years: Mexico, San José, in Costa Rica, and Brasilia. An office is being set up in Montevideo, Uruguay,¹ and the Commission recently decided also to open offices in Lima, Peru, and Quito, Ecuador.

The Commission Delegations have the status of diplomatic missions. They maintain contact with the authorities and businessmen and economic groupings in the host countries, prepare and monitor development cooperation and economic cooperation with the host countries and keep the Commission in Brussels regularly informed of events in the region. A Commission press and information service in Caracas with documentation centres in Caracas and Santiago is responsible for keeping interested parties and the Latin American public in general informed about the Community and its activities.

¹ A list of the Commission Delegations, with addresses, is given in the Annex.

7. Institute for European-Latin American relations (IELAR)

On the initiative of many leading figures in the two regions, the European Parliament, the EEC-Latin America Interparliamentary Conference and the Commission advocated the setting-up of an institute to promote and intensify relations between Europe and Latin America. Since 1985, the IELAR, which is based in Madrid, has been conducting studies, holding conferences and producing publications on economic and political problems of concern to both regions.

II. TRADE BETWEEN THE EUROPEAN COMMUNITY AND LATIN AMERICA

1. General trend

Latin America's debt crisis has had a very marked impact on trade between the two regions. The level of debt and the resulting adoption in most Latin American countries of strict programmes to curb demand and slow down imports has resulted in a very significant fall in investment and subsequently a very sharp drop in exports from the European Community to Latin America, most of these exports being capital goods. Since the early eighties Latin America has had a trade surplus with the Community (see Table I).

While the Community is still of major importance to Latin America as a trading partner (over 20% of its exports go to the Community and almost 20% of its imports come from the Community), Latin America has, on the contrary, lost some of its importance as a market for the Community. The Community's exports to the region account now for only some 4% of its total trade, as compared with 6% at the beginning of the decade. The Community would therefore benefit considerably if Latin America could overcome the difficulties engendered by the debt crisis and resume a steady growth rate.

2. The structure of trade

Almost all the Community's exports to Latin America are manufactures (95%). These manufactures comprise largely capital goods, which account for over half the total exports: agricultural and industrial machinery (20%), motor vehicles (10%), and electrical equipment (11%).

Conversely, Community imports from Latin America comprise mainly agricultural produce and foodstuffs (over 50% of the total), energy (some 15%), ore and metal (15%). Primary products therefore account for almost 80% of Latin America's exports to the Community. The structure of Latin American trade is therefore such that it is vulnerable to external factors such as fluctuations in commodity prices or reduced demand for certain products as a result of technological changes or changes in other countries' policies.

The unfavourable structure of Latin American exports to the Community can be contrasted with two features:

- (i) the Community has increased its imports of manufactures from other regions of the world;
- (ii) the structure of Latin American exports to the United States is much more diversified, with 21% capital goods and 18% consumer goods.

This shows that Latin America has not yet succeeded in adapting to demand on the Community market in the same way as it has adapted to demand on the US market, or to the same extent as Asian exporters or exporters from countries bordering on the Mediterranean have adapted to demand on the Community market.

Trade between the two regions shows a large degree of geographical concentration. Almost two-thirds of this trade is conducted with three Community Member States: Germany (30%), France and Italy. In that respect, by removing any remaining barriers to the movement of goods and provision of services between Member States, the completion of the Community's single market should make it easier for Latin American exporters to diversify their sales from a geographical point of view.

3. The trade promotion strategy

In the conclusions which it adopted in June 1987 the Council recommended three courses of action for stepping up trade: the Generalized System of Preferences (GSP) could be improved and used more efficiently; the impetus provided by the Uruguay Round and an economic cooperation policy could be used to help diversify the structure of Latin America's imports.

3.1. The generalized system of preferences

Since 1971, the Community has granted developing countries autonomous, non-reciprocal tariff benefits under the Generalized System of Preferences set up by UNCTAD. All manufactures from developing countries are covered by the Community scheme of preferences, i.e. come into the Community completely duty-free. No industrial product is excluded; not even sensitive products such as textiles, footwear, or steel products, for which other industrial products do not grant any tariff preference. For some of these products, however, the Community applies quotas and tariff ceilings, and if these are exceeded duties do have to be paid. The Community's scheme of preferences also applies to some 400 agricultural products exported by the developing countries.

For these products, the customs duties are cancelled, or more usually reduced. Some ECU 24 billion worth of Community imports therefore come in at a zero or reduced rate of duty, so that the Community relinquishes customs revenue of some ECU 1 billion.

The scheme of preferences is granted to all developing countries and so concerns all Latin American countries. Latin American countries have nevertheless made less use than other regions (particularly Asia) of the benefits offered by the scheme of preferences in order to develop their exports. It is true that these benefits are more substantial for manufactures, of which Latin America exports very few, than for primary products, on which customs duties are not generally very high.

The Community has worked out a number of measures for making its GSP scheme more effective for Latin American exports. The aim of the first set of measures is gradually to extend the scheme's coverage of Latin American products. In 1987 customs duties on unroasted coffee, cut flowers and tobacco were lowered. Similarly, the restructuring of the scheme for industrial products in 1986 and textiles in 1988 resulted in a reduction in the number of quantitative limits and the differentiation which this brought about has greatly improved the opportunities for preferential access. The second course of action is to ensure that Latin American businessmen make better use of the scheme. The Commission has therefore arranged a large number of information seminars in Latin America over the last few years; seminars have been held in Argentina, Bolivia, Brazil, Colombia, Guatemala, Honduras, Mexico, Peru, Uruguay, and Venezuela for the benefit of a great many businessmen and potential GSP users. With the internal market in view, the Community has phased out almost all GSP quota allocation among its Member States. For sensitive products there will in future be only Community quotas (although these Community quotas will gradually decline in number) and in practice this will extend the opportunities for access at a zero or preferential rate of duty.

3.2. The multilateral trade negotiations (Uruguay Round)

Latin America and the Community have a common interest in maintaining an open multilateral trade system and in ensuring increased liberalization and expansion of world trade. They recognize the need to strengthen the trade system based on GATT principles and rules and to apply agreed multilateral disciplines to a larger proportion of world trade. The GATT systems must, furthermore, be adapted to the trend of the international economic environment.

This is the spirit in which the two partners combined efforts at Punta del Este in 1986 in order to launch a new round of multilateral trade negotiations. The cooperation has continued throughout the negotiations, and so at the Mid-Term Review it was possible to achieve results which were satisfactory to both parties. The success of the negotiations on tropical

products will result in a lowering of customs duties on those products and this should act an incentive for Latin American exporters. The Community has made a very substantial contribution to this success, since its offer included reductions in duties amounting to some ECU 10 billion on imports of tropical products. Latin America's most developed countries have themselves contributed to the joint effort by reducing the duties they apply to imports of certain products.

The Community intends to pursue this close cooperation with Latin American countries and also with other developing countries or regions in order to bring the negotiations to a successful conclusion, so that the Uruguay Round marks a major step forward in the organization of international trade.

III. THE EUROPEAN COMMUNITY'S COOPERATION POLICY IN LATIN AMERICA

The Community's cooperation policy co-exists with the national policies of each of its Member States. There is a growing trend towards coordination between cooperation projects and programmes implemented by the Community itself and the Member States' aid programmes. Projects are coordinated or financed jointly and this increases the overall effectiveness of Community aid and enables the aid to be incorporated more easily in the recipient countries' development strategies.

The Community and its Member States together form Latin America's second largest source of official development assistance (ODA). In 1987 the Community and the Member States allocated USD 1 086 million to Latin America, i.e. over 40% of the ODA received by the region. The Community therefore takes second place after the United States, which, in the same year, provided a hundred million dollars more than the Community. The ODA from the United States is, however, concentrated mainly on Central America, and this means that the Community and its Member States are the main sources of aid for South America, and in particular the Andean Pact countries.

Latin America's share in the total official development assistance granted by the Community and its Member States (some 7%) takes account of the preponderance of development problems in Asia and Africa, in terms of the seriousness of the problems and the number of people affected. Two major features of the aid granted by the Community itself (see Tables II and III) are described below.

(i) There has been a significant increase in aid granted to Latin America. The financial commitments (covering all forms of aid) rose from ECU 13 million in 1976 to some ECU 319 million in 1989. All the aid is provided in the form of grants.

(ii) The flow of aid is concentrated on Latin America's least developed countries. Central America, the Andean countries and Haiti receive almost all the financial and technical assistance, while more developed countries such as Brazil, Mexico, Argentina, Uruguay and Venezuela receive barely more than 7%.

Community cooperation makes use of a highly diversified range of instruments. A number, including the most important in financial terms, are designed to deal mainly with the poorest countries' problems: rural development cooperation (described as "financial and technical cooperation" in the Community budget), food aid, support for the work of non-governmental organizations (NGOs), compensation for losses in export earnings (for Haiti). The second type of cooperation concerns humanitarian aid: emergency aid in the event of natural disasters or in exceptional circumstances, emergency food aid, aid for refugees, aid for drug abuse control. A third type involves economic cooperation: industrial cooperation, scientific and technological cooperation, training, trade promotion, and energy cooperation. Lastly, support for regional integration is specifically geared to relations between the Community and Latin America.

1. Operations geared to the problems of the poorest countries

1.1. Rural development aid (financial and technical cooperation)

This is one of the most important items of development cooperation (it has absorbed almost half the total cooperation funds since 1976), and it is aimed at the most disadvantaged sections of the population in the poorest countries. It is used to finance mainly projects and programmes which promote rural development and improve food production, particularly within the context of agrarian reform programmes. The aid is also used for reconstruction, the supply of drinking water, sewage disposal, etc.

Some of the aid is channelled into regional integration projects: 33.7% of the total ECU 518 million granted to Latin America under the heading of financial and technical cooperation between 1976 and 1988.

1.2. Food aid

The Central American and Caribbean countries and certain Andean countries (Bolivia, Peru) are the main beneficiaries of this aid, which represents about 40% of the Community's expenditure since 1979 and constitutes its largest operation in Latin America. The aid takes the form of cereals, skimmed milk powder, butteroil, vegetable oil and beans.

The Community, as part of its food aid policy, endeavours to prevent the aid from generating harmful effects (greater dependence, dissuasion of local food producers) by incorporating it into food self-sufficiency strategies.

1.3. Non-governmental organizations (NGOs)

Non-governmental organizations constitute a special vehicle for Community aid. The Community co-finances a large number of operations put forward by European NGOs: development or humanitarian schemes in Latin America and also campaigns to inform European public opinion. A large proportion of the food aid, emergency aid and aid for refugees is distributed by NGOs and backs up the operations conducted by the NGOs themselves. Under the budget earmarked specifically for the cofinancing of NGO schemes, the NGOs received Community support amounting to over ECU 26 million in 1988. The fact that the NGO representatives are well acquainted with the people and places involved and are well placed to mobilize the local population means that optimum use can be made of the aid granted by the Community. At the same time the Community encourages rapprochement and the exchange of information between the peoples of the two regions.

1.4. Compensation for loss of export earnings

Since 1986 the Community has extended to all least developed countries (LLDCs) the system for the stabilization of export earnings which it applies to the African, Pacific and Caribbean countries under the Lomé Convention. In Latin America only Haiti belongs to this category. Under this new facility Haiti has received ECU 5.1 million to offset a loss in its earnings on exports to the Community in 1987.

2. Humanitarian action

2.1. Emergency aid

The Community's emergency aid is provided for victims of disasters such as hurricanes, floods, and earthquakes, events which are frequent in this huge continent. The aid involves very few formalities and is highly flexible so that the emergency supplies and equipment can be delivered as quickly as possible. These supplies and equipment can be purchased on the local market if available, or brought direct from the Community and distributed by government bodies or non-governmental agencies.

2.2 Aid for refugees

Over and above immediate emergency aid and the provision of relief supplies in the form of food, medicines or tents for refugees or displaced persons, the Community has developed methods of cooperation aimed at promoting the self-sufficiency of these groups of people pending their definitive integration in the host country, or their return to their country of origin, or settlement in other countries. The Community's operations are generally conducted in close conjunction with the international institutions responsible for protecting refugees, in particular the Office of the United Nations High Commissioner for Refugees.

In recent years the Community has financed some 20 projects to the tune of about ECU 15 million in Central America and Mexico. These projects have involved mainly aid for people from Guatemala's rural areas who have sought refuge in Mexico, and Nicaraguan and Salvadorian refugees in Honduras and Costa Rica. At the San José IV meeting in Hamburg in February 1988, the Community undertook to provide major support, as soon as the region's political situation allowed, for the voluntary repatriation of refugees and displaced persons who had fled their homes as a result of the conflicts in Central America.

2.3. Drug abuse control

In January 1987 the Council drew up a North-South cooperation programme to combat drug abuse. This programme, like other measures to reduce drug production, was designed to encourage the cultivation of replacement crops and the implementation of integrated socio-economic development programmes in drug-producing countries. A first set of projects of this kind has been committed in Latin America (some ECU 4 million), mainly in Bolivia (six projects), but also in Colombia, Argentina and Peru. The Community also provides back-up for training courses in the provision of medical assistance, and contributes to the setting-up of documentation and study centres concerned with means of prevention.

3. Economic and Industrial cooperation

Rural development projects continue to form a key aspect of the Community's action on behalf of the least developed Latin American countries. Most Latin American countries are at an intermediate stage of development and industrialization without, however, having succeeded in developing or maintaining, in important sectors of their economies, efficient structures which are able to stand up to international competition on their own or on foreign markets. Apart from the effects of excessive debts, it is this lack of modern economic structures which is the main reason for the concentration of Latin American exports on traditional primary products and the lack of growth in trade between the European Community and Latin America. Given this situation, it is economic cooperation in its many forms which has become the Community's main strategy for helping to modernize and diversify Latin America's exports. One of the characteristics of this strategy is the important role played by small and medium-sized enterprises.

The strategy meets the following criteria:

- (i) it can be adapted to each country's opportunities and requirements, account being taken of the levels of development in the various sectors;
- (ii) it encourages direct and indirect investment, and thereby reduces the negative net financial transfers from Latin America to the industrialized countries;

(iii) it forms part of the general trend towards giving market forces and companies a greater role;

(iv) it guarantees optimum use of public funds since they are used mainly as a catalyst in creating new flows of private funds.

3.1. Industrial cooperation properly so called is largely aimed at identifying, promoting and implementing joint ventures between companies in the two regions. It is obviously up to the Latin American countries themselves to create the right sort of framework for attracting European investors' interest and attention, in terms of stability, the transparency of the rules, certainty as to the law, and financial mobility.

The Community, for its part, has developed a whole range of cooperation instruments designed to encourage research and the conclusion of joint ventures in the two regions. These instruments are meant to supplement measures taken by the Member States and they enable a very broad spectrum of operations to be financed:

- (i) training of senior-level technical, scientific and management staff;
- (ii) the holding of sectoral conferences with businessmen from the two regions and information seminars on investment opportunities;
- (iii) the establishment of data banks;
- (iv) the creation of business councils made up of European and Latin American businessmen and the setting-up of joint ventures;
- (v) the identification of industrial sectors of mutual interest;
- (vi) feasibility studies on joint investment projects.

The Community has also created a financial instrument (E.C. International Investment Partners). This makes it possible to mobilize risk capital from European companies for joint ventures through Community participation in pre-investment studies, and even, under certain conditions, limited holdings by the European Community in the joint venture capital.

The Community has for some years also had an instrument for backing up developing countries' trade promotion activities in order to encourage them to diversify their exports and their markets. This instrument, which for a long time was used only for financing exporters' participation in trade fairs or trade events, has recently been given more resources and the whole concept has been broadened. Trade promotion operations will now cover all the stages in the life of a product from its design, the market study, and production, up to its promotion on the Community market and other countries' markets. This instrument in its new strengthened form can therefore usefully serve a trade strategy aimed at diversifying Latin American exports and improving the quality and competitiveness of Latin American products.

3.2. Scientific and technological cooperation also offers particularly promising scope for making relations between the Community and Latin America more dynamic. The Latin American countries are aware of the crucial role of technology in the diversification and competitiveness of their exports, but their present economic difficulties and the constant increase in R&D costs create very serious setbacks for them in their attempts to keep up with international technological developments. The Community has made technological research and development one of its main objectives for the future and has acquired considerable experience with "cross-border" projects and programmes such as ESPRIT, RACE, BRITE, FAST, etc. The Community has at present two main vehicles for scientific and technological cooperation with the developing countries, including Latin America. Since 1983 the science and technology for development programme has enabled projects to be financed in the spheres of agriculture, medicine, health, and tropical and subtropical nutrition. It is a strategic programme for contributing to the Third World's efforts to achieve self-sufficiency in food and improve its population's health. Since 1984 the international scientific cooperation programme has been confined to countries with which the Community has concluded cooperation agreements. This programme is intended to develop with the scientific authorities of these countries specific, detailed contacts geared to their requirements and priorities. Under a number of these cooperation agreements (Andean Pact, Brazil, Mexico), joint subcommittees on scientific and technological cooperation have been set up in order to promote joint projects between institutions on the two sides, the drawing-up of study award programmes for Latin American research workers and the commissioning of specific studies.

3.3. Under the Community training programme, European know-how and experience covering a very wide range of subjects (cooperatives, transport, agriculture, public administration, small and medium-sized enterprises, etc.) can be transferred to nationals of Latin American countries. The aim of the programme is to promote faster development in priority spheres and, generally speaking, to speed up the intensification of the Community's relations with Latin American countries. Special emphasis is placed on regional projects. The direct beneficiaries of training schemes - seminars and training courses - are people already in positions of responsibility (senior-level technical and management staff).

3.4. Energy cooperation

Since 1980, the European Community has been engaged in cooperation on energy planning and the development of energy sources (particularly renewable energy) with the developing countries. Latin America is high on the list of beneficiaries of this cooperation. The general objectives of the Community's energy cooperation activities dovetail perfectly with Latin America's energy situation, and the aim is to achieve the following: the strengthening of local planning powers, the promotion of renewable energy sources and the promotion of technological exchange between the Community and Latin America, and help for Latin America's economic integration in the form of back-up for regional bodies such as OLADE, the Andean Pact, and the Central American Common Market.

Since 1980, a total of about ECU 20 million has been committed for energy cooperation with Latin America.

4. Support for regional integration

Without seeking to be a model for integration efforts in other parts of the world, and particularly in Latin America, the Community has nevertheless acquired a unique storehouse of experience which gives it a special role in helping other integration systems. One of the main features of the Community's integration policy is the preference it gives wherever possible to operations designed to consolidate or strengthen regional economic units. In Latin America, it is mainly the Central American Common Market (CACM) and the Andean Pact which have received the Community's support. This support is reflected not only in cooperation schemes as such, but also in the application of the principle of cumulative origin to encourage exports of industrial products which have undergone a number of manufacturing stages in different member countries of integration groups.

This principle applies in the case of Latin America to the Andean Pact and the CACM.

4.1. The tangible expression of the Community's support for the Andean Pact integration system is the cooperation agreement which links the Community with the Andean Pact itself (Cartagena Agreement) and also with the five member countries (Bolivia, Colombia, Ecuador, Peru, and Venezuela). This agreement, which entered into force in 1987, is based on two types of cooperation which date back to the actual setting-up of the Andean Pact in 1969, i.e. development cooperation, largely in the form of financial and technical assistance (concentrated on Bolivia, Ecuador and Peru), and trade cooperation. The agreement added a third dimension, namely economic cooperation, and this covers a large number of sectors: industrial cooperation, science and technology, energy, communications, tourism, transport and fisheries. The fact that the first joint committee, which met in the spring of 1988, set up specialized subcommittees on industrial cooperation and scientific and technological cooperation indicates the present priorities in the implementation of the agreement.

Generally speaking, it may be said that the Andean Pact is one of the main beneficiaries of Community aid and cooperation. From 1976 to 1988, it received some ECU 350 million under the headings of development cooperation, economic cooperation and humanitarian aid. As the administrative institution of the Andean Pact, the Junta of the Cartagena Agreement (JUNAC) was able, with the support it received from the Community, to carry out major start-up investment programmes in the rural, industrial and energy sectors. These operations have had a knock-on effect which has meant that they have considerably furthered the Andean countries' integration.

4.2. In the case of Central America, two of the Community's major political aims overlap: contributing to the restoration of peace in the region and giving new impetus to, and consolidating, the Central American countries' integration process under the CACM¹. The Community, concerned at the increasing destabilization of this region of major geostrategic importance, has from the outset supported the reconciliation efforts of the Contadora Group countries, stressed the socio-economic origin of the Central American crisis and developed political and economic cooperation machinery to help solve the problems.

¹ CACM: Central American Common Market

In September 1984 the Community started to arrange regular ministerial meetings with the Central American countries and the Contadora Group. The first five meetings were held in San José (with the Community of Ten plus Spain and Portugal), Luxembourg (November 1985), Guatemala (January 1987), Hamburg (February 1988) and San Pedro de Sula (February 1989).

Already at the second ministerial meeting, in Luxembourg, two major forms of cooperation between the Community and Central America began to take shape:

(i) an institutionalized political dialogue, then a new feature of the Community's external relations;

(ii) the conclusion of a framework economic cooperation agreement between the Community and Central America (it came into force on 1 March 1987 and included Panama).

This machinery for ministerial meetings has led to a considerable strengthening of cooperation between the Community and Central America and has given particular focus to the Community's efforts to help restore political and economic stability to Central America:

(i) at political level, the dialogue brought the Central American countries closer together and it helped inspire the Esquipulas peace process;

(ii) at economic level, a solid basis has been created by the marked intensification of cooperation, in quantitative and qualitative terms. Total Community aid rose from ECU 42 million in 1984 to ECU 100 million in 1988, and on top of this the Member States granted about ECU 200 million. This aid was channelled mainly into sectors of crucial importance to economic and social consolidation, namely:

(i) integrated rural development;

(ii) support for small and medium-sized enterprises;

(iii) support for cooperatives;

(iv) health (reduction of infant mortality rate, etc.)

(v) human resources (qualifications, training of teachers and instructors, reform of administrative machinery, etc.);

(vi) generally speaking, any means of encouraging the regional integration of tiny national markets (countries of 2 to 8 million inhabitants) for which integration and economic development are even more closely linked than elsewhere.

At the last ministerial meeting in San Pedro de Sula, this cooperation was supplemented by an ambitious plan totalling ECU 150 million for revitalizing inter-regional trade, which is of major importance for Central America's political and economic stabilization. An initial financing decision was adopted by the Commission in November 1989 to the tune of ECU 43.5 million.

IV. POLITICAL DIALOGUE BETWEEN THE EUROPEAN COMMUNITY AND LATIN AMERICA (RIO GROUP)

Alongside the political dialogue between the Community and the Central American countries, over the years another dialogue at ministerial level has developed between the Community and the Rio Group. This group, comprising Argentina, Brazil, Colombia, Mexico, Panama,¹ Peru, Uruguay and Venezuela, constitutes a "permanent mechanism for political consultation and coordination", which emerged from cooperation between these countries aimed at finding solutions to the Central American conflict. The importance of the Rio Group is illustrated by the fact that it represents over 80% of Latin America's population, most of its GNP and of its intra-regional and extra-regional trade. An essential feature of the group is the fact that all the member countries have democratic regimes.

The dialogue which the Community has launched with the Rio Group is in accordance with the conclusions reached by the Council in June 1987. It is informal and does not follow any rigid procedure. Four meetings have so far been held between ministers from the Community and from the Group: New York (on the occasion of the United Nations General Assembly in September 1987), Hamburg (March 1988), New York (September 1988) and Granada (April 1989). They provided an opportunity for discussing the most important problems affecting Latin America and its relations with the Community: the Central American conflict, the economic difficulties, the external debt and its effects on the stability of democracy in these countries, trade problems and other more general subjects such as East-West relations. It is a dialogue, not negotiations, and it cannot directly produce concrete results. Its importance resides in the creation of a climate of mutual understanding and trust, which can influence political decisions.

V. PROSPECTS

Two divergent trends characterize current relations between the European Community and Latin America: on the one hand, there is a clear increase in reciprocal interest and political links compared with the past; on the other, economic relations, and particularly trade, are at a standstill, and even declining. What are the prospects for the future in the two spheres?

Increased political contacts are the result of a growing awareness in the two regions of the existence of the community of values and interests described by the Council in its conclusions on 22 June 1987. The feeling of sharing the same view of society and of human rights, and the same conception of the organization of the world in political and economic terms, will undeniably remain the basis for the dialogue between the two regions. This applies in particular to the very tight network of contacts which exists at the level of non-governmental and unofficial bodies, and which is untouched by fluctuations in the political situation. Dialogue at official or governmental level, by contrast, will largely depend on Latin American countries' ability to consolidate in their region the democratic systems of government which have been restored in almost all of these countries in the last few years. Unless the political regimes on the two sides are sufficiently

¹ As a result of political events within the country, Panama ceased to be a member of the group in February 1988.

homogeneous, dialogue becomes difficult, not to say impossible. Experience has amply proved this. It is therefore important for the Community to continue giving maximum political support to Latin America's democratic organizations and institutions. The region's stability is of prime concern to the Community, as are good relations between the Community and the Latin American countries.

At the same time, the degree of poverty and the fact that there is little prospect of social progress is becoming an increasingly worrying problem, which is a heavy burden for a democracy. It is obvious that in order to keep their democracies stable, the Latin American countries must again achieve economic growth rates and levels of development which will enable their populations to progress instead of being condemned to remaining at a standstill or even declining. It is of course up to the Latin American countries themselves to make the adjustments needed to attain this objective. A number have moved remarkably far down that road.

The Community can play an active part in seeking solutions to the debt problem. Through its different industrial cooperation instruments, it can further the Latin American countries' efforts to modernize their industrial structures and diversify their exports. It can enlist Latin American scientists and engineers in its own efforts to be in the vanguard of scientific and technological progress. It can give the Latin American countries the benefit of its political experience as regards economic integration. The Community's progress towards the single market in 1992 and European union is increasing its political responsibilities and providing it with resources for taking action in relation to the rest of the world. In view of its traditional links with Latin America, it is bound to pursue a strategy of rapprochement with this region, which has considerable political and economic potential.

The Community's strategy towards Latin America ties in with Europe's own interests.

The Community's and Latin America's interests coincide.

TABLE I

LATIN AMERICA (20 countries)TRADE BETWEEN THE COMMUNITY OF TWELVE AND THE 20 LATIN AMERICAN REPUBLICSIMPORTS - EXPORTS - TRADE BALANCEValue: ECU million

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988(1)</u>
EEC exports	12 113	14 960	13 197	11 386.8	15 032.8	15 595.6	14 509.6	13.920,6	13 689.7
EEC imports	13.727	16 719	18 335	20 550.4	26 271.8	30 278.1	20 330.9	19.642,5	23 175.4
EEC balance	-1 614	-1 759	-5 138	-9 163.6	-13 239.0	-14 682.5	-5 821.3	-5 721.9	-9 485.7

Note: Up to and including 1983 : EUR 10
 From 1984 : EUR 12

(1) 1988 : without Greece

Source: Eurostat - SITCTAB

TABLE II

The European Community's instruments and budget resources for cooperation with Latin American and Asian (LAA) developing countries 1987-89 (ECU million)									
Budget heading	Instruments	Start	Recipient countries	Budget for 1989		Budget for 1988		Budget for 1987	
				Commit.	Disburs.	Commit.	Disburs.	Commit.	Disburs.
:92	: Food aid	: 1969	: DC	: 473.4	: 460.4	: 421.0	: 352.4	: 511.5	: 572.6
:93	: Cooperation with LAA countries	:	: LAA	: 359.9	: 247.1	: 318.45	: 269.05	: 219.56	: 283.9
: (930) ^a	: 9300 : Financial and technical assistance	: 1976	: Asia	: 191.0	: 130.0	: 162.5	: 143.25	: 113.62	: 167.5
:	: 9310	:	: LA	: -92.0	: 61.0	: 87.5	: 76.75	: 61.18	: 82.5
: (931) ^a	: 9301 : Trade promotion	: 1974	: Asia	: 8.7	: 7.2	: 9.1	: 5.85	: 7.93	: 6.2
:	: 9311	:	: LA	: 5.8	: 4.8	: 5.0	: 3.15	: 5.07	: 3.8
: (932) ^a	: 9302 : Aid for regional integration	: 1974	: Asia	: 1.0	: 1.0	: 0.875	: 0.875	: 0.75	: 0.75
:	: 9312	:	: LA	: 2.0	: 2.0	: 0.875	: 0.875	: 0.75	: 0.75
: (933) ^a	: 9303 : Energy cooperation	: 1979	: Asia	: 4.6	: 2.75	: 5.5	: 3.55	: 3.48	: 3.42
:	: 9313	:	: LA	: 3.8	: 2.25	: 2.5	: 1.905	: 2.52	: 2.48
: (934) ^a	: 9304 : Training	: 1979	: Asia	: 5.5	: 4.18	: 5.75	: 3.155	: 4.8	: 2.475
:	: 9314	:	: LA	: 4.5	: 3.42	: 3.1	: 1.69	: 3.2	: 2.025
: (935) ^a	: 9305 : Promotion of Community investment	: 1988	: Asia	: 4.5	: 2.8	: 3.25	: 1.3	:	:
:	: 9315	:	: LA	: 3.5	: 2.2	: 1.75	: 0.7	:	:
: 936	: Aid for refugees	: 1984	: LAA	: 23.0	: 13.5	: 17.0	: 11.0	: 10.0	: 7.0
: 937	: Compex ^b	: 1987	: LAA	: 10.0	: 10.0	: 13.75	: 15.0	: 6.25	: 5.0
:940	: Seminars on the GSP ^c	: 1972	: LAA	: 0.2	: 0.2	: 0.2	: 0.2	: 0.2	: 0.2
:941	: Aid for NGOs	: 1976	: DC	: 79.0	: 64.3056	: 65.0	: 58.0	: 52.0	: 39.5
:946	: Environmental protection ^d	: 1982	: DC	: 6.0	: 6.0	: 7.0	: 6.0	: 4.0	: 3.0
:947	: Aid for training institutes for nationals of the developing countries	: 1973	: DC	: 1.1	: 1.1	: 1.1	: 1.1	: 0.8	: 0.8
:949	: Drug abuse control	: 1987	: DC	: 5.8	: 4.3	: 5.5	: 3.5	: 5.5	: 2.5
:950	: Emergency aid	: 1976	: DC	: 18.5	: 18.5	: 20.0	: 20.0	: 18.28	: 18.28
:951	: Food aid via NGOs	: 1986	: DC	: 10.0	: 4.8338	: 10.0	: 10.0	: 5.5	: 3.0
:954	: Aids control	: 1988	: DC	: 5.0	: 5.0	: 5.0	: 5.0	:	:
:958	: Special programme to combat hunger in the world	: 1983	: DC	:	: 5.7831	:	:	:	: 8.5
:9900	: Operations under cooperation agreements	: 1982	: CCA	: 12.0	: 6.5	: 10.0	: 10.0	: 7.44	: 7.44
:992	: Aid for NGOs in Chile	: 1986	: Chile	: 5.0	: 5.0	: 3.0	: 3.0	: 2.0	: 2.0
:706	: Energy programming	: 1980	: DC	: 8.3	: 7.0	: 8.0	: 7.0	: 6.55	: 4.6
:7309 (7394 en 1989)	: Scientific cooperation	: 1984	: CCA	: 16.0	: 11.8912	: 16.5	: 10.1	: 7.0	: 2.0
:7330 (7306 en 1989)	: Science and technology for development	: 1983	: DC	: 25.0	: 22.5	: 20.0	: 14.1	: 0.72	: 8.41

Abbreviations: LA = Latin America; DC = developing country; LAA = Latin American or Asian developing country; CCA = country with a cooperation agreement with the European Community; NGOs = non-governmental organizations.

^aPrevious heading. ^bSystem of compensation for loss of export earnings for LAA LLDCs.

^cThe European Community's generalized preferences scheme.

^dPriority is given to desertification control in Africa.

^eWithout the ACP countries which receive aid from the European Development Fund (EDF).

Table III

COMMUNITY COOPERATION WITH LATIN AMERICA 1976-88 (ECU million)

INSTRUMENTS	LATIN AMERICA									
	CENTR. AMERICA		SOUTH AMERICA (ANDEAN PACT)		SOUTH AMERICA OTHER	HISPAN- IOLA	L. A. REGION	TOTAL LATIN AMERICA		
	Country	Region	Country	Region	Country			Country	Region	Total
DEVELOPMENT COOPERATION										
:930	: 175.26	: 121.25	: 164.51	: 55.23	: 5.20	: 43.65	: 0.00	: 388.62	: 176.48	: 565.10
:92	: 166.96	: 0.00	: 96.45	: 0.00	: 81.94	: 28.47	: 0.00	: 373.82	: 0.00	: 373.82
:STABEX	: 0.00	: 0.00	: 0.00	: 0.00	: 0.00	: 5.13	: 0.00	: 5.13	: 0.00	: 5.13
:B41	: 25.40	: 0.00	: 31.44	: 0.00	: 30.70	: 6.65	: 0.00	: 96.18	: 0.00	: 96.18
:TOTAL	: 367.62	: 121.25	: 292.40	: 55.23	: 117.84	: 85.90	: 0.00	: 863.75	: 176.48	: 1040.23
ECONOMIC COOPERATION										
:931	: 2.58	: 0.00	: 5.38	: 2.81	: 6.61	: 0.51	: 0.00	: 14.09	: 2.81	: 15.90
:932	: 0.00	: 0.00	: 0.01	: 0.34	: 0.00	: 0.00	: 0.00	: 0.01	: 0.34	: 0.35
:933	: 0.00	: 0.80	: 5.02	: 1.00	: 1.30	: 0.00	: 0.00	: 6.32	: 1.80	: 6.12
:934	: 1.32	: 2.00	: 2.34	: 0.05	: 1.83	: 0.46	: 0.74	: 5.96	: 2.79	: 8.75
:935	: 0.00	: 0.00	: 0.00	: 0.00	: 0.00	: 0.00	: 2.10	: 0.00	: 2.10	: 2.10
:946	: 0.00	: 0.00	: 0.82	: 0.00	: 0.27	: 0.00	: 0.00	: 1.08	: 0.00	: 1.08
:990	: 0.00	: 0.00	: 0.14	: 7.95	: 0.69	: 0.00	: 0.00	: 0.83	: 1.95	: 2.79
:706	: 0.00	: 0.00	: 3.38	: 0.00	: 3.54	: 0.00	: 0.00	: 6.92	: 0.00	: 6.92
:7309	: 0.54	: 0.00	: 0.09	: 0.39	: 6.88	: 0.00	: 0.00	: 9.51	: 0.39	: 9.90
:7330	: 0.13	: 0.00	: 0.34	: 0.00	: 1.48	: 0.00	: 0.00	: 1.95	: 0.00	: 1.95
:TOTAL	: 4.57	: 2.80	: 17.52	: 6.55	: 23.61	: 0.97	: 2.84	: 46.67	: 12.19	: 56.86
HUMANITARIAN AID										
:92	: 5.80	: 0.00	: 3.88	: 0.00	: 2.02	: 1.04	: 0.00	: 12.73	: 0.00	: 12.73
:936	: 14.60	: 0.00	: 0.00	: 0.00	: 5.97	: 0.00	: 0.20	: 20.57	: 0.20	: 20.77
:950	: 6.38	: 0.30	: 5.17	: 0.00	: 2.47	: 1.30	: 0.00	: 15.32	: 0.30	: 15.62
:949	: 0.00	: 0.00	: 2.44	: 0.00	: 0.63	: 0.22	: 0.19	: 3.29	: 0.19	: 3.48
:TOTAL	: 26.76	: 0.30	: 11.48	: 0.00	: 11.09	: 2.56	: 0.39	: 61.90	: 0.69	: 52.60

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