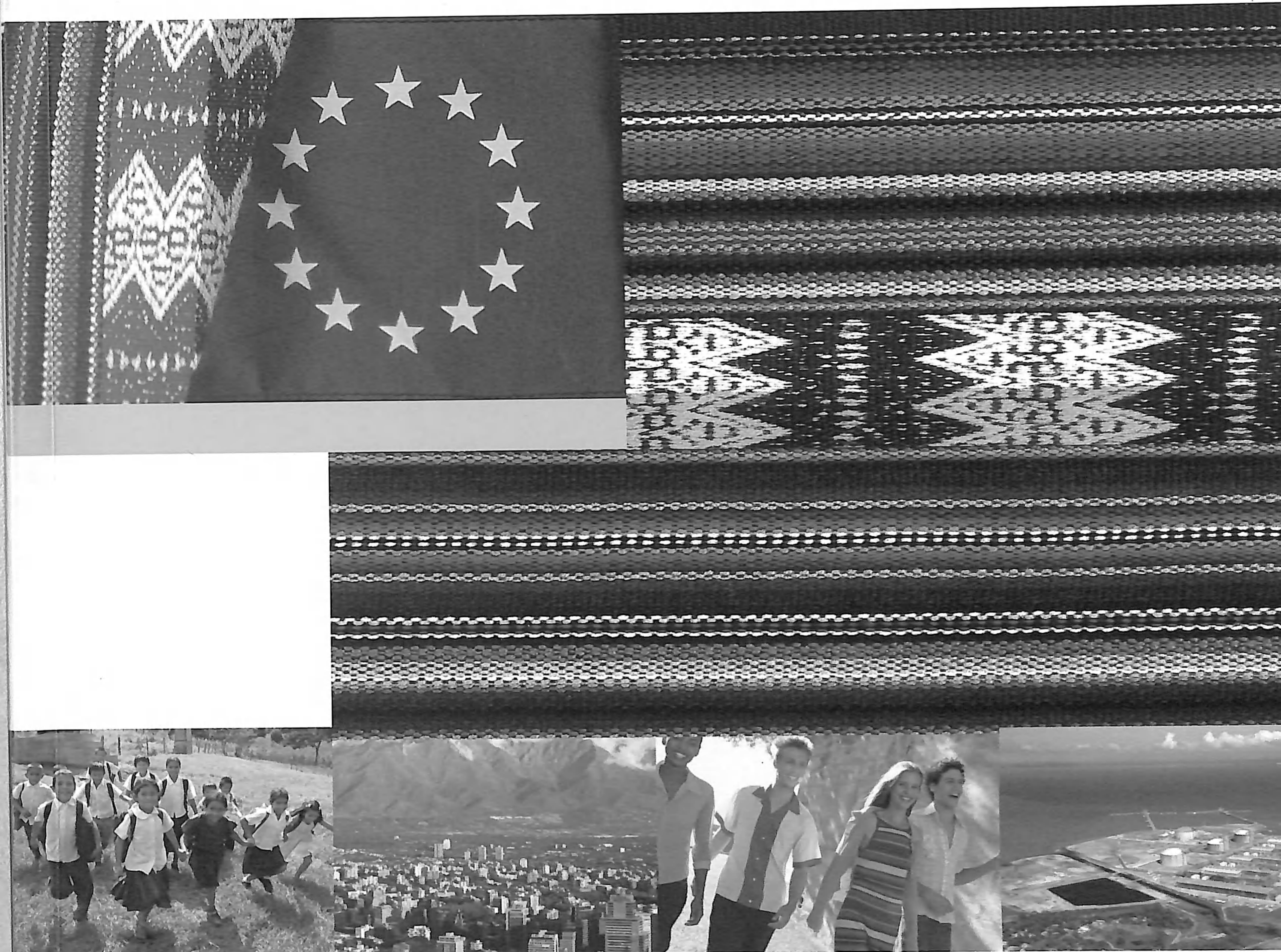


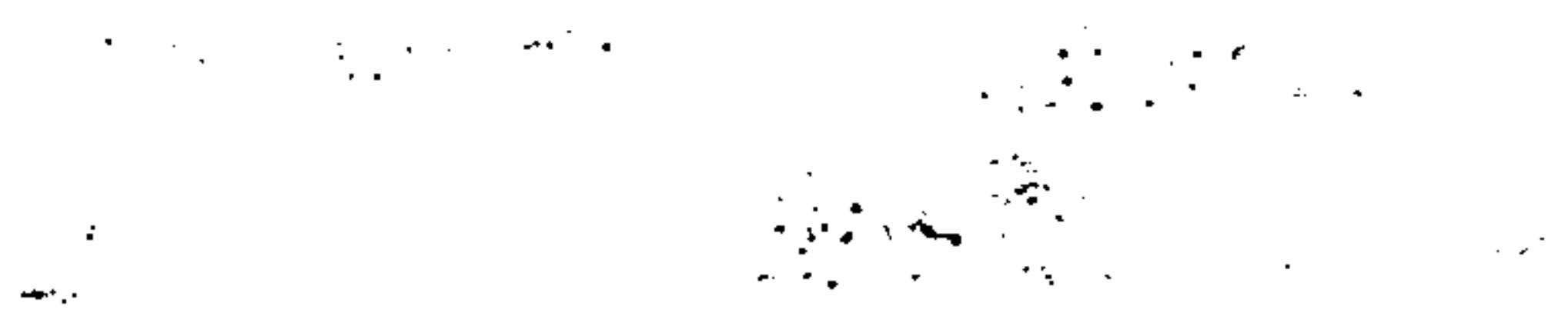


The European Union, Latin America and the Caribbean: **a strategic partnership**



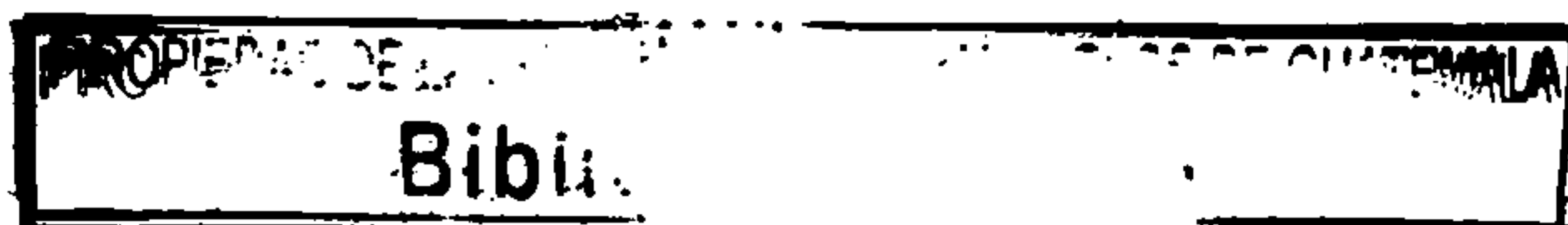
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The European Union, Latin America and the Caribbean: a strategic partnership



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Introduction

The European Union, Latin America and the Caribbean share a commitment to human rights, democracy, multilateralism and the fair distribution of the fruits of globalisation. They also share a number of responsibilities at international and regional level, notably within the framework of the United Nations, the Bretton Woods institutions, the World Trade Organisation and the Organisation of American States.

These common values and responsibilities have enabled the Heads of State and Government of both regions, who met for the first time in Rio in 1999, to set up a bi-regional strategic partnership on a proactive basis, laying down certain priorities to ensure coordinated action in the political, social and economic spheres.

The European Union (EU), Latin America and the Caribbean (LAC) must now continue to consolidate their partnership. The **4th EU-LAC Summit in Vienna** (Austria) on 12 and 13 May 2006 is a unique opportunity to review the various initiatives, the dialogue and the negotiations between the two regions since 1999.

This brochure gives a brief, factual presentation of the richness of the partnership between the European Union, Latin America and the Caribbean, its background and recent developments. It is divided into chapters by theme, focusing on the main aspects of the strategic partnership and how it has developed, and describes the political, trade and cooperation relations between the EU and each subregion.



© EC, R. Canessa

European project (Nicaragua).

1. Background to EU-LAC relations



1.1. Two histories making up a strategic partnership

The EU has consolidated its links with Latin America and the Caribbean since the 1960s and 70s respectively. The last decade in particular has been marked by considerable development in political and economic relations: Association Agreements have been concluded with Mexico (1997) and Chile (2002); the Cotonou Agreement with the Caribbean countries and the entire ACP Group (Africa, Caribbean and Pacific countries) entered into force in 2003; an Association Agreement is currently being negotiated with Mercosur; Political Dialogue and Cooperation Agreements were concluded with the Andean Community and Central America in 2003. Most recently, in 2004 the EU and the Caribbean countries began

negotiations on signing an Economic Partnership Agreement.

The EU's strategic partnership with Latin America and the Caribbean, which started with the first summit of Heads of State or Government of both regions in Rio in 1999, was pursued and strengthened at the Madrid and Guadalajara Summits in 2002 and 2004. The key aspects of the EU-LAC strategic partnership include stepping up political dialogue and economic, scientific and cultural cooperation, strengthening trade links and smoothly integrating the partners into the world economy.

In the run-up to the May 2006 Vienna Summit, the Commission adopted (on 8 December 2005) a communication to the Council and the European Parliament containing recommendations for strengthening

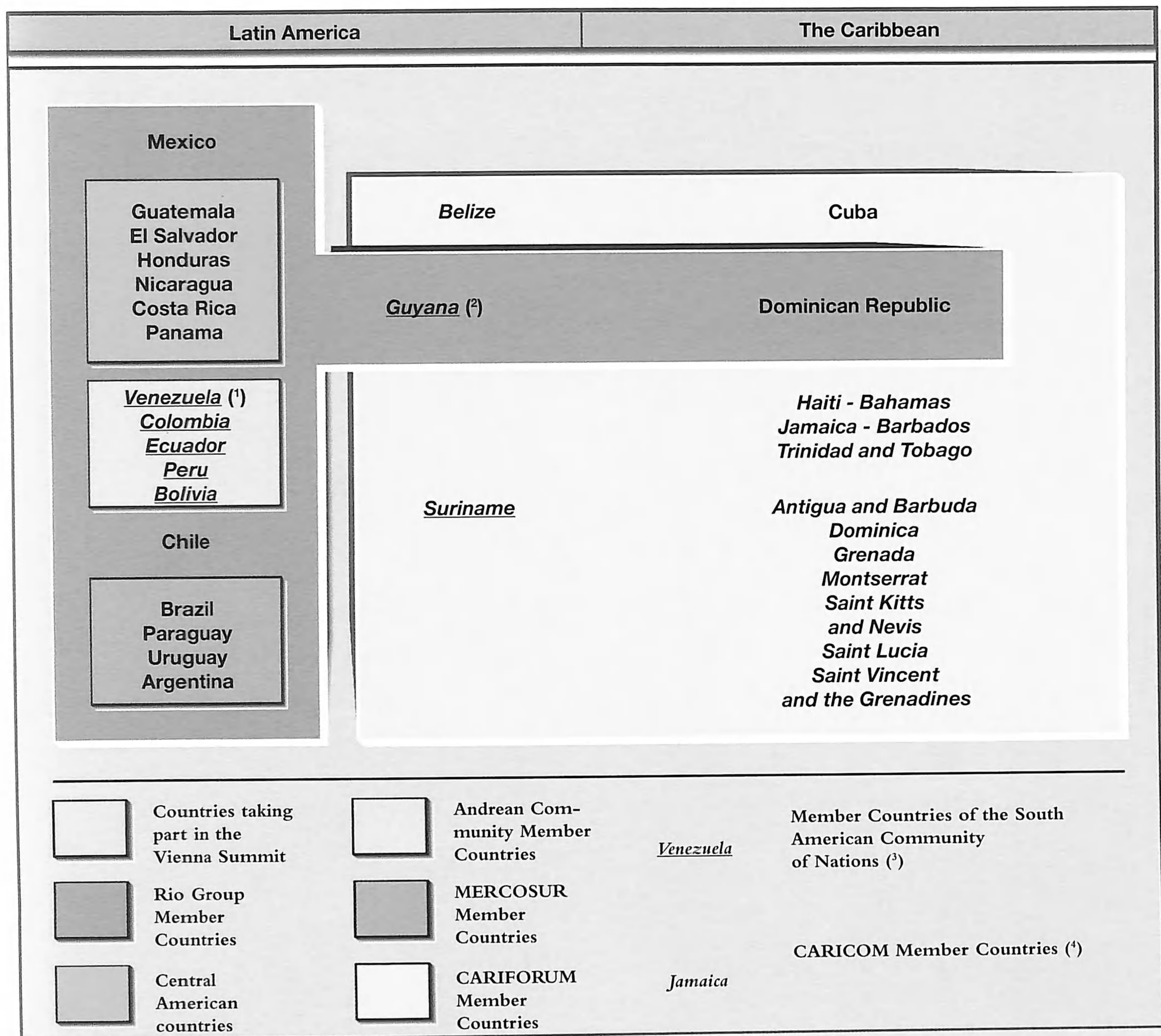
the partnership between the EU and Latin America. Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner, commented: “We want to reinforce our mutual understanding and the existing partnership to create new dialogues and opportunities for both regions. Working together, we can better address the challenges of the globalised world and contribute to peace and stability in the region and to its development by increasing social cohesion, improving democratic governance and deepening regional integration.”

For further information:

“A stronger partnership between the European Union and Latin America” COM (2005)636 final, 8.12.2005. http://europa.eu.int/comm/external_relations/la/news/ip05_1555.htm

The May 2006 Vienna Summit must send a strong message that the two regions wish to consolidate and strengthen their strategic partnership, engage in a political dialogue on certain key questions of mutual interest and examine the possibilities of cooperation in these areas.

1.2. Regional and institutional groups in the Latin American – Caribbean region



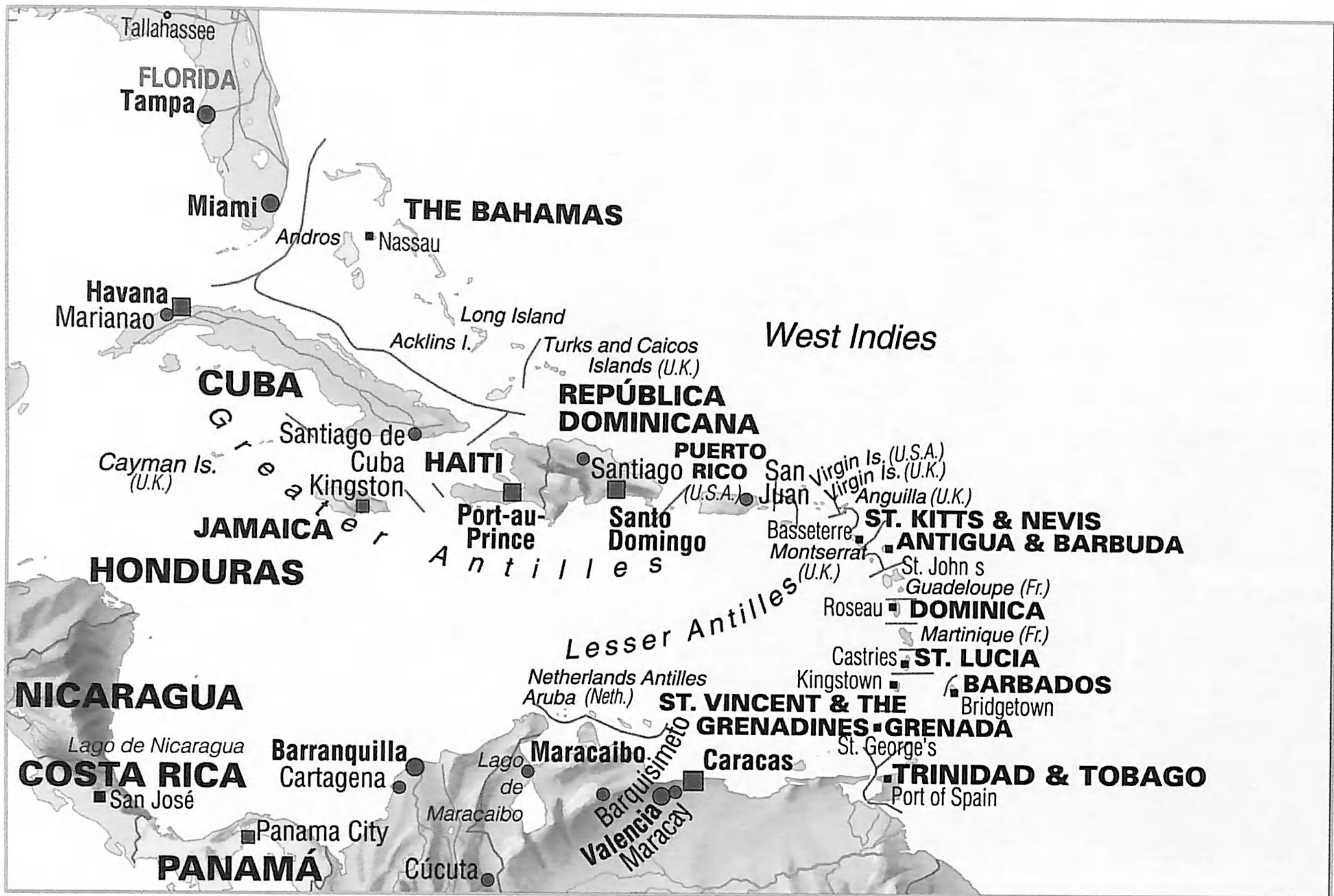
⁽¹⁾ On 7 December 2005 (Mercosur Decision 28/05), Mercosur’s member countries officially accepted Venezuela’s application for membership of Mercosur. Since then, as a candidate country, Venezuela has enjoyed “active observer” status (eligible to take part in and speak at all formal meetings, but without the right to vote). A negotiation process is under way for Venezuela’s full membership.

⁽²⁾ Guyana represents CARICOM in the Rio Group.

⁽³⁾ Suriname and Guyana are expected to become members and take part in the meetings of the South American Community of Nations.

⁽⁴⁾ CARICOM is an association of sovereign states, except for Montserrat, which is an overseas territory and is not participating in the Vienna Summit.





1.3. Development cooperation

The European Union is the **main donor** to Latin America and the Caribbean, providing aid in the form of grants.

Different agreements govern the structural dialogue and the implementation of the EU's development cooperation vis-à-vis Latin America and the Caribbean: Relations between the EU and Latin American countries come under the Asian and Latin American developing countries regulation, while the Caribbean countries form part of the ACP group (Africa, Caribbean and Pacific countries) and are therefore bound, with the exception of Cuba, by the Cotonou Agreement signed in 2000.

To rationalise and simplify the current legislative framework governing Community external action, the European Commission has proposed a new set of instruments under the Financial Perspectives for 2007 to 2013. In the future these instruments will provide the legal basis for Community expenditure on external cooperation programmes, including the thematic programmes.

1.3.1. Grants

From 2001 to 2005, an amount of just under EUR 500 million annually has been allocated to Latin America under the European Community budget, including both geographical and thematic budget lines.

Development aid granted by the European Commission to the African, Caribbean and Pacific countries (ACP) is governed by the Cotonou Agreement and its financial protocol, the European Development Fund (EDF). The fund is financed by contributions from the Member States outside the budget for the exclusive purpose of promoting development in the



Health project (Nicaragua).



Peru.

76 ACP countries, including the 15 ACP countries of the Caribbean. The EU Member States also contribute bilaterally and multilaterally and by means of the regional and international financial and cooperation institutions. The 9th EDF has a total budget of EUR 14.34 billion (including the unexpended balances of the previous EDFs) including EUR 2.037 billion under the Investment Facility. The Caribbean countries eligible for the EDF will receive more than EUR 1 billion for 2002-2007, not counting grants awarded from Commission budget lines.

The European Commission is active in many sectors in Latin America and the Caribbean: democracy and human rights, health, education, transport, food security and sustainable rural development, institutional capacity building and the rule of law. The Commission provides particular support to rehabilitation, infrastructure, reconstruction and trade- and integration-related technical assistance programmes.

The level of collaboration between the Commission and the major international institutions in the field of development cooperation (IDB, OAS, Caribbean Development Bank, the Bretton Woods institutions, UN agencies, etc.) is particularly high in Latin America and the Caribbean. As the EU's partners in European cooperation policy, these institutions contribute to measures such as financing projects of mutual interest, combating poverty and strengthening democracy.

1.3.2. Loans from the European Investment Bank (EIB)

— The EIB in Latin America

The EIB has been granting loans in Latin America from its own resources since 1993 under the multianual mandates for Asia and America (ALA) conferred



Veracel project, an EIB-funded pulp mill (Brazil).

on it by the Member States. Under the current mandate (ALA III), EUR 2.48 billion is available for the period from 1 February 2000 to 31 January 2007.

The Bank's funds are utilised to finance investment projects of mutual interest to the countries of the EU and Latin America in 16 Latin American countries with which the Bank has signed a framework agreement. The EIB supports viable public and private sector projects in infrastructure, industry, agro-industry, mining, energy and services. Special emphasis is given to the improvement or protection of the environment.

Since 2000, the EIB has financed projects in Latin America to the tune of EUR 1.3 billion, i.e. two thirds of the amount committed under the ALA III mandate, more than 90% of which went to the private sector. By the time it expires, all funding available under the mandate is expected to have been completely allocated, demonstrating that the demand for financing for projects of mutual interest, particularly in Latin America, far exceeds the mandate's financial envelope.

To meet this demand, the Commission, in agreement with the EIB, has proposed a substantial increase in the envelope for the Bank's next mandate in Latin America, covering the period 2007-2013.

— The EIB in the Caribbean

Between 1963 and the entry into force of the Cotonou Agreement in 2003, the EIB granted more

than EUR 9 billion in loans to ACP countries. It has provided and continues to provide financial support for most productive sectors (commercial agriculture, industry, agro-industry, mining, tourism, energy, revenue-generating infrastructure and related services) and notably the financial sector.

The Cotonou Agreement provides for an Investment Facility of EUR 3.737 billion under the 9th EDF, including EUR 2.037 billion in contributions from the EDF and EUR 1.7 billion from the EIB's own resources. The Investment Facility entered into force in 2003 and is intended to support the economic development of the ACP countries through investments in the private sector made at market rates and financing for commercially run public sector enterprises, in particular those responsible for vital economic infrastructure.

1.4. EU-LAC trade and investment

The EU is Latin America and the Caribbean's **second-largest trading partner**. It has gradually strengthened and consolidated its economic and trade links with the region, resulting in trade figures that more than doubled between 1990 and 2004.

Latin American and Caribbean trade with the EU has increased remarkably since 1980, particularly during the last decade. In 2004, EU imports from Latin America and the Caribbean totalled



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Market (Brazil).

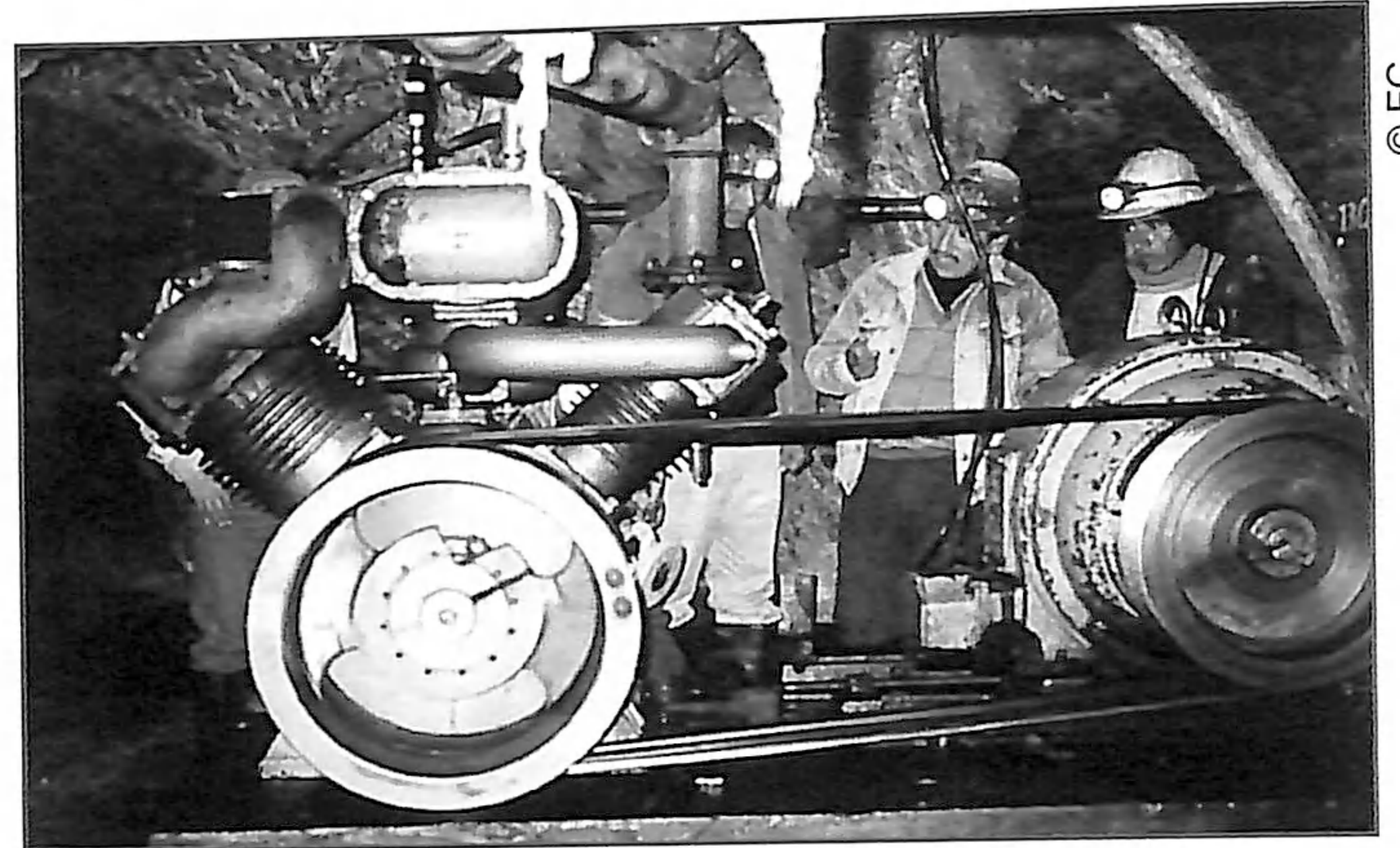
EUR 63.1 billion, and exports to the region amounted to EUR 55.4 billion.

Closer examination reveals that EU imports from Latin America and the Caribbean grew faster than EU exports to the region over the last five years. In 2004 LAC countries had a trade surplus with the EU of EUR 7.7 billion.

The main exports from these countries to the EU are agricultural products, transport equipment and energy. The EU has a trade deficit with the LAC countries in agricultural products and energy and a surplus

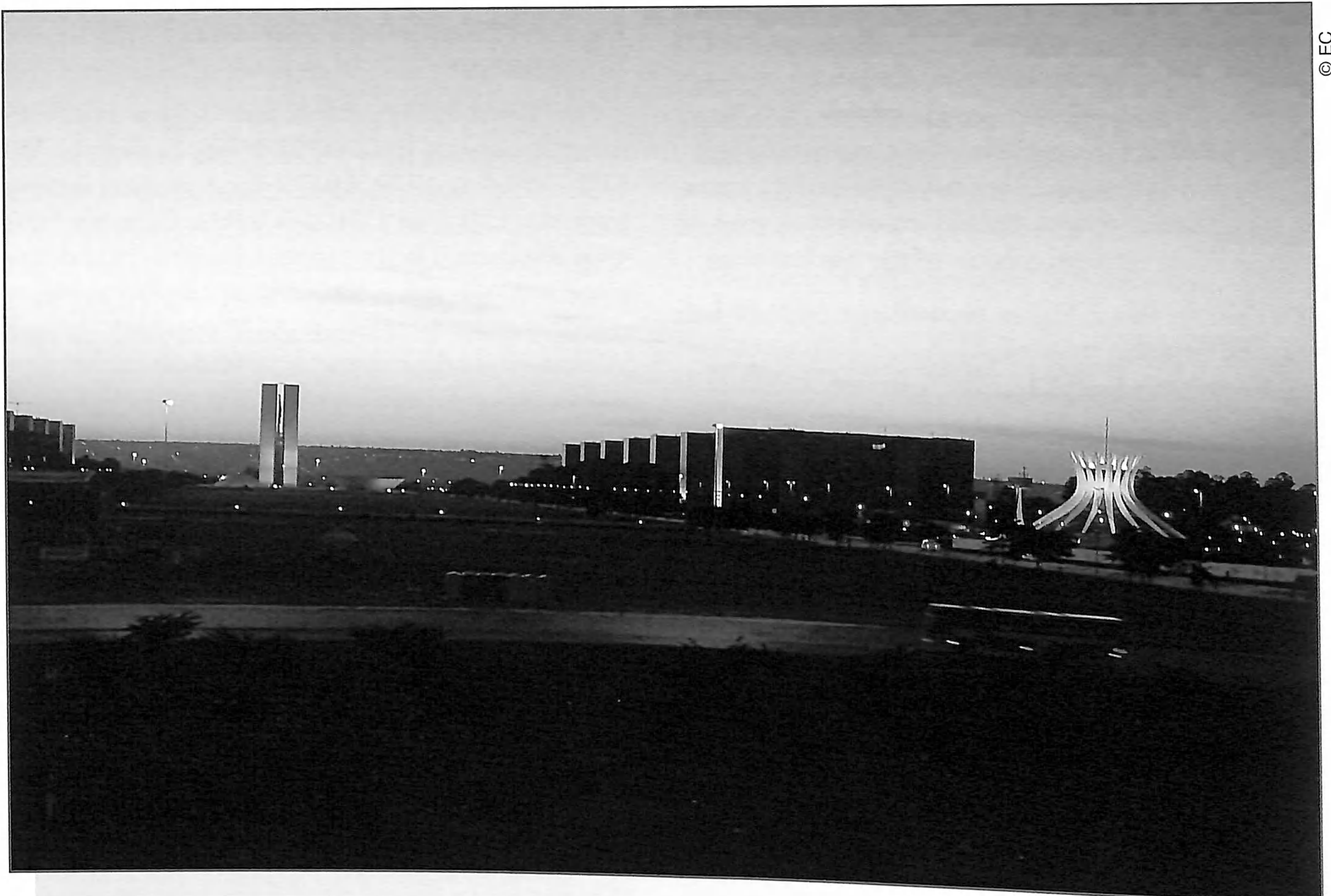
in other sectors. EU exports to the LAC countries are more varied, the main sectors being capital goods, transport equipment and chemical products.

The EU has traditionally been the **leading investor in the region**, but in 2004 investments in the region from the United States slightly exceeded those from Europe. European foreign direct investment inflows peaked in 2000 and have since been in decline, particularly in the Mercosur region. In 2004 total European investment in Latin America and the Caribbean countries accounted for more than EUR 124 billion.



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Mine at Potosi (Bolivia).

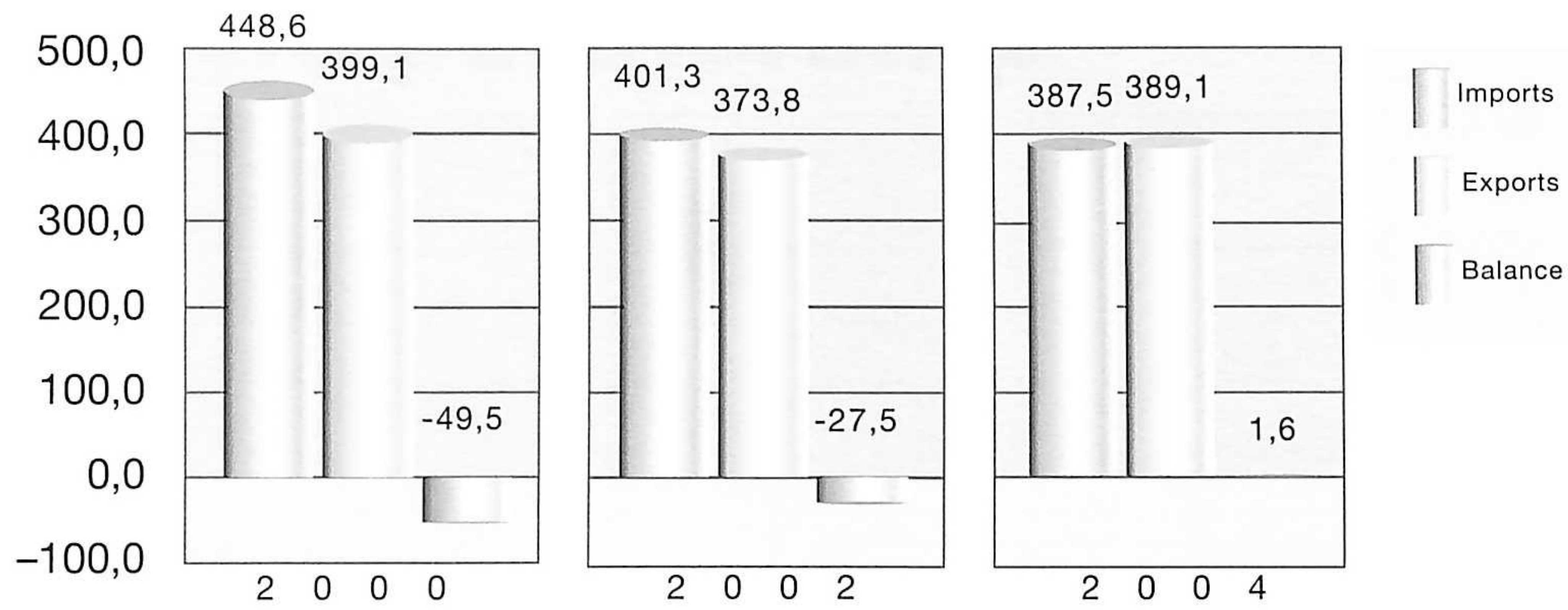


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The city of Brasilia (Brazil).

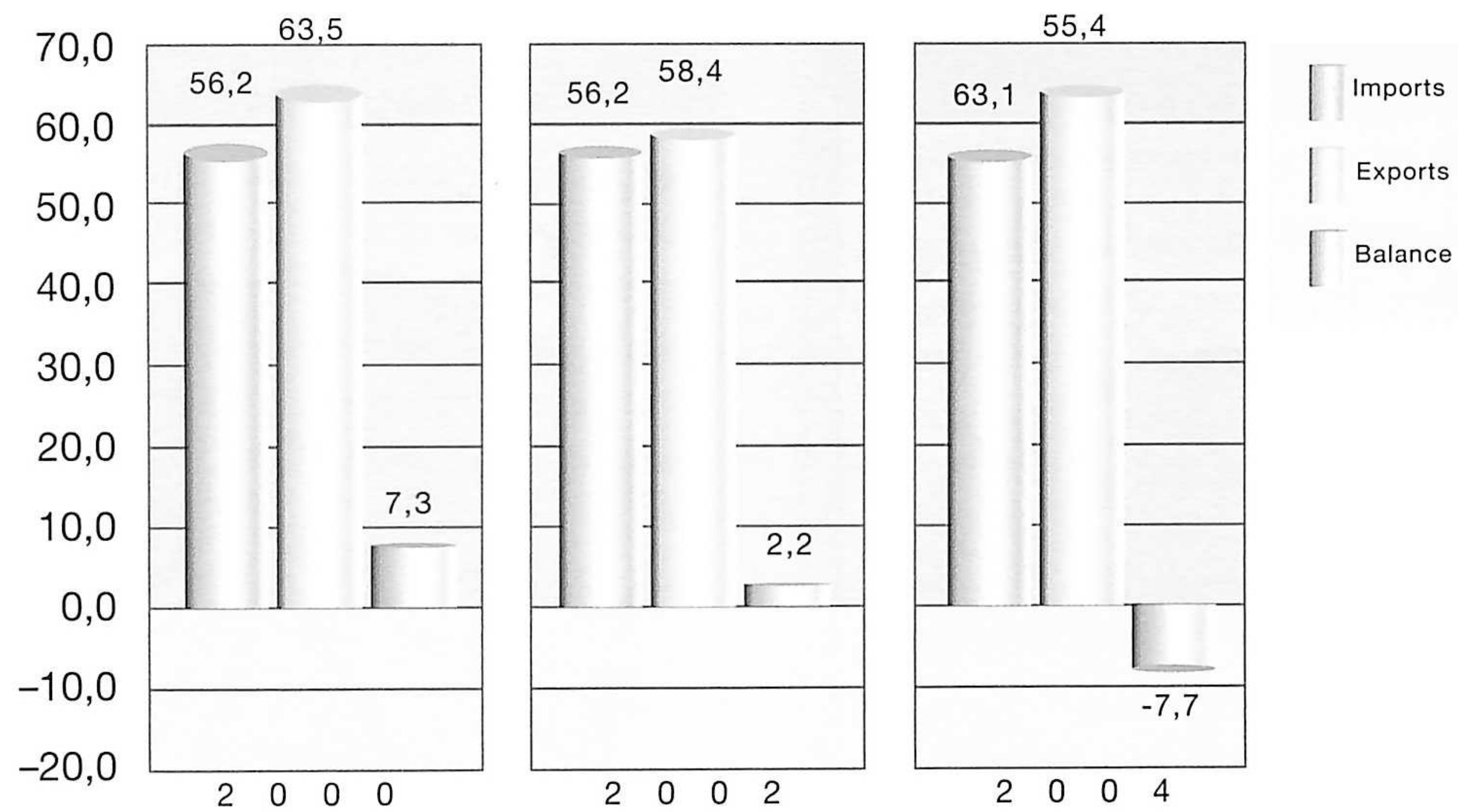
Latin American and Caribbean merchandise trade with the world

EUR billion
Source: IMF.



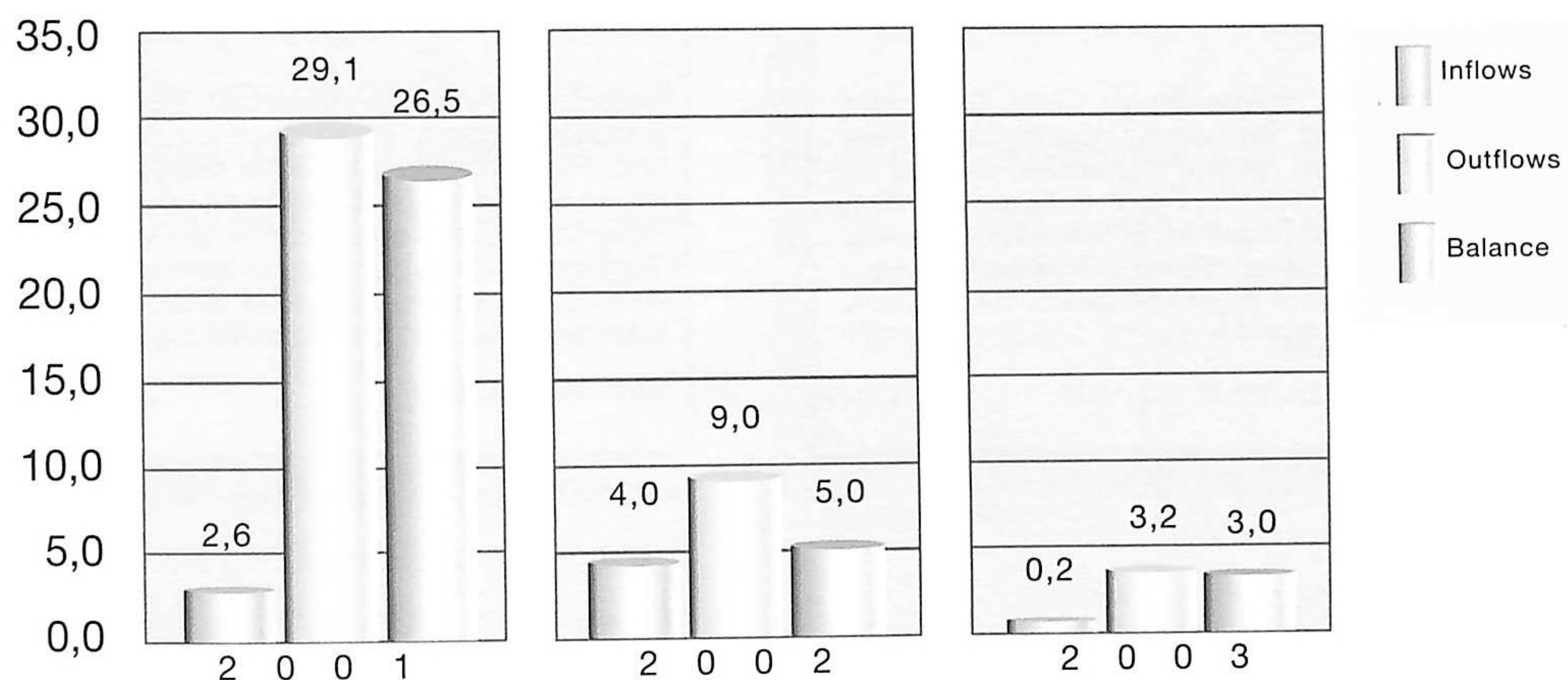
EU trade with Latin America and the Caribbean

EUR billion
Source: Eurostat.



EU foreign direct investment with Latin America and the Caribbean (flows)

EUR billion
Source: Eurostat.

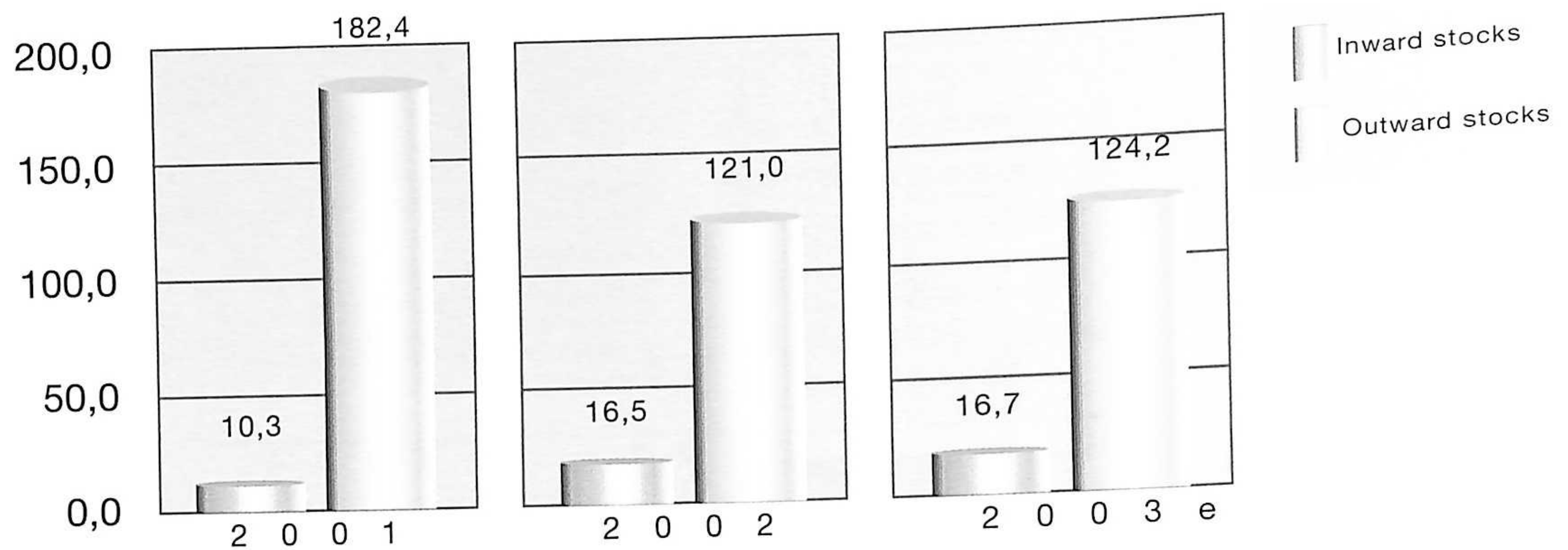


EU foreign direct investment with Latin America and the Caribbean (stocks)

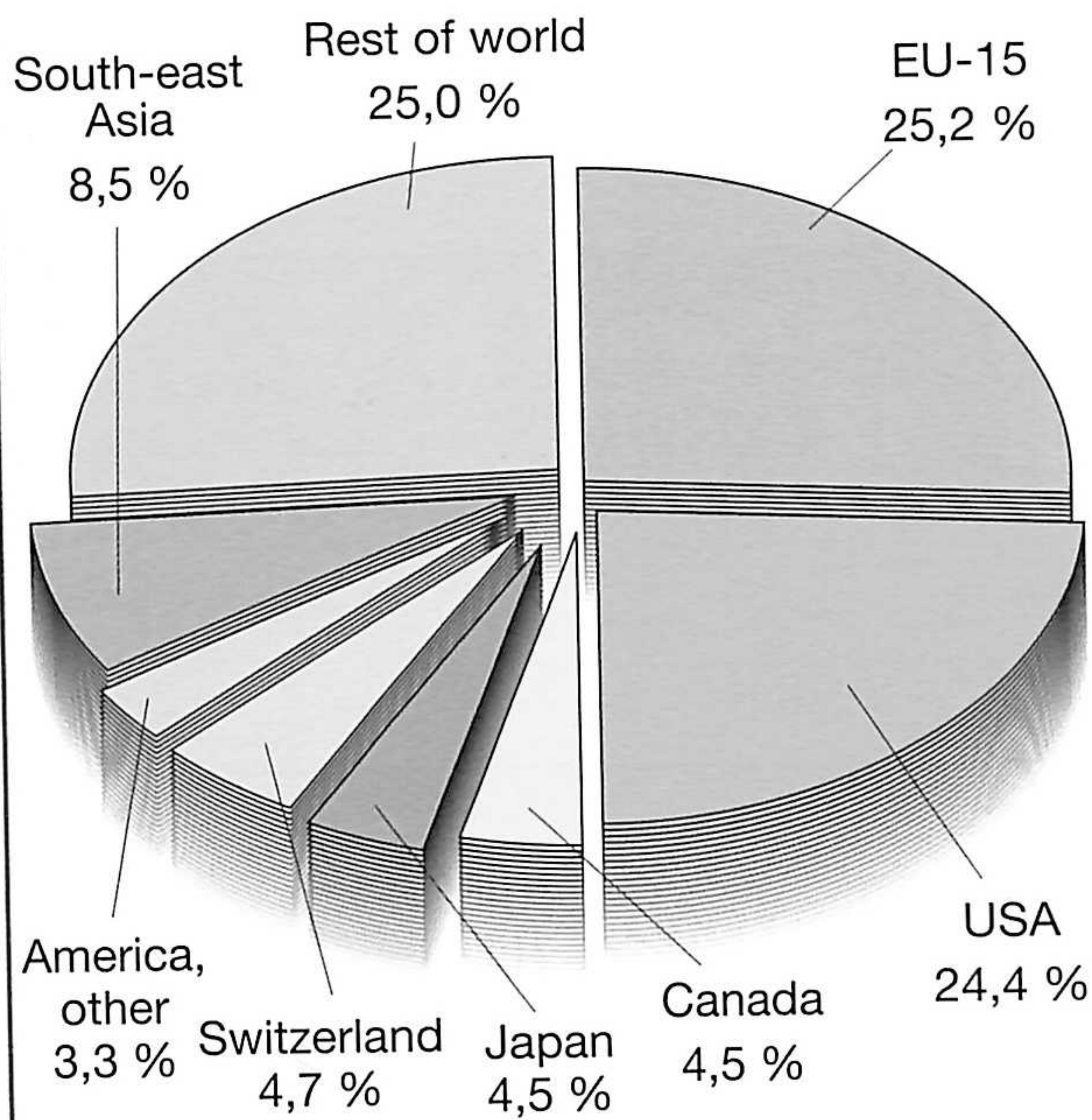
EUR billion

Source: Eurostat.

e: estimated FDI (2002 stock + 2003 flows)



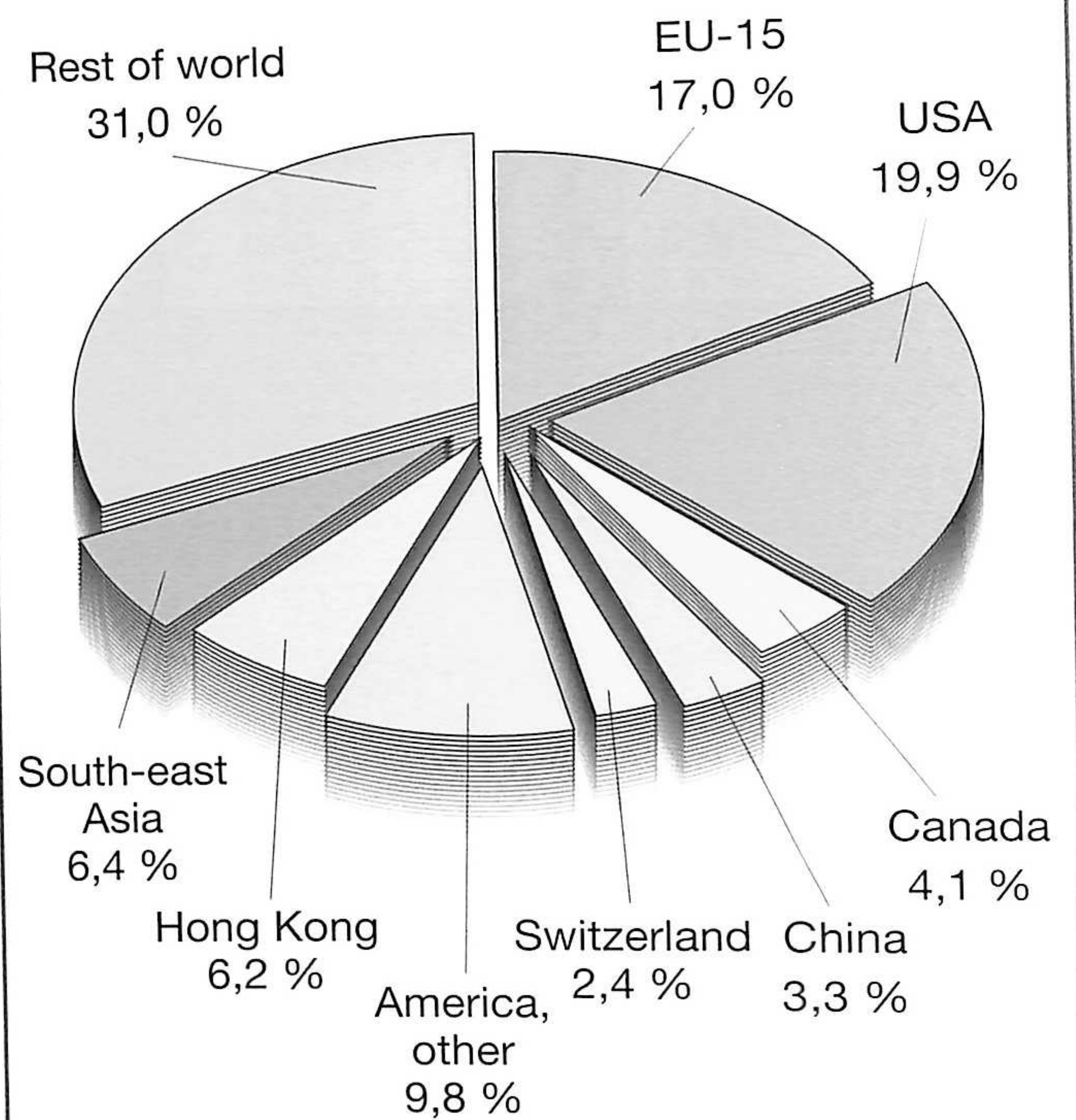
Latin America: foreign direct investment (outward stocks 2004)



Note: Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Mexico, Montserrat, Dutch Antilles, Nicaragua, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent, Trinidad and Tobago).

Source: UNCTAD.

Latin America: foreign direct investment (inward stocks 2004)



Note: Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Mexico, Montserrat, Dutch Antilles, Nicaragua, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent, Trinidad and Tobago).

Source: UNCTAD.

2. Strategic partnership

2.1. The Guadalajara Summit – May 2004

The first summit of Heads of State and Government of Latin America, the Caribbean and the European Union was held in **Rio de Janeiro in June 1999**. The objective was to strengthen political, economic and cultural ties between the two regions in order to develop a strategic partnership.

The **May 2002 Madrid Summit** enabled the “common values and positions” professed by both regions to be reasserted and gave new impetus to the partnership through the “Political Statement” adopted by the representatives of the countries in attendance. The Summit was also the opportunity to conclude negotiations on the association agreement between the European Union and Chile, which establishes a political dialogue, cooperation and a free trade area. The European Commission took advantage of the occasion to launch two new biregional programmes in the key sectors of education and the information society: the Alban programme (grants for Latin American students to study in Europe) and the @lis programme (use of information and communication technologies). These programmes are also open to the Caribbean countries.

The objective of the **May 2004 Guadalajara Summit** was to meet a major challenge: to continue increasing the wealth generated by the economy and to share the fruits of growth on a fairer basis, in the context of increasing economic liberalisation and market integration. In their statement, the Heads of State and Government emphasised three fundamental elements of their relationship:

- **Social cohesion:** They gave priority to social cohesion, considering it one of the key elements of the biregional strategic partnership, and committed themselves to working together to eradicate pover-



May 2004 EU-LAC Summit, Guadalajara (Mexico).

ty, inequality and social exclusion. They stressed that these phenomena constitute an attack on human dignity, weaken democracy and threaten peace and stability. At the summit, the European Commission announced the launch of the EUROsocial initiative, whose purpose is to encourage exchanges of experience, expertise and best practice between the two regions in the field of social policy, particularly the education and health sectors, which are fundamental for increasing social cohesion.

- **Multilateralism:** The representatives of both regions reaffirmed that an effective multilateral system, founded on international law, supported by strong international institutions and with the UN at its centre, is essential to achieve peace and international security, sustainable development and social progress.
- **Regional integration:** The Heads of State reaffirmed their support for projects promoting sustainable economic, social, cultural and human development at the regional level. They also emphasised the importance of the agreement planned between the EU and the subregions of Latin America and the Caribbean.

For further information on the Guadalajara Summit:
http://europa.eu.int/comm/world/lac-guadal/00_index.htm

2.2. From Guadalajara to Vienna: the achievements

2.2.1. Strengthening ties

— Continuation of the political dialogue

In Luxembourg in May 2005, the Foreign Ministers of the European Union met their counterparts from the Rio Group, a forum comprising all the countries of Latin America and representatives of the Caribbean. These meetings between the EU and the Rio Group are an essential element of two regions' political dialogue.

Discussions focused on regional integration processes in Latin America, social inequality and exclusion. The ministers discussed job creation as a means of combating poverty. They also discussed preparations for the September 2005 UN summit, one goal of which was to take stock of progress in the implementation of the Millennium Development Goals, established in 2000 to eradicate poverty in the world.

Parallel meetings were held between the EU troika and Mercosur, Central America, the Andean Community, Chile and Mexico.

Regarding the Caribbean, political dialogue continues under the ACP-European Union partnership agreement.

For further information
http://europa.eu.int/comm/external_relations/la/news/ip05_601.htm

— Launch of the joint evaluation of the integration processes of Central America and the Andean Community

In Guadalajara, the Heads of State and Government declared that concluding association agreements, including free trade agreements between the EU and Central America and the EU and the Andean Community, constituted “*a common strategic objective*”. They decided that the first step towards the conclusion of such agreements had to be a joint evaluation of the economic integration of both regions. Joint working groups were therefore created and have met on several occasions. They are expected to present the results of their efforts in 2006.

The Commission hopes that the Vienna Summit will provide an opportunity to review the progress



Paraguayan Foreign Minister Leila Rachid de Cowles and Benita Ferrero-Waldner, European Commissioner for External Relations and the European Neighbourhood Policy.



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XII^e Réunion ministérielle
UE-Groupe de Rio
29 - 31 mai 2005



XIIth EU-Rio Group Meeting in Luxembourg.

made towards regional integration within these two regions and to examine whether conditions have been met for rapidly opening negotiations on association and free trade agreements.

— Negotiations on an association and free trade agreement between the EU and Mercosur

Negotiations have continued on an association and free trade agreement between the EU and Mercosur. In September 2005, ministers from both regions met in Brussels. They acknowledged that substantial progress had been made, but that more had to be done to conclude the negotiations. They established a roadmap for the organisation of two technical meetings and agreed on a series of measures to deepen the strategic dimension of the EU-Mercosur partnership and to consult the private sector. During the Vienna Summit, the Commission hopes to take stock of current negotiations and reflect on the next steps.

— Negotiations on an Economic Partnership Agreement (EPA) between the EU and the Caribbean

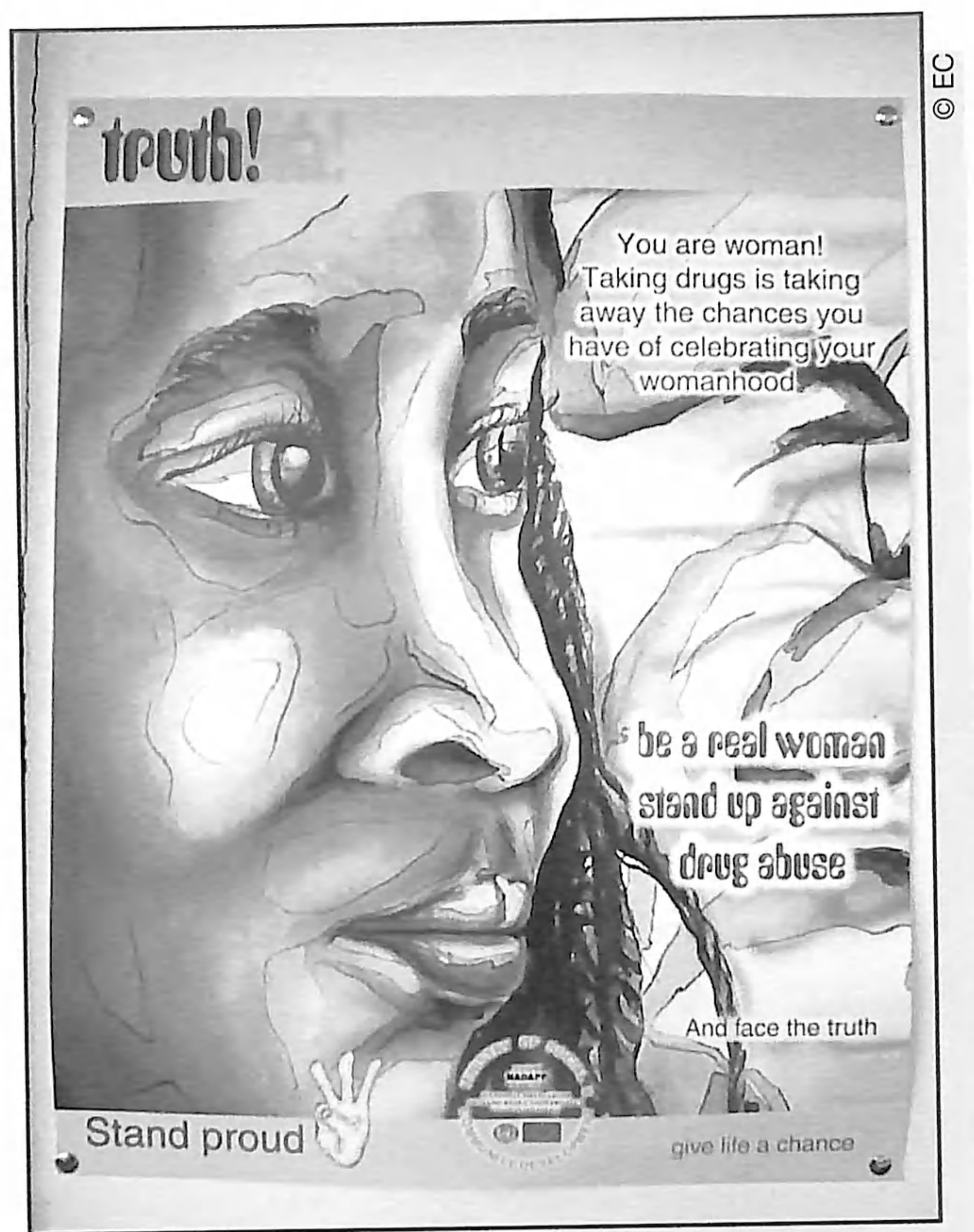
Under the terms of the Cotonou Agreement signed by the European Union and the ACP countries, the current trade regime will become a broader EPA. This

agreement is currently in negotiation and should enter into force on 1 January 2008. The agreement aims to promote regional integration and economic development in the Caribbean region, making full use of its potential.

Negotiations on an economic partnership agreement with the Caribbean region began in Kingston, Jamaica on 16 April 2004. The EPA will have to comply with WTO rules. Common priorities have been defined regarding regional integration, a timetable and negotiation topics. Negotiations are now under way on priority issues, the actual structure of the EPA and the approach to trade liberalisation.

— Adoption of a European strategy to combat illicit drugs

In Guadalajara, the Heads of State of the two regions reaffirmed their commitment to enhancing cooperation and combating the problems caused by the traffic and use of illicit drugs. In 2005, the EU adopted a strategy for tackling the consumption, production and trafficking of illicit drugs covering the years 2005–2012. It is framed around an integrated and balanced approach that focuses on reducing supply and demand. Cooperation under the strategy is based on the notion of shared responsibility: Europe



Drug project co-financed by the EU in the Caribbean.

has pledged not only to reduce demand on its territory but also to help Latin America combat trafficking in illegal drugs, e.g. by supporting alternative development programmes. Consumption of illicit drugs in Europe is on the rise, and the traffic from both Latin America and the Caribbean is showing a sharp increase. The EU therefore has a strong interest in strengthening enforcement authorities throughout the region, including the Caribbean.

For further information:
http://europa.eu.int:8082/comm/external_relations/drugs/docs/strategy_05_12.pdf

— Analysis of migration between Europe and Latin America and the Caribbean

Faced with economic exclusion, many Latin American and Caribbean nationals seek work abroad. Migratory flows to Europe have grown rapidly, and migration has become a major economic, social and political challenge for the countries of origin.

In a September 2005 communication, the Commission made a series of proposals designed to take greater advantage of the potential that migration and migrants offer in countries' development policies.

For further information:
 "Migration and Development: Some concrete orientations", COM(2005) 390 final, 1 September 2005.

2.2.2. Enhancing cooperation and development aid

A. Implementation of cooperation

The European Commission's aid and development cooperation policy for Latin America operates at various levels: country level (bilateral cooperation and budgetary support), subregional level (subregional cooperation) and the level of the region as a whole (biregional cooperation). The Commission also acts via 'thematic' budget lines. Lastly, it is getting involved more and more directly with the governments of the region by means of 'budgetary support': supplementing national budgetary resources with international funds to help the receiving country achieve certain objectives.

Bilateral cooperation

The Commission draws up "Country Strategy Papers" (CSPs) in which it establishes priority areas for cooperation with each country. It then signs financing agreements with the governments in question. The following sectors are identified as priorities: the fight against poverty and social inequalities; consolidation of the rule of law and promotion of peace; economic cooperation and the development of trade.

Subregional cooperation

Subregional cooperation enables the Commission to support the regional integration processes: the Central American Integration System (SICA), the Andean Community of Nations (CAN) and the Southern Common Market (MERCOSUR).

Biregional cooperation

Biregional cooperation programmes aim to develop closer links between civil society, in the broad sense of the term, in Latin America and Europe. They deal with the fundamental topics of social cohesion and regional integration.

- Regarding **university education**, the **Alban** programme provides grants to 1 583 students from Latin America to obtain masters and doctoral degrees at various European universities. In addition, the **Alfa** programme seeks to promote cooperation between higher education establishments in both regions.

For further information:
http://europa.eu.int/comm/europeaid/projects/alban/index_fr.htm
http://europa.eu.int/comm/europeaid/projects/alfa/index_fr.htm

- Regarding **economic cooperation**, the **Al-Invest** programme underpins the globalisation of enterprises in both regions by encouraging European SMEs to (1) invest in technological modernisation and management of interested Latin American enterprises, (2) promote the transfer of technology and technical expertise and (3) maintain sustainable cooperation of mutual interest between enterprises in both regions. To this end, sectoral meetings are organised between enterprises in the same sector on either side of the Atlantic. With EUR 75 million allocated since 1994, Al-Invest has generated more than EUR 500 million in turnover, a return on investment of 6.67%.

For further information:

http://europa.eu.int/comm/europeaid/projects/al-invest/index_fr.htm

- Regarding **urban development**, the **URBAL** programme seeks to establish direct, solid links between European and Latin American cities by disseminating, acquiring and applying “best practices” in urban policy. The programme has brought together more than 500 local authorities on projects concerning the environment, citizen participation, social policy, the fight against poverty, security and democracy.

For further information:

http://europa.eu.int/comm/europeaid/projects/urbal/index_fr.htm

- Lastly, in order to respond effectively to the commitments entered into at the Guadalajara Summit, the European Commission created the **EUROsocial** programme. The programme aims to help increase the cohesion of Latin American societies through public policy in education, health, justice, taxation and employment.

Thematic lines

The European Commission supports cooperation projects in Latin America along thematic lines applicable to the whole world. These lines cover the following topics: democracy and human rights, food security, environment and forests, anti-personnel mines, health and gender.

For further information:

http://europa.eu.int/comm/europeaid/projects/index_en.htm

Budgetary Support

Budgetary support is an innovative method of cooperation consisting of supplementing national budgetary resources with international funds. Applied to specific sectors and policies agreed on with donors,



Construction project in the Caribbean.

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this support enables beneficiaries to achieve a number of objectives over time. Budgetary support requires sound planned management of public finance and a suitable tripartite framework of cooperation between state, donor(s) and civil society. This enables the joint definition of a sectoral strategy under the aegis of the beneficiary state and the regular monitoring and quantified evaluation of its results, allowing the funds to be disbursed by the donor in accordance with progress achieved.

Several programmes in this context have been approved in Latin America: in Nicaragua (education and rural development), Bolivia (water and sanitation), Honduras (decentralisation) and El Salvador.

The Sectoral Support Programme for Water Supply and Sanitation (*Programme d'Appui Sectoriel de Fourniture d'Eau et de Service d'Assainissement – PASAAS*) was approved in 2004. It provides technical and financial assistance of EUR 51.5 million from 2004 to 2007 to support Bolivia's water and sanitation sectors. The main beneficiaries of this programme are the inhabitants of small communities of less than 10 000 people, who will propose and monitor activities and works as part of a national programme.

B. Cooperation programming for 2007-2013

Latin America

The European Commission is finalising the programming exercise for its cooperation and development aid policy for Latin America for 2007-2013. The fight against poverty is at the centre of its concerns.

For low-income and lower middle-income countries, the funding will primarily be used to support the implementation of reforms aimed at achieving the MDG. In particular, they will be used to promote social cohesion (the fight against social inequalities), which is an essential condition of poverty reduction.

Given the role that middle-income countries play in political, security, stability and trade matters, the Commission will continue to support them via economic and development cooperation.

It wishes to continue its cooperation in the field of subregional integration with Mercosur, the Andean Community and Central America.

Lastly, it should focus its programming for the whole of Latin America on areas of strategic re-



© EC, R. Canessa

Children in Bolivia.

gional interest that can have an impact on regional issues: social cohesion to reduce poverty, inequality and exclusion; cooperation in the fight against drugs; regional integration and economic cooperation, higher education.



© EC, S. Herrero Villa

Lima (Peru).

Caribbean

In 2006 the Commission is beginning its post-9th EDF programming period (2007-2013) for the Caribbean region. The primary objective is to contribute to an increase in wealth generated, the sustainable development of the Caribbean region and the reduction of inequalities. To that end, the Commission intends to undertake targeted actions to increase the competitiveness of enterprises in the region, develop complementarities and synergies between countries and increase capacities and institutions at national and regional level.

Beyond the commercial aspects, the Commission intends to make the Caribbean Economic Partnership Agreement a genuine instrument to stimulate the development of the region. For that reason the

Commission wishes to define, in cooperation with the region, priorities for assistance. The goal is to initiate reforms that encourage the development of enterprises operating in the region and reduce their transaction costs.

Lastly, the Caribbean region has certain vulnerabilities requiring particular attention: drug trafficking, crime and violence, natural disasters and the brain drain. The Commission hopes that its development aid policy will contribute to the resolution of these problems.

2.3. Challenges and objectives of the May 2006 Vienna Summit

EU-LAC Summits are key events. They play a vital role in relations between the two regions and are a unique opportunity to move forward on issues of common interest.

In its communication of 8 December 2005⁵, the European Commission made recommendations for revitalising the partnership between the EU and Latin America. The communication states that while Europe is ready to commit itself further to this region, it also expects a firm commitment in return. The Vienna Summit could therefore constitute a decisive test for this relationship. Vienna should provide an opportunity for revitalisation, by emphasising that what unites the partners is a strong interest in the alliance, which should fully be exploited in the interest of both regions.

2.3.1. Discussion topics

The consolidation of the strategic partnership between the EU and the Latin American and Caribbean countries made it possible during recent years to establish a dialogue between the two regions covering all subjects of common interest. During the Vienna Summit, the Heads of State and Government will have the opportunity to examine twelve subjects which reflect their mutual concerns and which have a particular importance internationally. These subjects should make it possible to meet the aim expressed in the title of the Summit “*Consolidating the strategic partnership between the two regions*”:

- Democracy and human rights

- Strengthening the multilateral approach to promote peace, stability and respect for international law
- Terrorism
- Drugs and organised crime
- Environment (including disaster prevention, mitigation and preparation)
- Energy
- Association agreements; regional integration, trade; connectivity (investment, infrastructure, information society)
- Growth and employment
- Fight against poverty, inequality and exclusion
- Development cooperation and international financing of development
- Migration issues
- Sharing of human knowledge and capacities: higher education, research, science and technology, culture.

These subjects coincide with the three main pillars of the Summit, which should namely be the promotion of security, prosperity and social cohesion. They will be discussed in a frank, in-depth dialogue on current problems in these areas and their future implications for the biregional framework, followed by an examination of what practical measures can be taken at the operational level.

2.3.2. Participation of all actors in the bi-regional partnership: events in the margins of the Vienna Summit

For the Summit to achieve its full potential, the significant wealth and cultural, human and geographical diversity of both regions must be exploited. To this end, opportunities will be created for a range of actors to express themselves and be heard. The Summit is in fact much more than a gathering of Heads of State and Government: the many side events will make the Summit a *process* in which non-state actors can be active participants, called on to make a significant contribution to the discussions.

⁵) For further information: “A stronger partnership between the European Union and Latin America” COM (2005)636 final, 8 December 2005. http://europa.eu.int/comm/external_relations/la/news/ip05_1555.htm

These events will also enable civil society (NGOs, trade unions, businesses, experts, etc.) to take their place at the Summit and contribute to its work. The events will include thematic meetings on social cohesion, water, energy and research, immigration, drugs, poverty, democracy and development, the information society, etc.

Other ministerial-level meetings will permit a dialogue between the EU and the various regional entities (Central America, Caricom, Mercosur, Andean Community) and countries with which the EU has a framework of institutionalised dialogue and cooperation (Mexico, Chile).

Events cofinanced or co-organised by the European Commission to coincide with the Vienna Summit			
Preparatory meetings, conferences and activities	Venue	Date	Organiser
EU-LAC Senior Officials' Meeting (SOM) on Science and Technology	Salzburg (Austria)	1-3 February 2006	Austrian Ministry of Education, Science and Culture.
EU-LAC Expert Seminar on Migration	Cartagena (Colombia)	1-2 March 2006	European Commission
EU-LAC Cooperation and Coordination Mechanism on Drugs	Vienna (Austria)	6-7 March 2006	Austrian Ministry for Foreign Affairs
EU-LAC High Level Conference "Promoting social cohesion: the EU and Latin America and Caribbean experiences"	Brussels (Belgium)	27-28 March 2006	European Commission
3rd Biregional NGO Forum	Vienna (Austria)	30 March-1 April 2006	Asociación Latino Americana de Organizaciones de Promoción (ALOP)
4th Meeting of Civil Society Organisations from Europe, Latin America and Caribbean.	Vienna (Austria)	5-7 April 2006	European Economic and Social Committee
EU-LAC Experts' Seminar on Energy	Brussels (Belgium)	20-21 April 2006	European Commission
Inter-Parliamentary Meeting between the European Parliament and the Parlamento Latinoamericano	Bregenz (Austria)	24-25 April 2006	European Parliament, Parlamento Latinoamericano
4th EU-LAC Ministerial Information Society Forum	Lisbon (Portugal)	28-29 April 2006	European Commission, Portuguese Ministry for Science and Technology
EU-LAC Business Forum	Vienna (Austria)	12 May 2006	Austrian Ministry for Economics, Austrian Federal Economic Chamber.

3. Thematic challenges



© Marc Litvine - EC

Children (Ecuador).

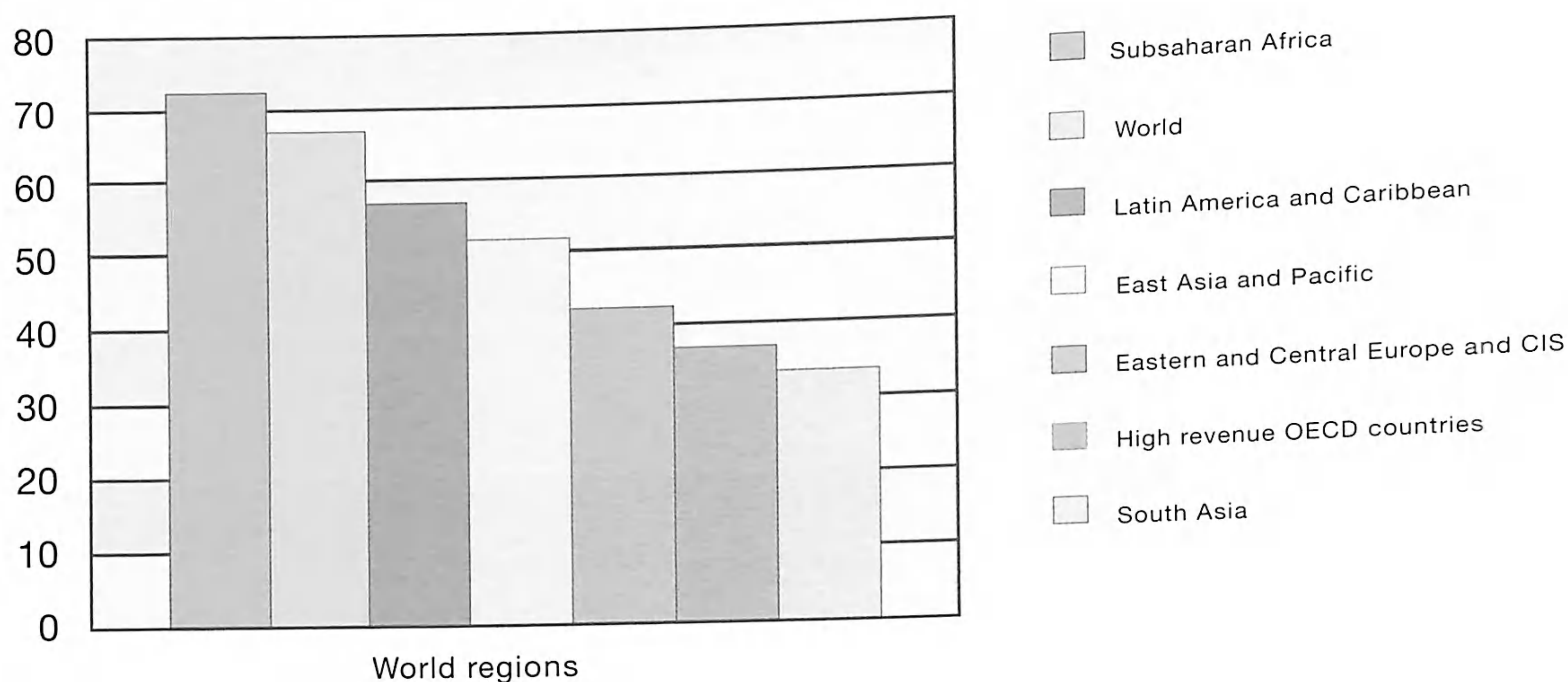
3.1. Social cohesion

The challenge of social inequalities

According to ECLAC (United Nations Economic Commission for Latin America) figures, 227 million people in Latin America and the Caribbean were living in poverty in 2003, i.e. 44.4% of the population. This high proportion is indicative of the profound inequalities between rich and poor. Although the LAC region generates a relatively high level of income compared to other regions of the world, it is currently acknowledged to be one of the least egalitarian.

Indigenous peoples, those of African origin and women and children in particular suffer from marginalisation and deprivation. These inequalities undermine democracy, fragment societies and jeopardise growth and economic development. They can also lead to social unrest and political instability and foster the growth of crime and insecurity. Democratic governance and social cohesion are closely connected: poverty, limited access to education and healthcare and a lack of prospects restrict the exercise of civic and political rights. This undermines confidence in institutions and prevents full participation in the

Gini coefficient 2005, income distribution (GDP per capita, PPP USD)



Source: UNDP 2005 Human Development Report

* The Gini coefficient measures inequality in income distribution. High coefficient = high level of inequality.

democratic process. Combating inequality therefore represents a major challenge.

Build more-cohesive societies

At the Guadalajara Summit, the Heads of State and Government of the EU, Latin America and the Caribbean declared: *“We stress that poverty, exclusion and inequality are an affront to human dignity (...). We reiterate our commitment to attain the Millennium Development Goals by 2015 and underline our determination to build fairer societies by strengthening social cohesion, especially bearing in mind the principle of global common responsibility”*.

Social cohesion has become a shared goal and priority area of relations between the two regions. In the context of globalisation, the promotion of social cohesion is intended to build societies that are more cohesive by giving everyone a real chance to accede to fundamental rights and employment, to enjoy the benefits of economic growth and social progress and to play a full role in society. Promoting social cohesion is fundamental to the fight against poverty and inequality. It is also inextricably linked to the consolidation of democracy. The challenge is to combine economic growth with employment, fairness and solidarity. That objective demands integrated strategies tailored to the specific circumstances of each country.

The State and its responsibilities

In the European Union, as in Latin America and the Caribbean, the role of the State is essential to ensure a satisfactory level of social cohesion. In particular,

the State can devote particular attention to (1) social and tax policies, (2) productive investment for more and better jobs, (3) policies to combat discrimination and (4) improvements in basic social services. The search for greater cohesion thus requires a continuation of democratisation efforts through participative governance.

Promoting social cohesion and reducing poverty have become priorities in the national development programmes of many Latin American countries. In recent years, the substantial rise in social spending has brought about significant improvements in the social sectors, notably education and health, but considerable efforts are still required to improve public services and tax policy, for example.

The European experience

The European Union is also finding it increasingly difficult to maintain its social cohesion levels. The EU Heads of State and Government defined a global strategy to combat social exclusion and poverty at the European Council in Lisbon in March.

Internet site: http://www.europa.eu.int/comm/employment_social/soc-prot/soc-incl/ex_prog_en.htm

The European Union's regional policy, in existence since the 1970s, is also intended to ensure greater economic and social cohesion between its Member States' regions.

Internet site: http://europa.eu.int/comm/regional_policy/index_fr.htm

In Latin America, major initiatives have recently been undertaken to alleviate poverty alleviation and create jobs. The European Commission has made a firm commitment to support them and is willing to share its experience and cooperate on a constructive basis.

The European Commission approach

The Commission has made a commitment to:

- make social cohesion the priority issue in its aid and development cooperation policy in Latin America (2007-2013 programming period);
- encourage greater coordination with international organisations;
- set up a biregional dialogue on ways of combining economic growth, employment and solidarity;
- foster the creation of partnerships between public authorities, social partners, civil society and the private sector.

For example, in May 2004 the European Commission created the EUROsociAL programme to help Latin American countries implement social policies in health, education, justice, employment and taxation.

During a May 2005 meeting in Washington, representatives of the European Commission, International Monetary Fund, World Bank and Inter-American Development Bank underlined the importance of increasing social cohesion in Latin America and in the Caribbean.

In March 2006, the Commission held a high-level conference in Brussels on social cohesion, during which participants were able to share their experience in the field. The European Commission is determined that social cohesion feature highly on the agenda of the Vienna Summit.

Internet site: http://europa.eu.int/comm/external_relations/la/sc/sc_en/index_en.htm

Increasingly coordinated action

The biggest lender (the IDB) and the biggest donor (the European Commission) in Latin America are working in tandem to develop a partnership and specific actions to improve social cohesion. The Memorandum of Understanding signed by the two institutions in May 2002 acknowledges that social equity and poverty reduction are the key themes for coordinated intervention.

3.2. Respect for human rights, democracy and the rule of law: shared values

Approached by the Contadora Group, the European Community decided in 1984 to support a peace and development initiative in Central America based on the definition of a political and economic platform negotiated by and with the countries in this subregion. This marked the beginning of the San José dialogue, which paved the way for a specific identity for European cooperation in the region: “democracy, peace and development” combined with the guarantee of long-term partnership.

Since then, the protection of democracy and human rights has remained an essential component in cooperation between the European Union and the countries of Latin America and the Caribbean. The Lomé Conventions, designed from the outset as agreements on political, economic and social partnership between the EC and the ACP countries, have given political aspects (respect for democracy, human rights and the rule of law) an increasingly pre-eminent role since the 1990s.



EU election observers in Venezuela.

Respect for democracy, human rights and the rule of law is now an essential element of every new partnership agreement concluded between the European Union and third countries. For Latin America and the Caribbean in particular, such respect reflects a shared, unyielding commitment to the principles of the Universal Declaration of Human Rights and democratic values. The primary objective is to achieve progress in these areas through dialogue and cooperation. In short, Europe and Latin America and the Caribbean have always deemed the protection of human rights and democracy and support for the multilateral system a major priority for their strategic partnership, as the Guadalajara Summit confirmed.

The European Union cooperates with Latin American and Caribbean countries to safeguard human rights, democracy and the rule of law by financing cooperation programmes run by governments, regional organisations (like the Inter-American Human Rights Commission), NGOs, universities and other civil society organisations. The EU also supports efforts by the LAC countries to ensure the stabilisation of democracy by financing election observer missions.

Internet site: http://europa.eu.int/comm/europeaid/projects/ei-dhr/index_en.htm

3.3. Promoting multilateralism

The EU-LAC partnership reflects the will of both parties to **promote an international system based on the principles of multilateralism**, governed by consensual, universally applied rules and multilateral surveillance mechanisms.

One key aspect of the partnership between the EU and Latin America is the desire to coordinate positions on issues of common interest, particularly at the UN, that are and will remain essential to achieve peace and international security, sustainable development and social progress. An effective, high-quality

dialogue is essential if the two regions are to defend and promote the values they share.

One of the priorities in the EU-LAC partnership is to develop mechanism for consultations between the two regions within international institutions and multilateral bodies. Both regions are convinced that multilateralism is the only valid approach to international relations today, an imperative necessity reaffirmed at the Guadalajara Summit. The European Union, Latin America and the Caribbean have adopted converging positions on a number of matters of international interest, such as the Kyoto Protocol, the International Criminal Court, combating the death penalty, etc. Such convergence has been possible mainly because certain values are shared.

The EU is determined to strengthen multilateralism by working as closely as possible with the international organisations responsible in matters for cooperation with the countries of Latin America and the Caribbean:

- with the **United Nations**: it must be remembered that the EU budget allocates some EUR 300 million per year to United Nations agencies. When Member States' contributions



European Commission President José Manuel Barroso visits UN Secretary General Kofi Annan, May 2005.

are added, the EU becomes the main donor to United Nations operations. Of the UN agencies, the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Development Programme (UNDP) and the International Labour Office (ILO) are of particular importance to the EU-LAC partnership given their expertise in economic, social and environmental issues.

— The Memorandum of Understanding signed on 16 May 2002 by the European Commission and the **Inter-American Development Bank**, a stable partner and the principal organisation providing loans and technical assistance grants to the region, has permitted the development of joint initiatives on social cohesion, consultations with civil society, natural disasters, support for regional economic integration, etc.

— with the **World Bank**, in particular as regards the coordination of poverty-reduction strategies in the poorest countries (in Latin America: Nicaragua, Honduras and Bolivia).

— with the **International Monetary Fund**, for instance through the programme for highly indebted poor countries (HIPC).

Mechanisms for dialogue also exist with other important economic and political actors, such as the Organisation of American States.

3.4. Regional integration

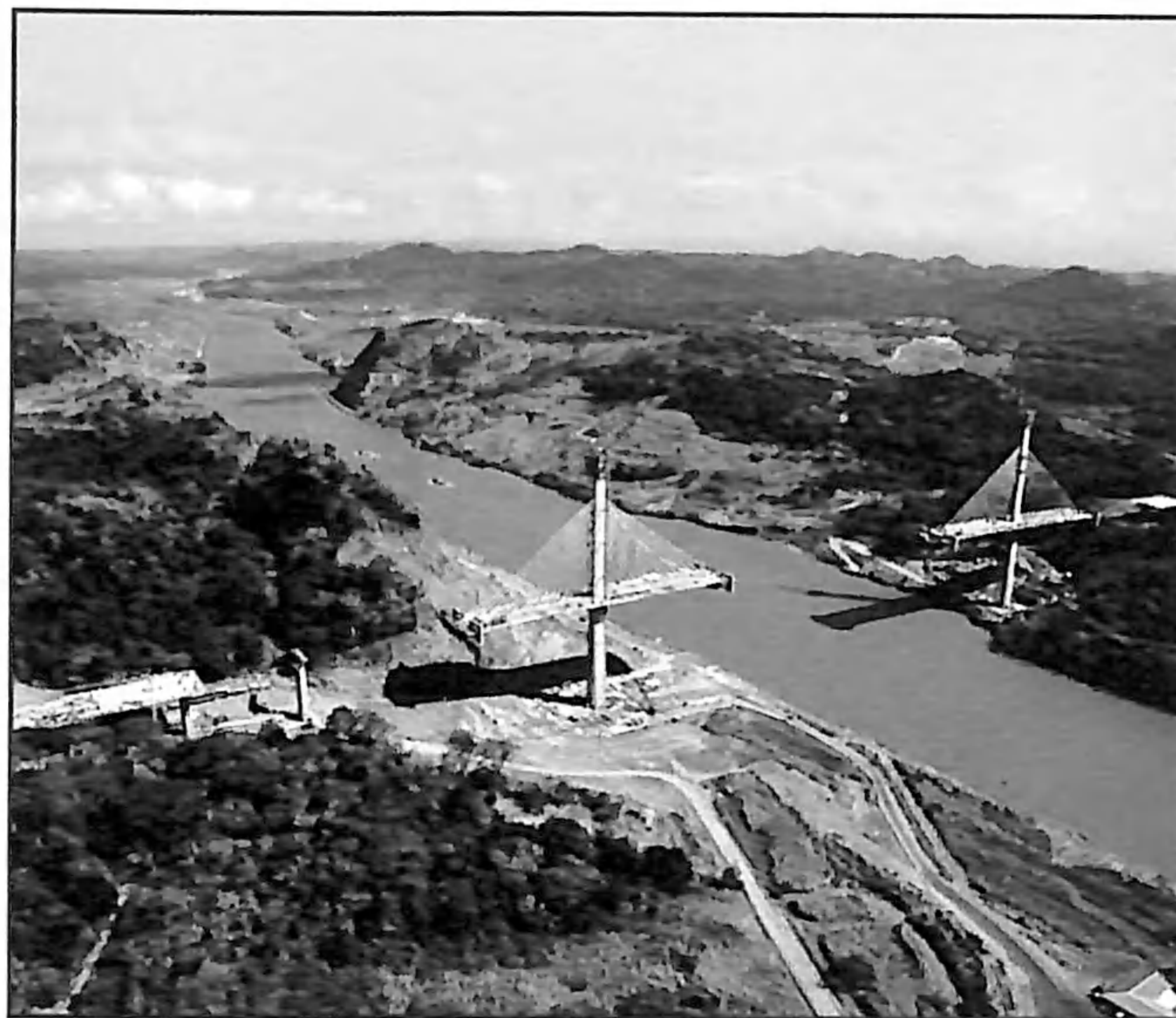
The European Union encourages the countries of the world to forge strong ties with their neighbours and to organise themselves in regional organisations with institutions. Europe has unfailingly supported the regional integration process in Latin America and the Caribbean. It welcomed the creation in December 2004 of the South American Community of Nations.

Because of its history and its own integration process, the EU has real added value to contribute. It wishes to help its partners to benefit from the substantial benefits of regional integration: facilitating economic growth and investment; providing a solid base for political stability and conflict prevention; strengthening their influence on the international scene.

Latin American countries have already decisively embarked on the path to regional integration. Mercosur (“Southern Common Market”), SICA (“Central American Integration System”) and CAN (“Andean

Community of Nations”) are the three main regional integration processes in Latin America.

The EU supports the efforts made by the CARICOM and CARIFORUM Member States in the Caribbean region by means of several regional integration initiatives:



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EIB-supported project to build a second canal bridge over the Panama Canal.

- The “**Regional integration and development strategy of CARIFORUM**” (RIDS), adopted in April 2002, has the goal of preparing the CARIFORUM economies for their integration into the world economy.
- EU support is also focused on the major efforts by Member States and regional institutions to stimulate economic integration, notably through the creation of the **CARICOM single market and economy (CSME)**.
- The Community also supports the regional integration process through the **Economic Partnership Agreement (EPA)** that is currently being negotiated.
- In terms of **institutional strengthening**, the EU supports the region in its strategy to integrate into the world economy bilaterally, multilaterally and regionally. It underpins the Caribbean region in particular in its involvement in negotiations at the WTO and the negotiations on the EPA.

Support for stepping up regional integration is the main focal sector in the 9th EDF Caribbean Regional Indicative Programme. It will therefore be granted between 75% and 90% of the initial regional budget of EUR 57 million.

The development of transnational infrastructure networks is a major factor in stronger links between the countries. This is particularly true for the Latin American and Caribbean countries, whose complex geography hampers its territorial integration. This is why the Commission seeks to encourage financial institutions from Latin America and Europe (European

Investment Bank) to support territorial integration by means of interconnective network infrastructure, for example in the energy, water, transport, telecommunications and research sectors. The Commission could usefully share its experience in this area and encourage the Latin American countries to coordinate their infrastructure planning.



4. Bilateral and subregional relations

4.1. The EU and Mercosur



Mercosur is a dynamic regional integration process conducted by **Argentina, Brazil, Paraguay** and **Uruguay**. Mercosur is the 4th largest economic group in the world, with a population of 221 million (2002) and a total GDP of EUR 777 billion (2004). The European Union maintains strong historical, political and economic ties with the countries of this region. Since Mercosur was launched in 1991, the EU has been supporting the regional integration process, and it continues to do so today with the goal of establishing a close and deep-rooted partnership.

Paving the way for an EU-Mercosur association agreement

A regular EU-Mercosur political dialogue takes place at the levels of Heads of State, ministers and senior officials. In 1995 these two regions signed an Interregional Framework Cooperation Agreement in order to “strengthen existing relations between the Parties and to prepare the conditions enabling an interregional association to be created”. At the Rio Summit in 1999, EU-Mercosur authorities decided to launch association negotiations covering:

- the liberalisation of all trade in goods and services;
- an enhanced form of cooperation; and
- a strengthened political dialogue.

This is the first time that two trade blocs have ever negotiated an association agreement. The negotia-



Mercosur headquarters (Montevideo).

tions are aimed at creating a free trade area between both regions by liberalising trade in goods and services in line with WTO rules. Once the negotiations are completed, **the resulting association agreement will be the first between two regions and the most far-reaching free trade agreement in the world, covering 683 million people.**

From April 2000 to January 2006, thirteen rounds of negotiations have taken place, either in Brussels or in the capitals of the countries holding the rotating Mercosur presidency.

In September 2005, a meeting of negotiators at ministerial level took place in Brussels. During this meeting, Ms Ferrero-Waldner, Ms Fischer Boel and Mr Mandelson, Members of the Commission, and their counterparts from Mercosur reaffirmed the importance of a strategic partnership between the EU and Mercosur and the importance that they attach to the conclusion of an ambitious and equitable association agreement. **This agreement will strengthen political, commercial and economic ties between the two blocs and help reduce existing social and economic disparities between the two regions.** The ministers acknowledged that substantial progress had already been made towards the conclusion of the association agreement. However, they also agreed that efforts must be redoubled to be ambitious enough to reflect the strategic importance of this association agreement.

A ministerial-level meeting is planned for the Vienna Summit in May 2006. It will provide an opportunity to take stock of results achieved so far and give further political guidance to the negotiating process.

Current negotiations on trade

The negotiations on trade have three guiding principles. Firstly, the negotiations are conducted on a bi-regional basis between two regions, the EU and Mercosur. Secondly, the parties' objective is to conclude a balanced and ambitious agreement that goes beyond commitments already undertaken under the WTO and covers rules and market access. Lastly, the agreement should constitute a coherent whole, which the parties must implement in its entirety.

In addition, the comprehensive agreement will cover, inter alia: market access, rules on government procurement, investment, intellectual property rights, competition policies, SPS (sanitary and phyto-sanitary measures), TBTs (technical barriers to trade), wine and spirits, business facilitation, trade defence instruments, a dispute-settlement mechanism, etc.

EU-Mercosur trade figures

The EU is Mercosur's **main trading partner**, accounting for almost 23% of Mercosur's trade. The EU is also Mercosur's **biggest investor**. Trade relations (exports and imports) between Mercosur and the EU represent 2.3% of total EU external trade. Exports from Mercosur are mainly agricultural products (53%), machinery (6%), transport material (6%) and chemical products (3%). Imports from the EU consist primarily of machinery (32%), chemical products (22%), agricultural products (9%) and transport equipment (7%).

European foreign direct investment inflows to Mercosur increased significantly until 2001, when they totalled more than EUR 120 billion. In 2002, as a result of the economic crisis in the Mercosur countries, EU foreign direct investment stocks in Mercosur decreased significantly, to EUR 70 billion, a figure that was maintained in 2003. Initial figures for 2004, however, appear to indicate a significant increase in European investment within Mercosur.



EU sporting event (Brazil).

EU bilateral relations with Mercosur countries

The European Commission maintains bilateral relations with each of the four founding Mercosur countries. These relations are based on cooperation framework agreements establishing joint committees that enable the two parties to regularly discuss questions of mutual interest.

Regarding **Argentina**, several issues of common interest are discussed in the framework of sectoral dialogues:

- economic and financial issues;
- the information society;
- Galileo, the European satellite navigation programme;

- human rights;
- cooperation in the United Nations framework.

The medium-term objective is to broaden the scope of bilateral EU-Argentina relations. Regarding science and technology, an Agreement on Scientific and Technological Cooperation between the EC and Argentina has been in effect since December 2000. Argentina actively took part in the Fourth and Fifth EC Framework Programmes for research and technological development, becoming involved in numerous projects and taking part in various thematic programmes.

The EC and **Brazil** engage in sectoral dialogues in numerous areas. Given that the EU is one of Brazil's main foreign investors and its biggest trading partner, there is no shortage of discussion topics regarding **bilateral trade**. The **environment** is a key issue for both Europe and Brazil, on which they exchange their points of view prior to the major international meetings. Other topics discussed include **development cooperation, science and technology** (including Europe's Galileo programme), **the information society** and **transport**. Given Brazil's increased



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EU social programme for handicapped persons: prosthetics workshop, Rosario, Argentina.

role on the regional and international stages, the medium-term objective is to broaden the scope of the bilateral EU-Brazil relationship.

Regarding science and technology, Brazil actively took part in the 6th EC Framework Programme for research and technological development, becoming involved in numerous projects and taking part in various thematic programmes. Scientific and technological cooperation with Brazil offers great promise. The EC therefore concluded a scientific and technological cooperation agreement with Brazil in June 2005, which should enter into force in the near future and enable Brazil to participate more actively in the 7th

EC Framework Programme for research and technological development.

Lastly, with regard to **Paraguay** and **Uruguay**, it should be noted that they and the European Community have just signed aviation agreements.

The EU, leading provider of aid to Mercosur

At present, the EU is the biggest source of aid to Mercosur. Financing for economic cooperation and development aid in the period 2000-2006 totals nearly EUR 250 million.

Priorities are:

Mercosur: Support for building Mercosur's institutions, for completing the internal market and for civil society participation (EUR 48 million).

Argentina: Institutional reform, trade and economic promotion, information society, investment promotion, consumer policy (EUR 65.7 million).

Brazil: Economic reform, public administration, social development, science and technology, the environment (EUR 64 million).

Paraguay: Modernising the State, trade and investment promotion, sustainable development, fight against poverty (EUR 51.7 million).

Uruguay: Economic reform, modernising the State, regional integration, social development, the environment, science and technology (EUR 18.6 million).

Mercosur also benefits from the AI-Invest, URBAL, ALFA and @LIS regional programmes.

In the years to come, cooperation with Mercosur should revolve around:

- support for building Mercosur's institutions;
- support for strengthening Mercosur and for implementing the future EU-Mercosur Association Agreement;
- increasing the involvement of civil society, awareness of the regional integration process and mutual understanding.

For more information:

http://europa.eu.int/comm/external_relations/mercotur/intro/index.htm

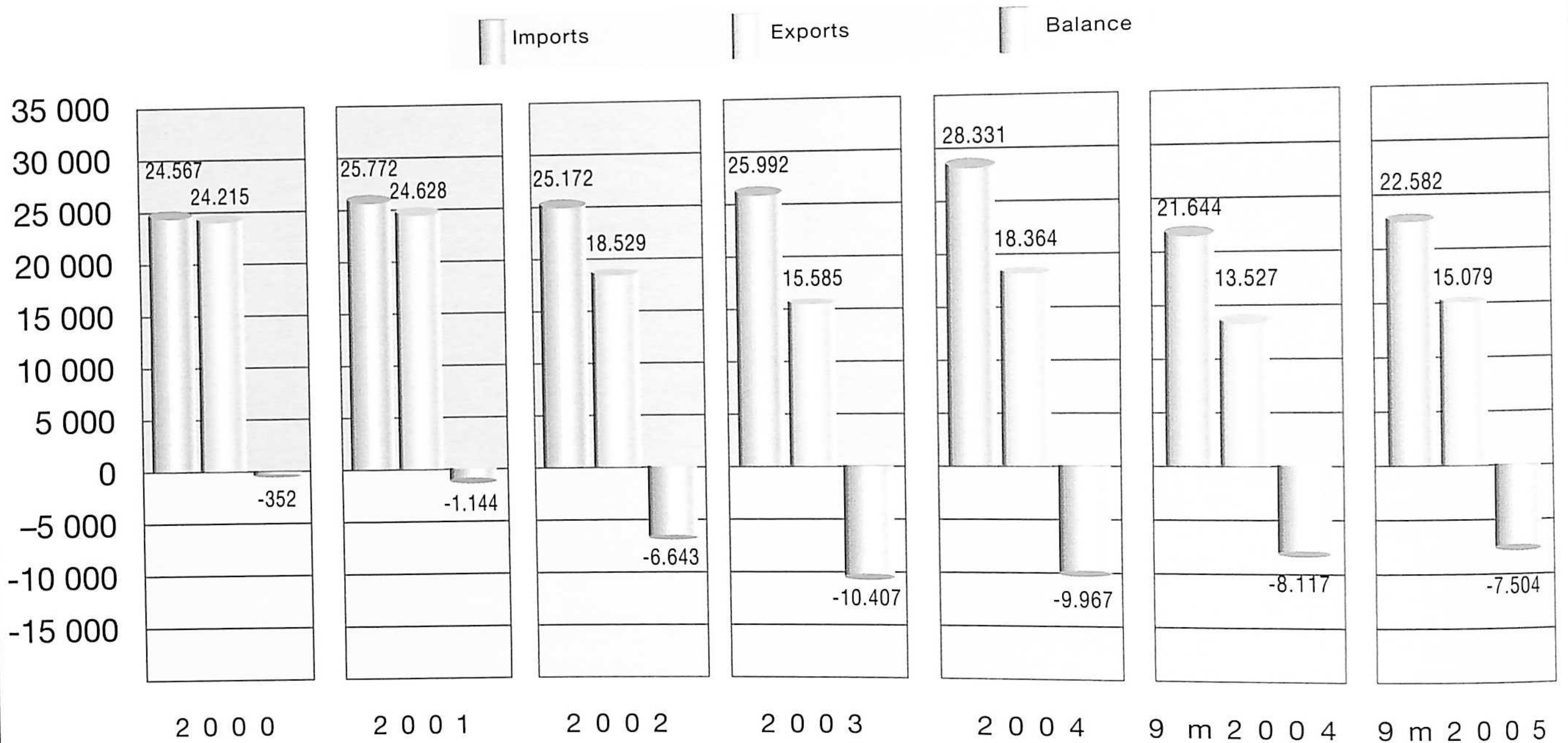
Mercosur trade with the world

EUR million
Source: IMF.



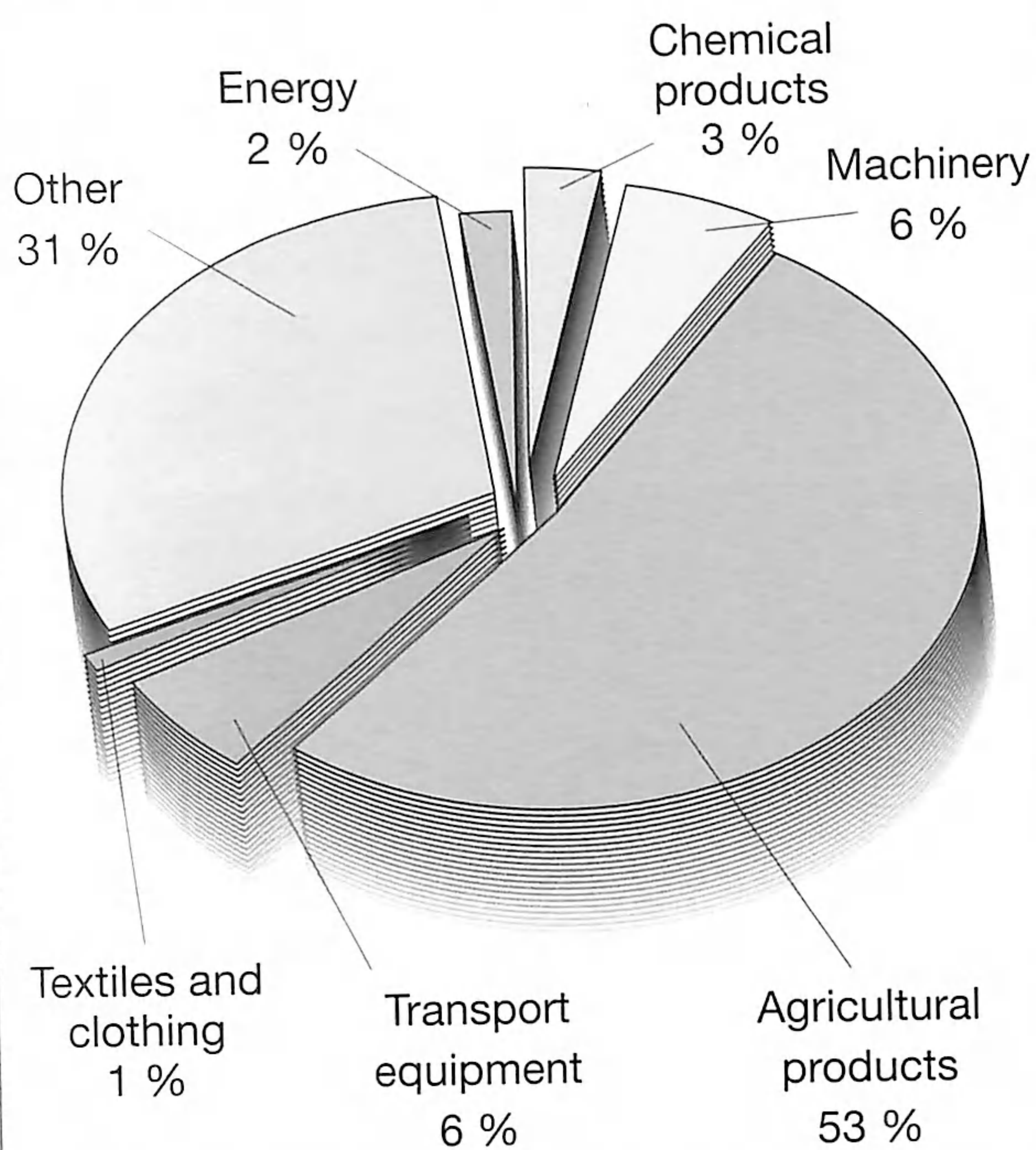
EU trade with Mercosur

EUR million
Source: Eurostat



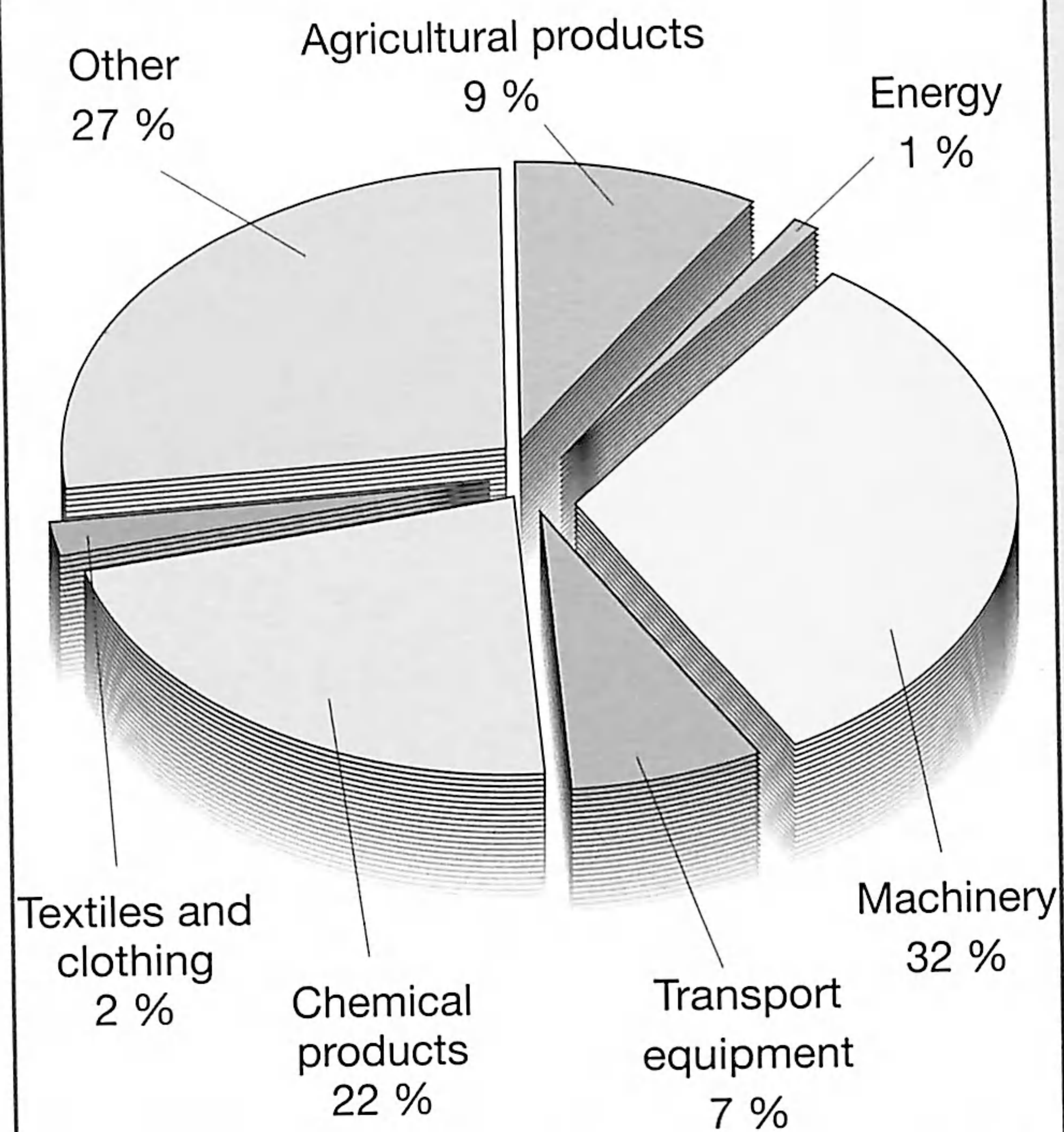
EU imports from Mercosur (2004)

EUR million
Source: Eurostat.



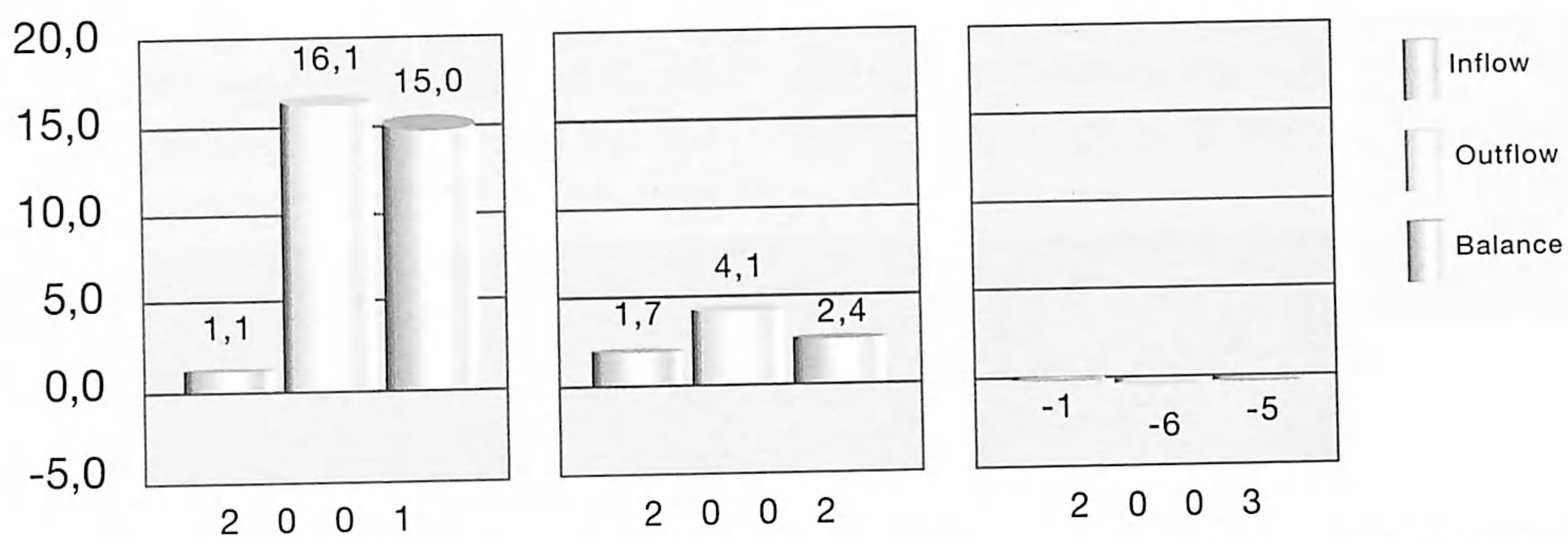
EU exports to Mercosur (2004)

EUR million
Source: Eurostat.



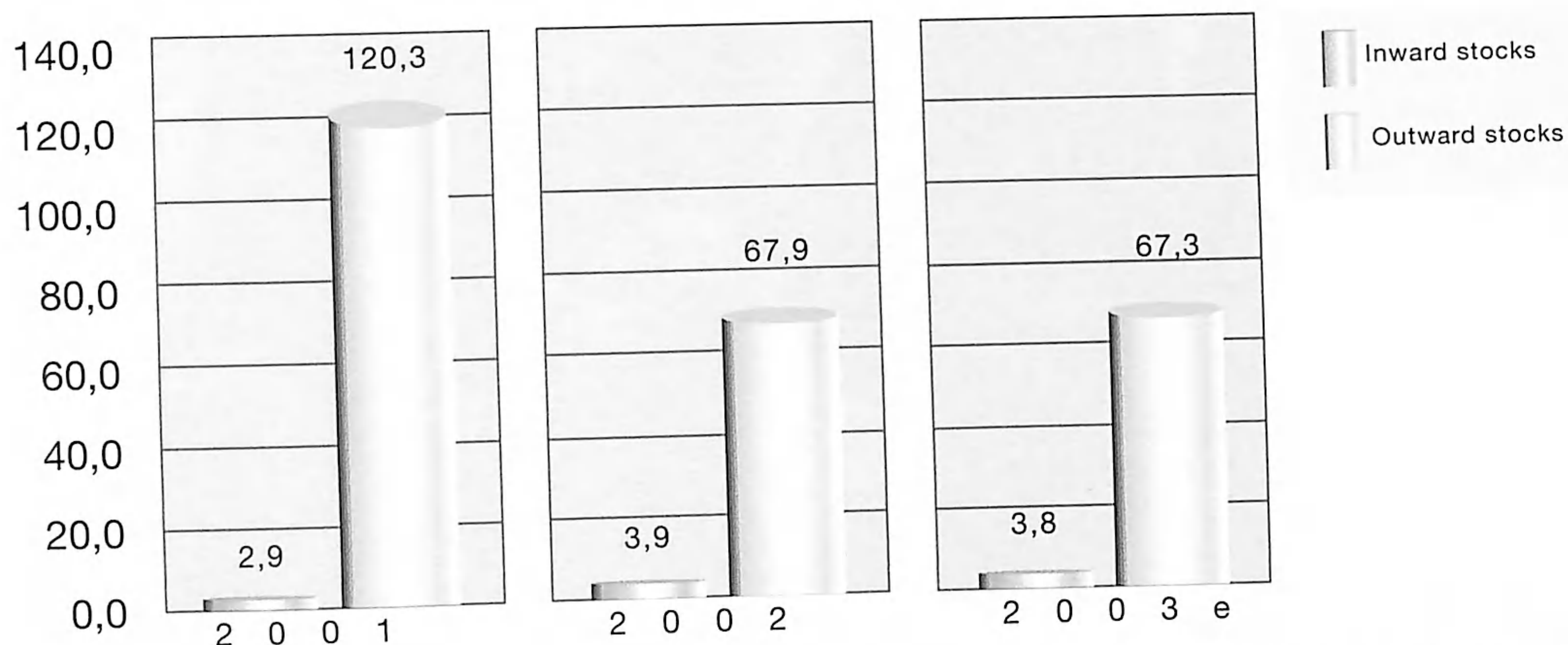
EU foreign direct investment with Mercosur (flows)

EUR billion
Source: Eurostat.



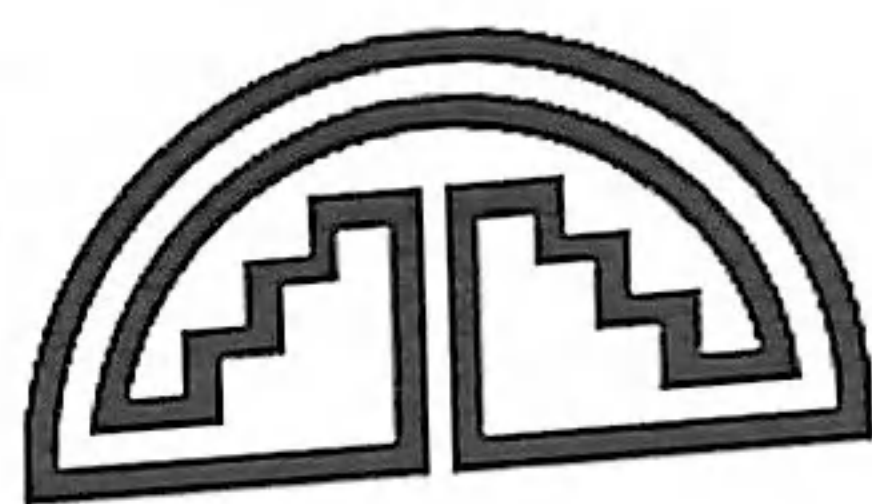
EU foreign direct investment with Mercosur (stocks)

EUR billion
Source: Eurostat.
e: estimated EDI (2002 stock + 2003 flows)



4.2. The EU and the Andean Community

COMUNIDAD
ANDINA



Since the creation in 1969 of the Andean Community (formerly known as the “Andean Pact”), relations between the European Union and this sub-region of Latin America have developed considerably. The two partners have at their disposal instruments covering policy, cooperation and trade.

An increasingly structured political dialogue

The EU and the Andean Community (comprising Bolivia, Colombia, Ecuador, Peru and Venezuela) share the same values and democratic principles. In 1996, the Rome Declaration initiated a political dialogue between the two regions, which takes the form of regular meetings at ministerial and presidential levels. In 2003, both regions signed a Political Dialogue and Cooperation Agreement, strengthening and institutionalising the process. To enter into force, the agreement must be ratified by all the Parties.

The **fight against drugs** is one of this political dialogue’s priority areas. High-level meetings are organised annually in order for representatives from both regions to exchange points of view and unite

their efforts to more effectively combat this phenomenon, for which both regions hold partial responsibility: the European Union as a consumer and the Andean Community as a producer.

Social cohesion is another key area that occupies an important place in the dialogue between the two regions. Increasingly close cooperation in this area developed following the Andean Community’s adoption of an integrated social development plan in 2004.



Peace Laboratory in Magdalena Medio, Colombia.

Apart from the formal political dialogue, organised at subregional level, there are multiple contacts between the countries of the Andean Community and the European Union. In Colombia, for example, the Member



Commissioner Benita Ferrero-Waldner and Peruvian President Alejandro Toledo.



PRODAPP alternative development project, Pozuzo, Peru.

States of the European Union play an active role in the G-24, the authority that coordinates the international community's presence in Colombia and serves as an interface with the government. In addition, the EU troika initiates contacts with the Colombian government directly when specific situations warrant.

Cooperation that has demonstrated its worth over time and in numerous areas

The European Union and the Andean Community have concluded successive cooperation agreements to strengthen and broaden their relationship. The first dates back to 1983, and the current agreement entered into force in 1993.

The European Union is the largest provider of official development assistance in the Andean region. This aid has both a geographical and a thematic character. For the period 2000-2006, the EU's national and regional strategies will provide the countries of the region with nearly EUR 500 million in geographical support. EU thematic aid is provided via 'horizontal budget lines' targeting specific areas such as democracy and human rights, humanitarian aid, drugs, refugees, etc. The funds provided to Andean Community countries via these thematic lines will total approximately EUR 350 million between 2000 and 2006.

Examples of bilateral projects under the country strategies are the peace laboratories in Colombia, the alternative development projects in Bolivia, a health

programme benefiting primarily the indigenous communities of Ecuador's Sierra region, an environmental protection project in Peru and a very substantial flood prevention and rehabilitation project in Venezuela. The primary aim of cooperation activities in the Andean Community is to consolidate and strengthen integration in this subregion.

In the years to come, cooperation should focus on the following areas: economic and social cohesion, regional economic integration and the fight against illicit drugs.

For more information:

http://europa.eu.int/comm/external_relations/andean/intro/index.htm

Trade between the two regions

The EU is the Andean Community's second largest trading partner: in 2004 the EU accounted for 12.5% of the region's trade, while the Andean Community accounted for 0.7% of EU trade with third countries during the same period.

Trade between the EU and the Andean countries nearly doubled in the 1990s, reaching approximately EUR 16.8 billion in 2001. After a few years of fluctuation, trade is expected to have grown even more in 2005, thanks in particular to increased Andean Community exports to the European Union.

The Andean Community's main exports to the EU are raw materials (energy, agriculture, agro-industry

and mining), while manufactured products (mainly machinery and chemical products) account for most of the EU's imports into the Andean Community.

Trade relations between the two regions are currently based on the Generalised System of Preferences, which includes a special incentive scheme to promote sustainable development and good governance (the "GSP +"). Each of the five Andean countries currently benefits from this scheme, which makes it possible for the vast majority of Andean exports to enter the European Union duty-free. One of the objectives of the scheme is to support the efforts of the beneficiary countries in the fight against drug production and trafficking.

As well as extensively opening up the European market to products from the Andean countries imported under the GSP+ regime, the EU has undertaken an ambitious programme of rapprochement with the Andean Community in recent years that will eventually lead to a **bi-regional association agreement**. The agreement should not only create and regulate an extensive **free trade area** for goods and services but also establish a common regulatory framework for investors from both regions.

A very bright future

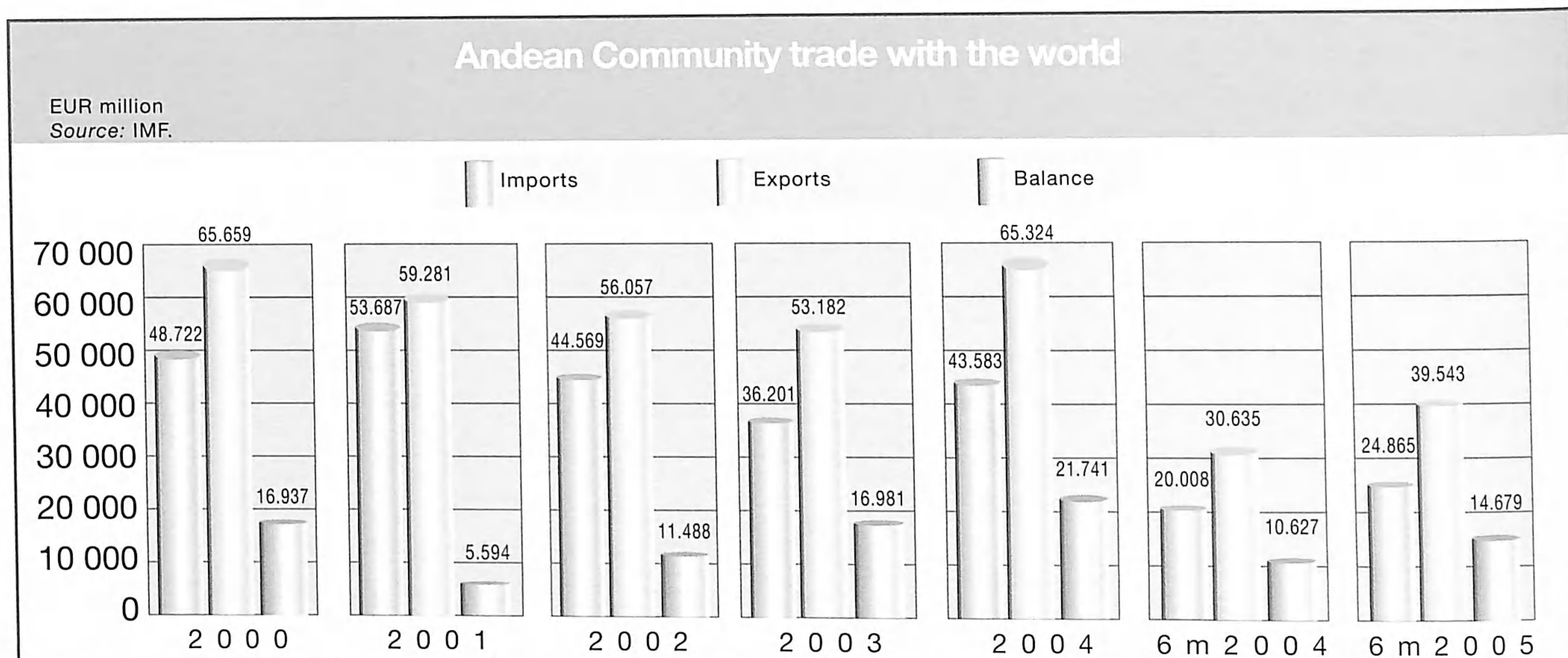
Once the agreement on the political dialogue and cooperation is ratified by all the Parties, an overall legal framework will exist for both the political dialogue and the cooperation activities undertaken involving the two regions. The political dialogue will continue with meetings at the level of Heads of State

or Government, as in Guadalajara in 2004 and Vienna in 2006, and with ministerial meetings such as those that took place in Luxembourg in 2005. As regards cooperation activities, a new cycle will begin in 2007. Work is under way to prepare the new geographical cooperation programmes for the period 2007-2013.



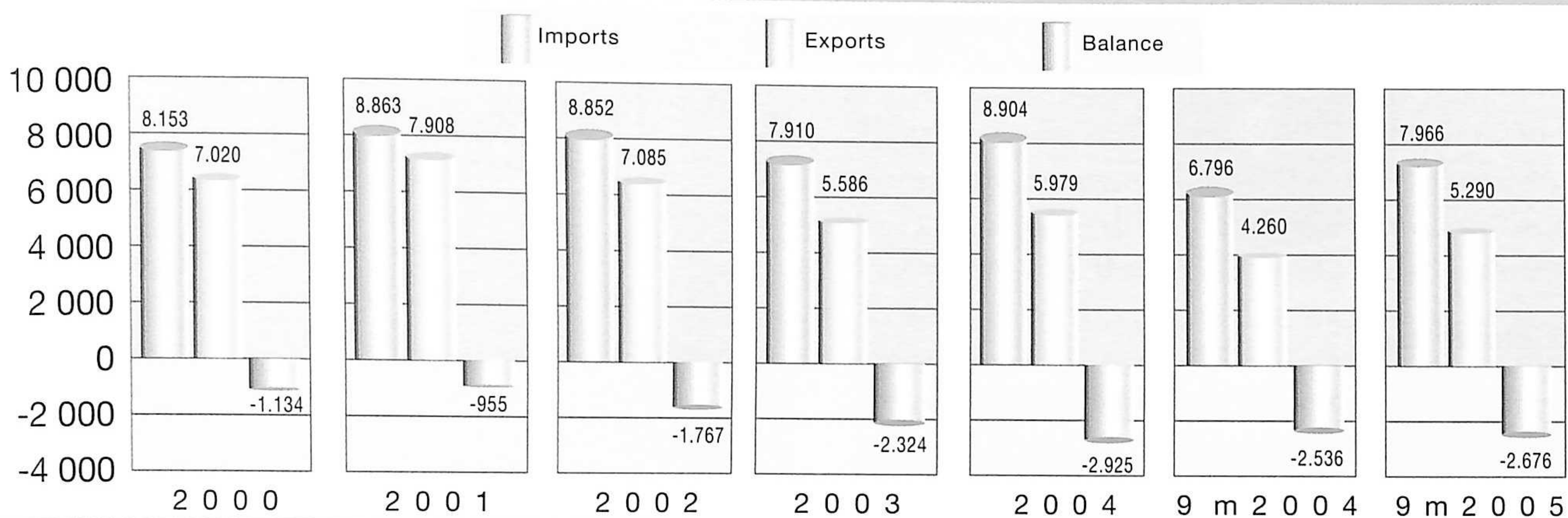
Fish-farming in Bolivia.

During the EU-CAN Summit held alongside the Guadalajara Summit, the Heads of State declared that concluding an association agreement that would bring commercial issues into the legal framework governing relations between the European Union and the Andean Community had become a strategic objective shared by both regions. This demonstrates the Parties' shared desire to take relations between the two regions to a higher level and highlights the role that regional integration plays in stability and economic and social development.



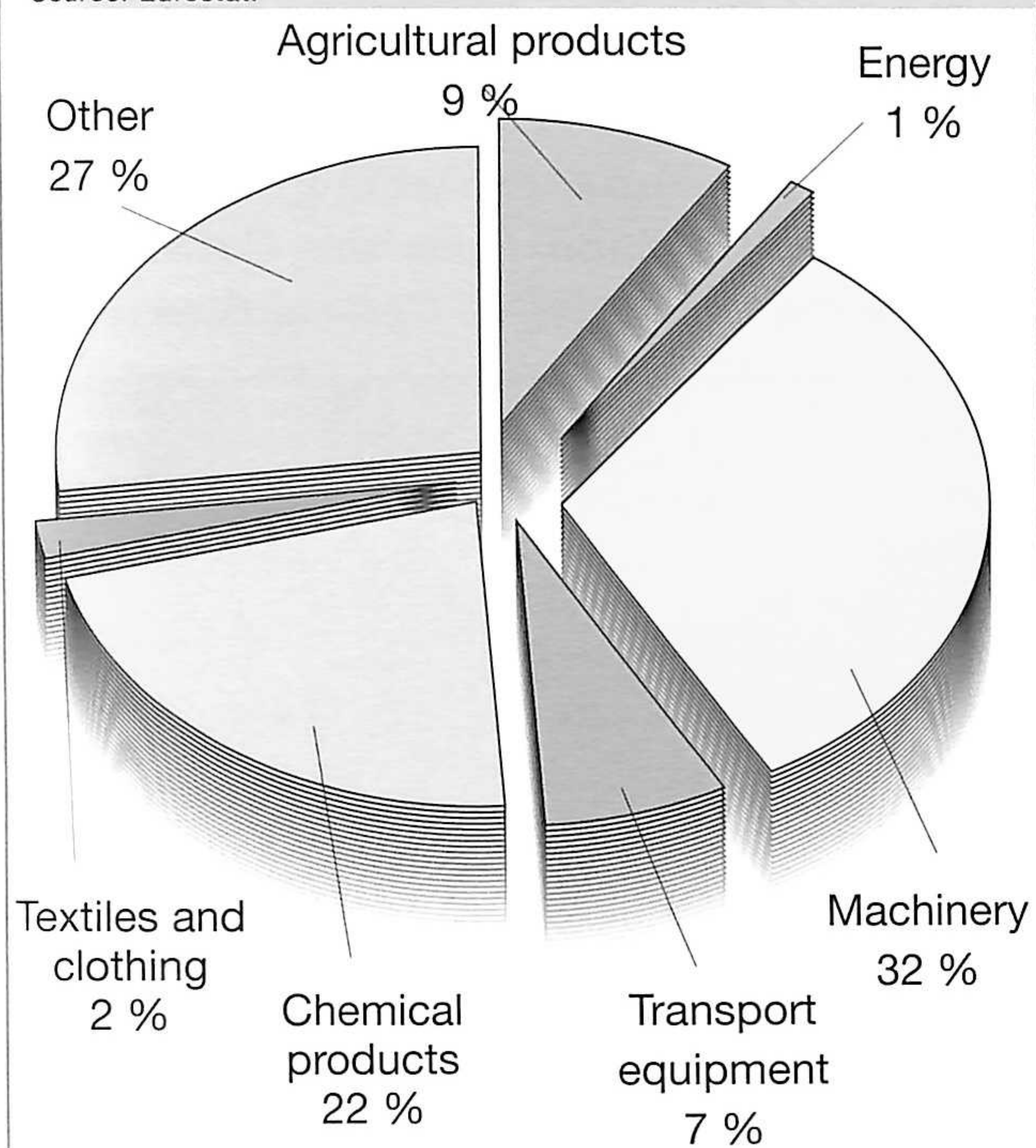
EU trade with the Andean Community

EUR million
Source: Eurostat



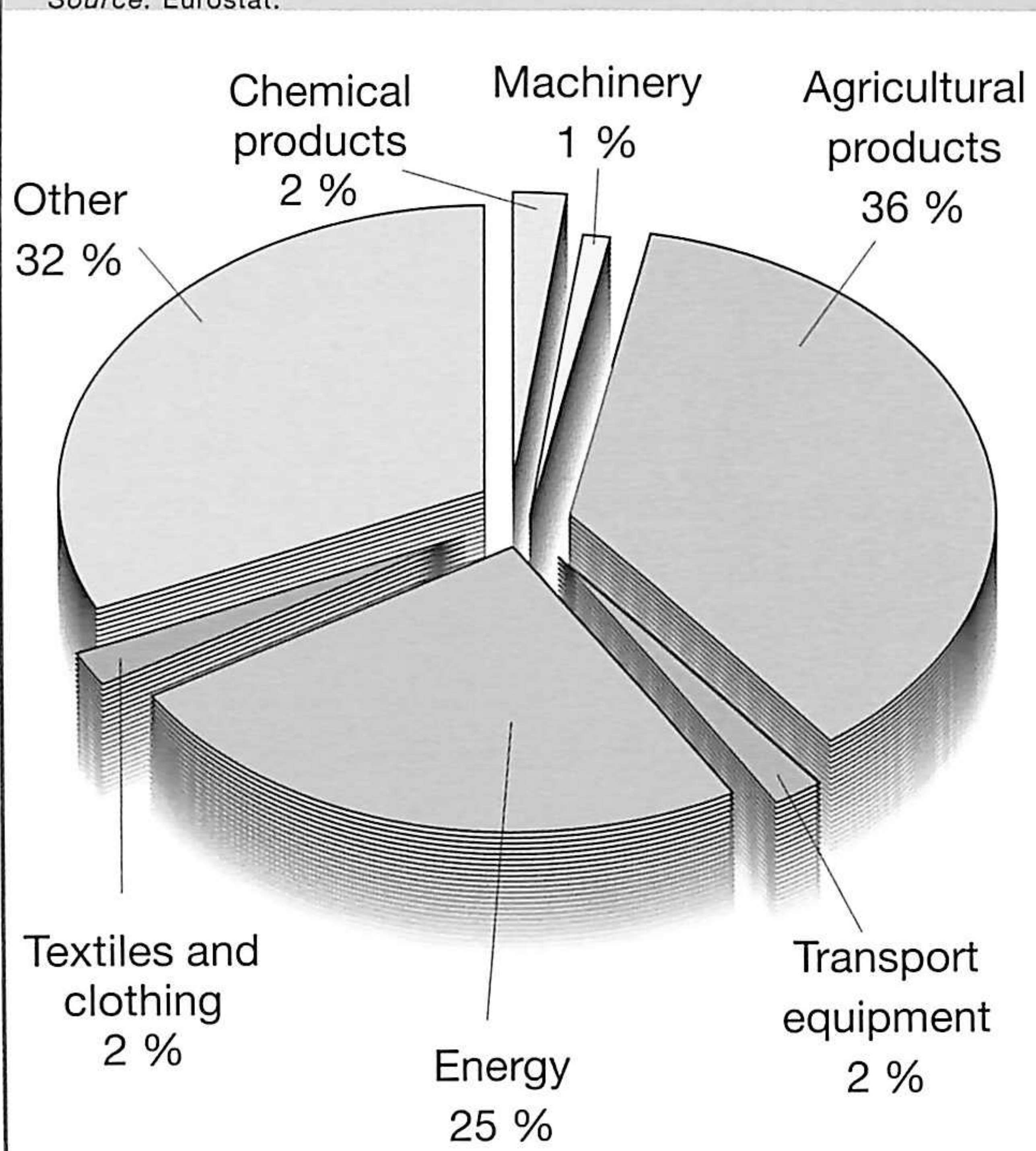
EU exports to the Andean Community (2004)

EUR million
Source: Eurostat.



EU imports from the Andean Community (2004)

EUR million
Source: Eurostat.



4.3. The EU and Central America: the 'San José dialogue'



Ever closer ties

Over the last twenty years, the European Union has steadfastly supported the countries of Central America in promoting **peace** and the **economic and trade development of the region**. In a groundbreaking move, a regular political forum (the 'San José dialogue') set up between Europe and Central America in 1984 has helped settle internal conflicts, strengthen democracy and assist the region in its economic take-off. On the strength of these achievements, the partnership was extended to ambitious new areas at successive meetings in Florence (1996) and Madrid (2002). The agenda now includes regional integration, regional security, the environment and natural disasters, bi-regional relations and policy coordination on international issues of common interest.

In addition to political dialogue, the EU has striven to support regional efforts through a broad range of cooperation programmes in a variety of areas, including human rights and democracy, the development of small and medium-sized enterprises, poverty reduction, food security, environmental conservation, rural development and humanitarian aid. The first cooperation agreement between the EU and Central America was signed in Luxembourg in 1985 and was followed in 1993 by the current framework cooperation agreement signed in San Salvador. This was superseded in turn by a new political dialogue and cooperation agreement signed in Rome in 2003. Once ratified by all parties, this new agreement will further strengthen relations between the two regions and pave the way for a rich institutional and economic partnership.

Towards a strategic partnership

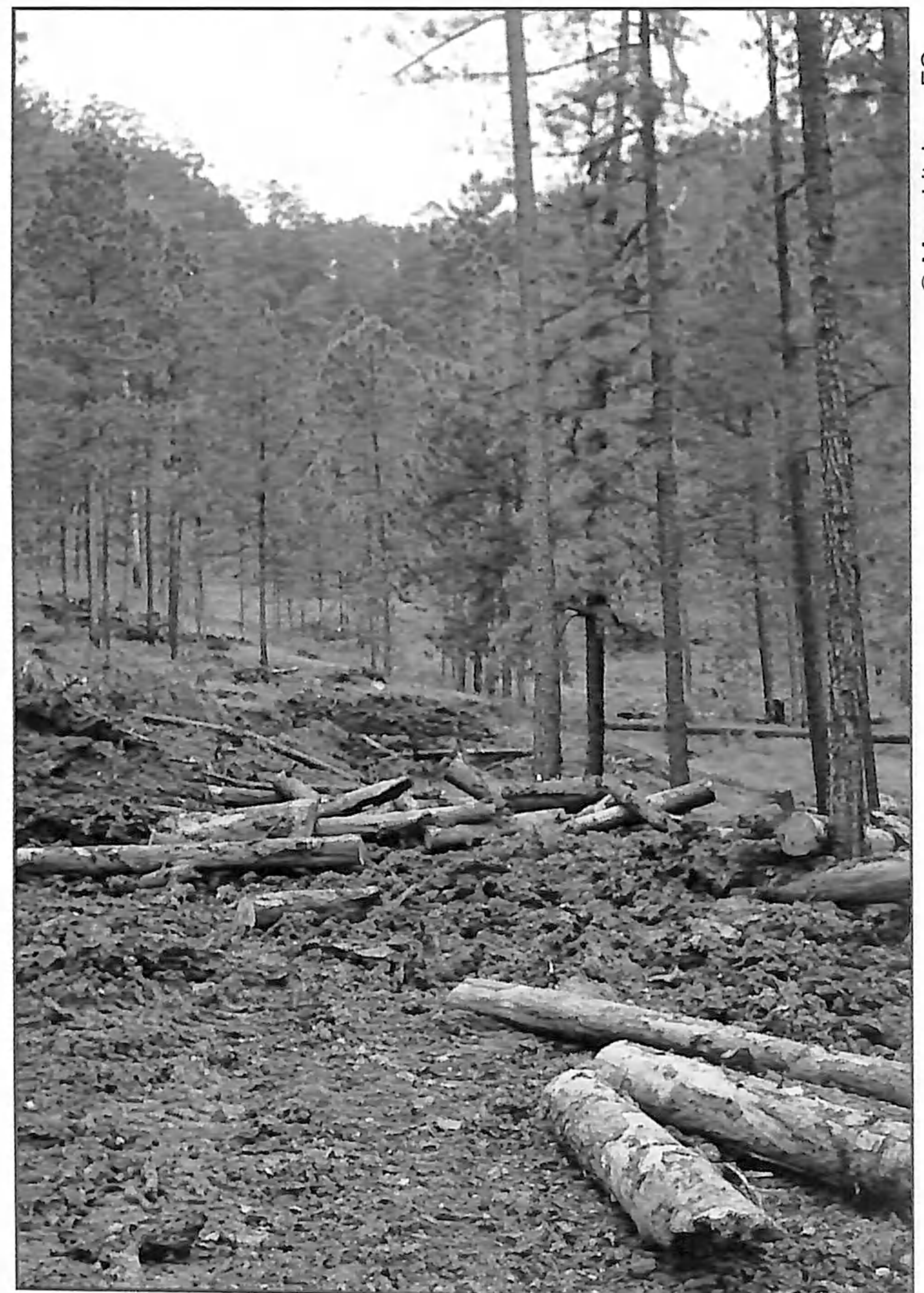
At the Guadalajara summit in May 2004, the EU and the Central American Heads of State or Government reiterated that an **association agreement** between the two regions, **combined with a free trade area**, was their common strategic objective for strengthening the regional economic integration process. They agreed to start with a joint assessment

phase of the economic integration process in Central America which began in January 2005. They also agreed that any future free trade agreement would build upon the outcome of the current round of multilateral trade talks ("Doha Development Agenda") and the attainment of a sufficient level of regional economic integration.

"I am delighted at the latest steps towards the establishment of a fully-fledged EU-Central America association agreement. Our relationship with Central America is based on long-standing historical and cultural ties and shared values. We hope ultimately that this will further cement our friendship in the political and economic spheres. In the run-up to the forthcoming summit in Vienna in 2006, I am confident in the future of this process." Benita Ferrero-Waldner, EU Commissioner with responsibility for External Relations.

Compared with the assistance granted by the EU to Latin America as a whole, the level of aid to Central America is relatively high, both in absolute and per capita terms.

Between 2002 and 2006, **the EU granted more than EUR 600 million from the Community budget to the countries of Central America** in



Deforestation in Honduras.



Children at an EU-funded school, Nicaragua.

areas such as regional integration, disaster prevention, good governance and poverty reduction. These programmes gave special attention to the situation of indigenous peoples, local development and the sustainable management of natural resources. In addition to the policy of aid to the region, assistance is also provided through the cross-cutting “thematic” budget lines which the Union uses to cover areas such as humanitarian aid (via the European Commission Humanitarian Office, ECHO), food security and the promotion of human rights and democracy. The Commission also provided substantial aid in response to the natural disasters which regularly struck the region, e.g. Hurricane Stan in 2005.

In accordance with the conclusions of the 2004 Guadalajara Summit, cooperation with Central America in future years should be geared to two priorities:

- supporting the political and economic integration process with a view to an association agreement with the EU so as to strengthen democracy and stability in the region and thereby strengthen its economic competitiveness;
- improving social cohesion in Central America by promoting education, health, rural development, decentralisation and good governance.

An innovative cooperation policy

EU cooperation with Central America increasingly revolves around three major principles: making beneficiaries responsible, donor harmonisation and the promotion of government strategies agreed with civil society. Guided by these and in acknowledgment of the progress on public finance management, the European Commission is working to implement its co-

operation policy as much as possible through sectoral policies funded by budgetary support. This innovative and ambitious means of implementing cooperation has already been used three times since 2003 in Nicaragua and Honduras.

By gradually moving towards this new form of cooperation, necessarily associated with intensive political dialogue, the Commission aims to become a key partner of the Central American countries and to help them overcome the challenge of achieving better internal social cohesion at a time of increased regional integration.

In 2003, the Commission signed a financing agreement to support Nicaragua’s National Education Plan for the years 2000-2015.

Based on the Millennium Development Goals for education and endorsed by the donors, the Plan is designed to improve school cover and the quality of education. The Commission has made a total of **EUR 52.5 million** available to the Government of Nicaragua over a period of four years. The funds are paid into the State budget pro rata the achievement of the objectives agreed with the Government and all donors concerned. The education indicators are determined and assessed in the round table on education, a group formed by the Nicaraguan authorities, donors and civil society representatives. As budget support is concerned, indicators relating to good public finance management are also taken into account. Alongside the sectoral support, the Commission is also financing technical assistance to the Education and Finance Ministries to help the Nicaraguan Government achieve the targets agreed.

Economic and trade links

The EU is Central America’s second largest trading partner: in 2004 the EU accounted for 9% of all trade with the region, while trade between Central America and the European Union accounted for 0.4% of total EU foreign trade over the same period.

Trade between the EU and the Central American countries was worth EUR 8.3 billion in 2004. The figure for 2005 is likely to be slightly higher. Exports from Central America consist mostly of agricultural products (bananas, coffee, etc.) and electronics, while the main EU exports are transport equipment, machinery and chemical products.

Trade relations between the two regions are based on the generalised system of preferences, which in-



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Council of Elders of the indigenous community in Mozonte, supported by a European Commission project in Nicaragua.

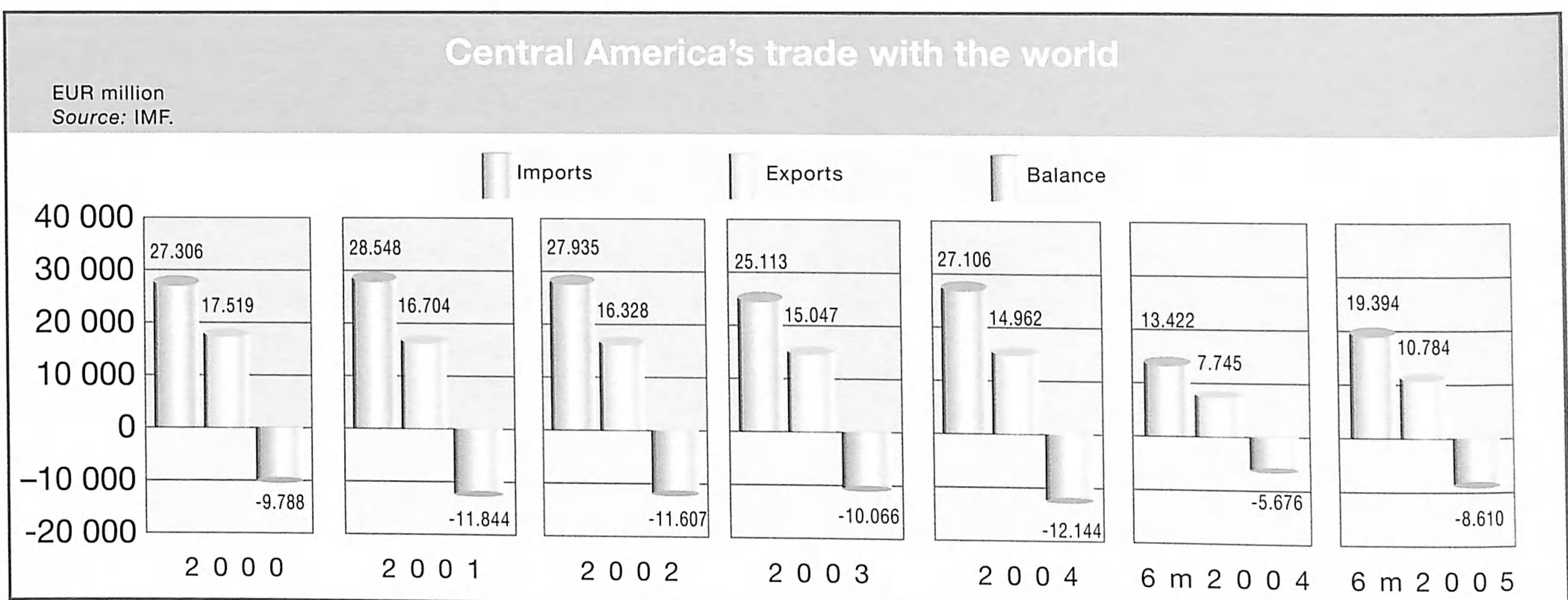
cludes a special incentive scheme to promote sustainable development and good governance (“GSP+”). Six Central American countries are currently beneficiaries of the scheme, which means that most of the region’s exports to the EU are duty-free. One of the aims of the scheme is to support the beneficiary countries in their efforts to combat drug-trafficking.

As well as extensively opening up the European market to products from the countries of Central America imported under the GSP+ scheme, the EU has undertaken an ambitious programme of rapprochement with Central America in recent years that will eventually lead to a bi-regional association agreement. The agreement should not only create and regulate an extensive free trade area for goods and services but also establish a common regulatory framework for investors from both regions.



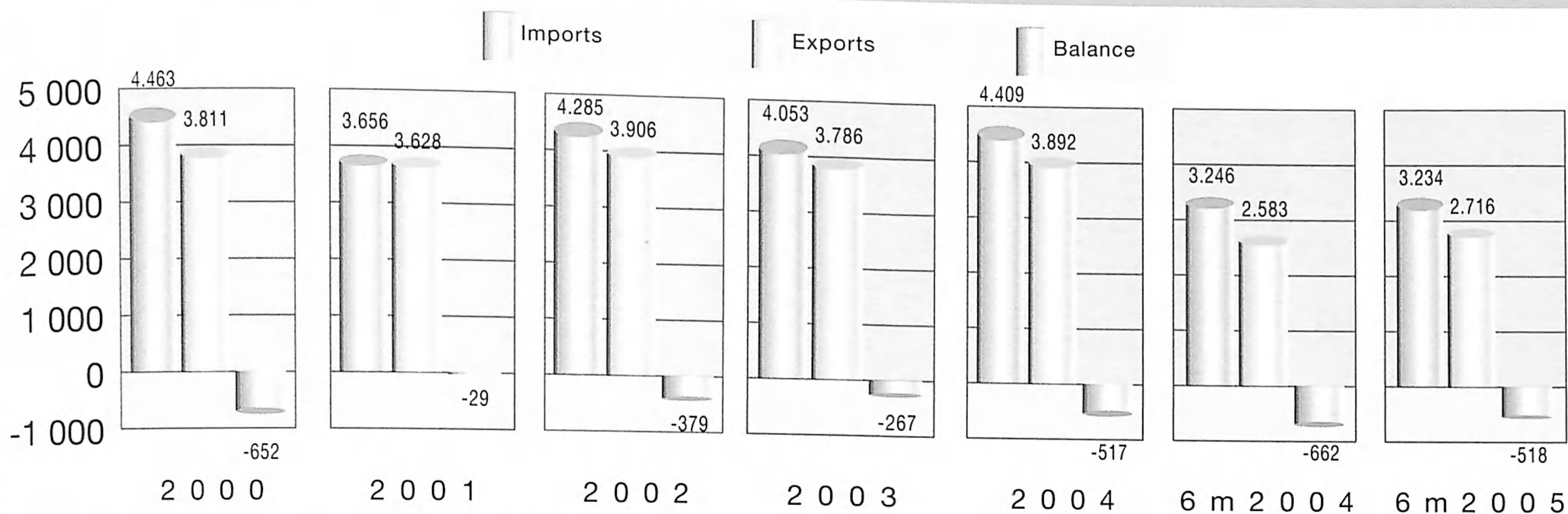
© Marc Litvine - EC

Girl in Honduras.



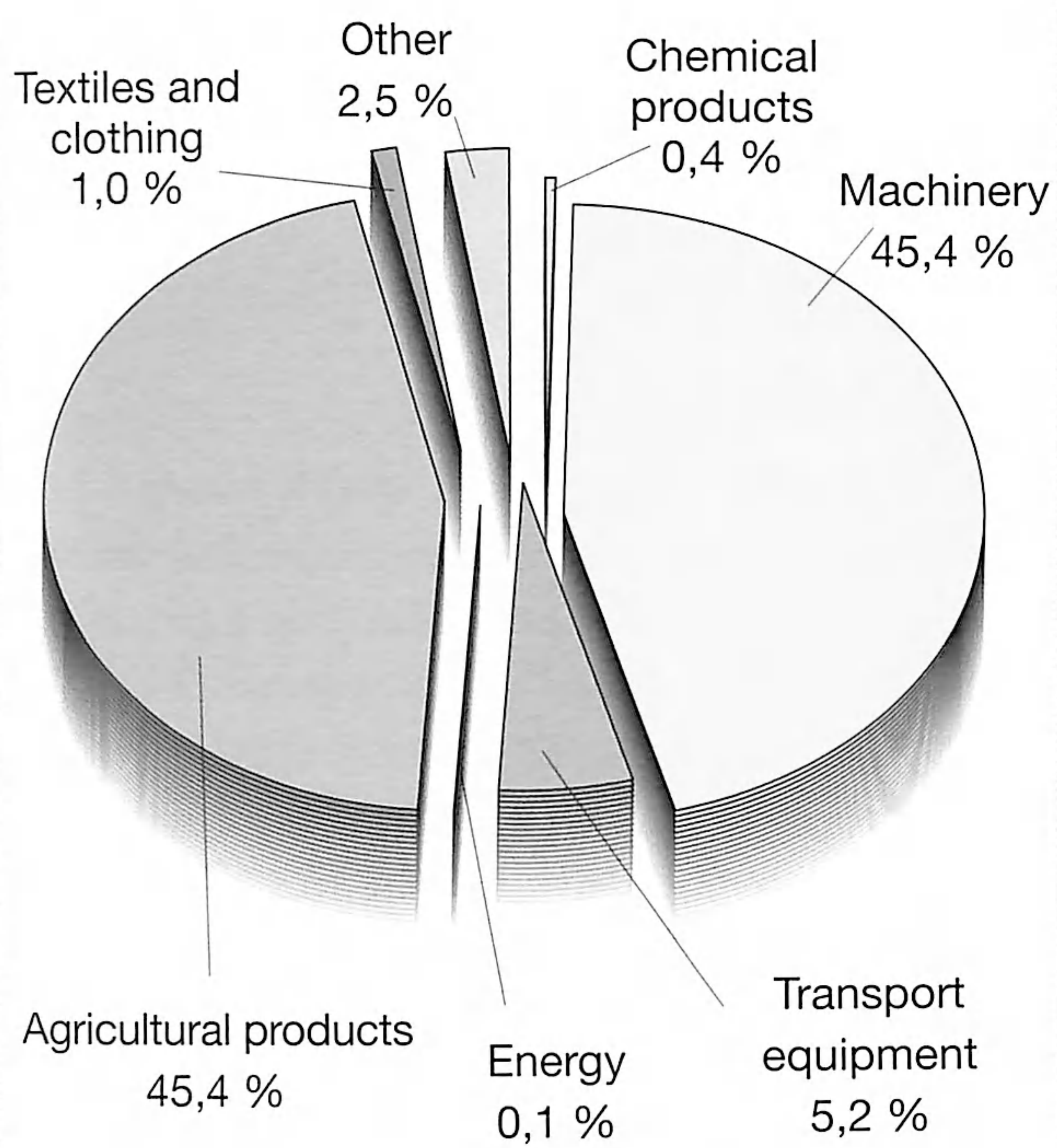
EU trade with Central America

EUR million
Source: Eurostat.



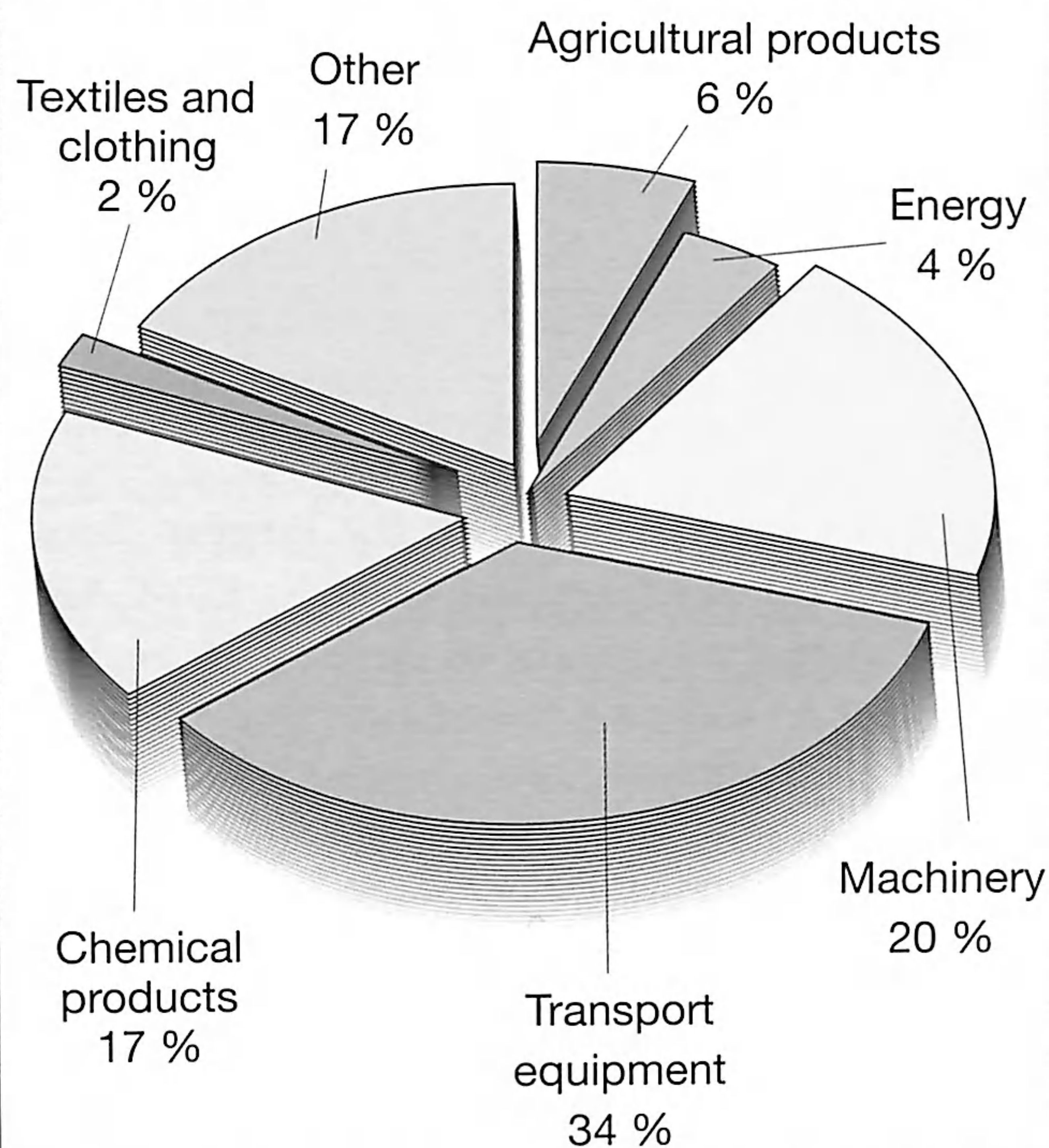
EU imports from Central America (2004)

EUR million
Source: Eurostat.



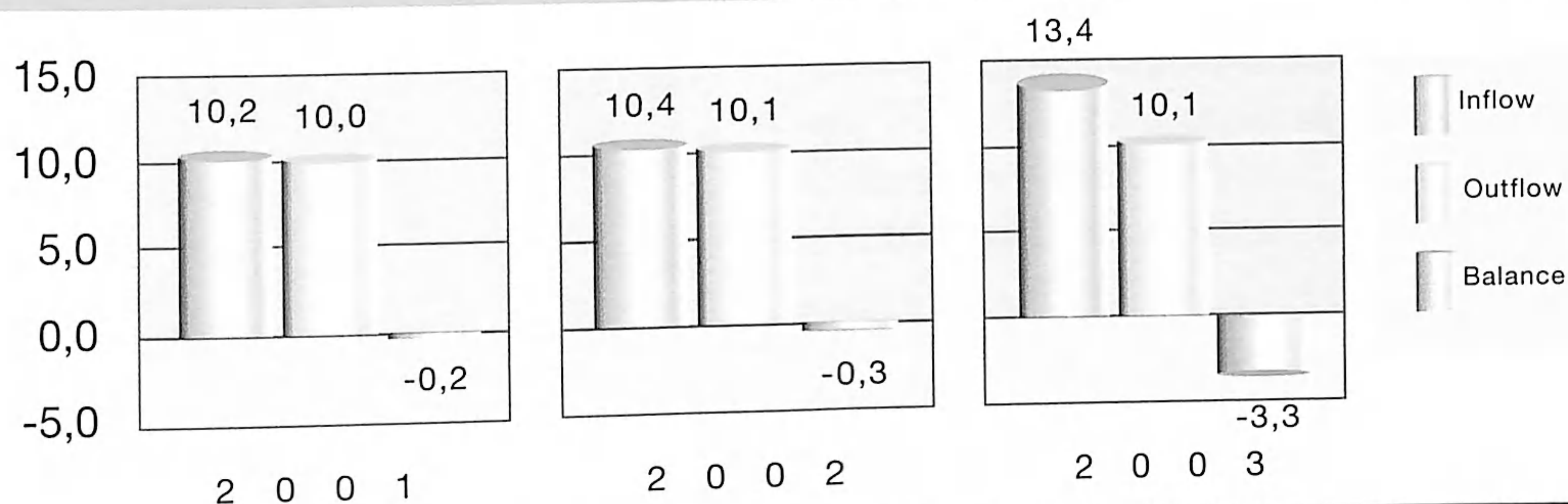
EU exports to Central America (2004)

EUR million
Source: Eurostat.



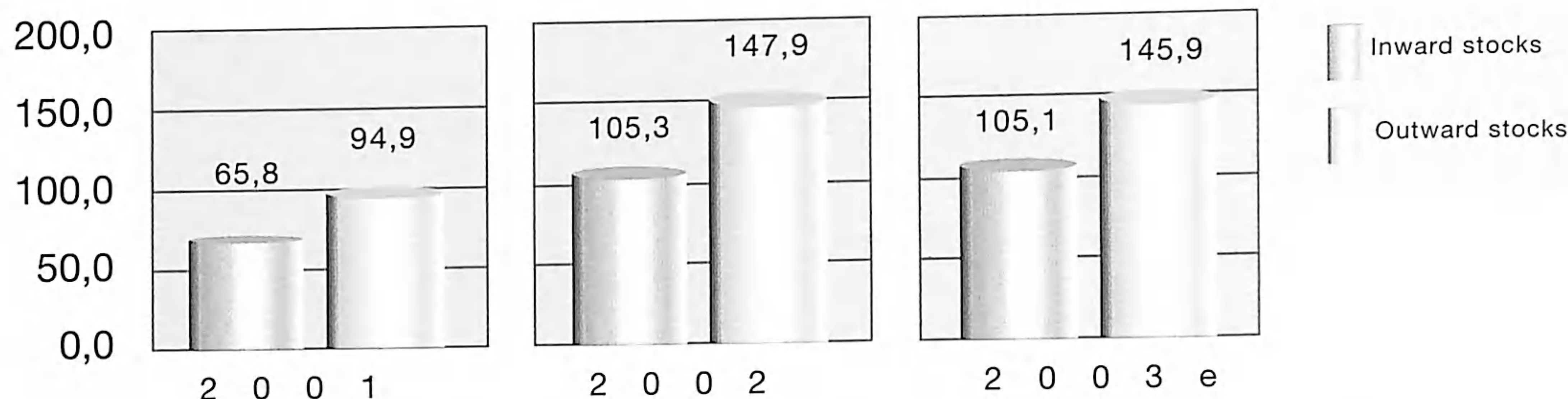
EU foreign direct investment with Central America (flows)

EUR billion
Source: Eurostat.

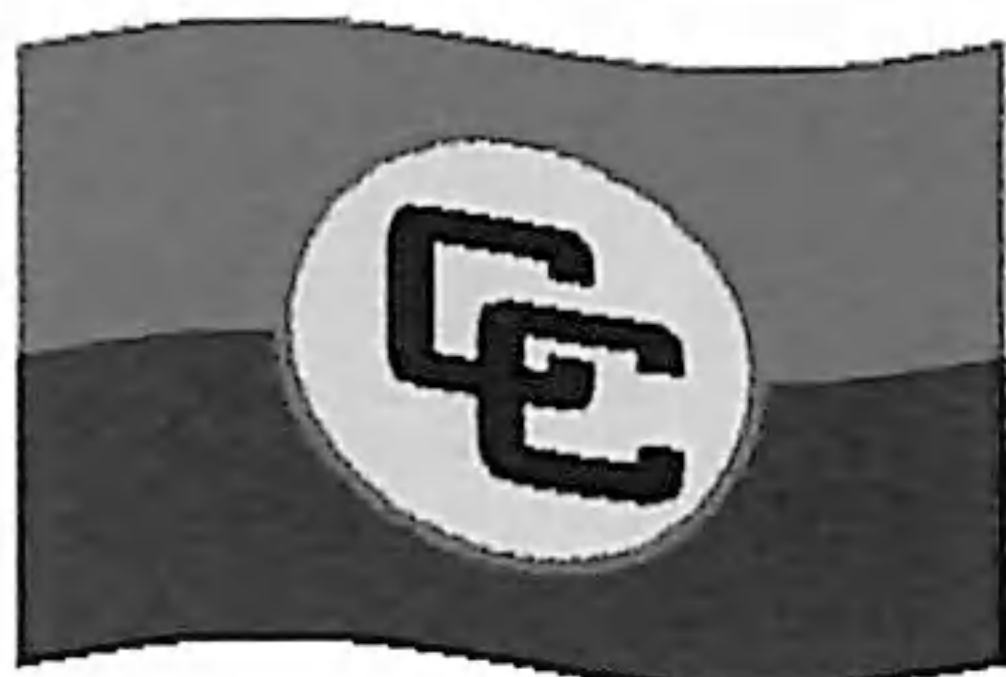


EU foreign direct investment with Central America (stocks)

EUR billion
Source: Eurostat.
e: estimated FDI (stock 2002 + flows 2003)



4.4. The European Union and the Caribbean



The EU and the Caribbean have a long-lasting relationship based on the legacy of history, common values, economic and trade cooperation and an increasing volume of trade.

Since 1975, the EC has been the **largest donor to the Caribbean region**. Overall, EC-CARIFORUM cooperation seeks to develop an enabling environment to facilitate integration into the world economy, sustainable socio-economic development, and the observance of the principles of democracy, human rights, good governance and the rule of law.

Successive EU-ACP Conventions have given the Caribbean an enhanced framework of reference for **political dialogue, trade and development cooperation**. Political dialogue with the Caribbean takes place mainly in the context of the Joint ACP-EU Institutions, in particular the Council of Ministers and the Joint ACP-EU Assembly. At regional level, the annual regional dialogue at ministerial level between CARIFORUM and the European Commission provides an opportunity for discussing a wide range of issues of mutual interest.

A broad range of cooperation instruments

EC aid to the Caribbean continues to cover a broad range of sectors and is financed through a variety of instruments. The EC's principal instruments for cooperation with the Caribbean include national indicative programmes, regional indicative programmes

and successive European Development Funds. Furthermore, a variety of other instruments, such as Sysmin, Stabex, Flex, SFA and Interreg III focus on specific areas of cooperation (see glossary). As illustrated below, current programmes at the regional level cover many sectors, focusing on essential development needs in the Caribbean.

More information:

http://europa.eu.int/comm/development/body/region/rb_fr.htm

A strong trading relationship

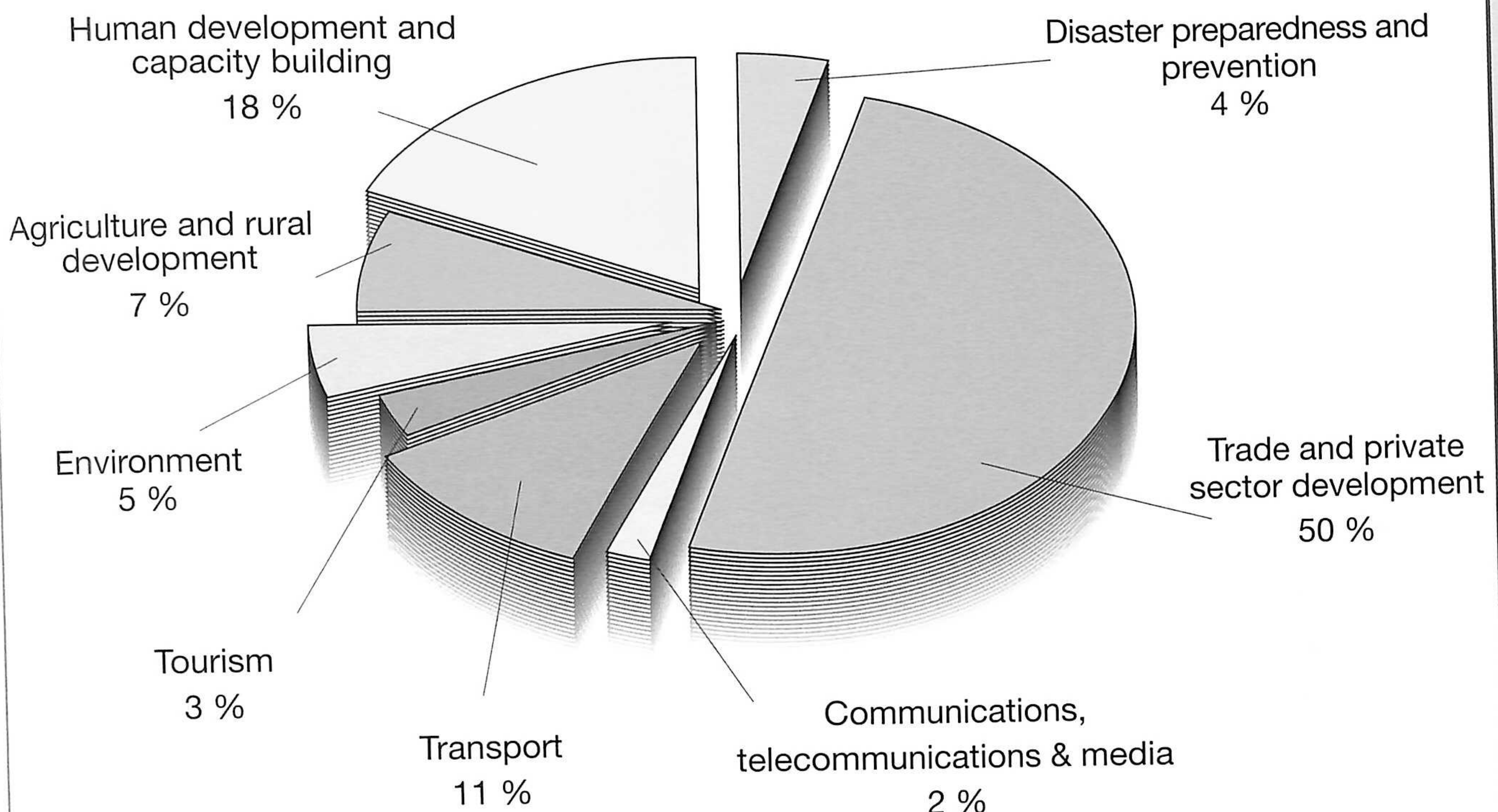
In 2004, the EU imported goods worth EUR 3.1 billion from the Caribbean countries (excluding Cuba which is not a beneficiary of the Cotonou Agreement) and exported goods worth € 3.9 billion to the region. Agricultural products make up a large part of exports to the EU, whereas the structure of imports is dominated by industrial products.

Caribbean ACP states benefit from the preferential trade arrangements set out in the Cotonou Agreement, which provides for tariff- and quota-free imports of a wide range of products (including all industrial goods).

The **EU's banana trade regime** has long played a key role in trade relations. The tariff and quota system for bananas from all origins was replaced by a tariff-only system on 1 January 2006. The ACP countries continue to benefit from a tariff preference under an import quota; management of the system will be simplified at the start of 2006. In order to help ACP traditional banana suppliers to adapt to the new market conditions, the Commission established a ten-year Special Framework of Assistance, starting in 1999, to provide them with technical and financial support aimed at enhancing their competitiveness and/or promoting diversification.

Regional cooperation, by sector

Source: DG Development
European Commission.



Many Caribbean countries currently benefit from the *Sugar Protocol*, which provides for specific quantities of sugar to be imported into the EU at a guaranteed price. However, the reform of the EU's common market organisation for sugar, involving a gradual reduction in European market prices from 2006, will pose them with a major challenge. The EU has pledged to help them adjust by means of a special aid programme and trade measures.



A Caribbean port.

Following commitments made in the ACP-EU Agreement, a special 24 million euro programme for *rice* has been set up to help Caribbean rice exporters, designed to enhance the efficiency and competitiveness of a sector which is heavily dependent on the European market.

Unrestricted, duty-free access for ACP *rum*, whose production and export is important for a number of Caribbean countries, is also foreseen under the ACP-EU Agreement. In view of the increasing liberalisation of the sector, the European Commission has launched a special 70 million euro programme for rum from the Caribbean, designed to encourage the industry to modernise, develop its marketing and diminish its environmental impact.

As specified in the Cotonou Agreement, the current trade system will be replaced by a wider economic partnership agreement (EPA) as from 1 January 2008. The aim of the EPA between the European Union and the Caribbean ACP countries⁶ is to promote regional integration and economic development. The EPA will support the ambitious regional integration process that is already under way, helping to maximise its benefits. The EPA will also build in

(⁶) Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.



© Atlantic LNG Company

Natural gas liquefaction plant in Trinidad and Tobago.

flexibility to reflect the socioeconomic constraints of Caribbean countries and will ensure stability because it will comply with WTO rules.

By combining trade relations with very substantial economic and development cooperation support, the EU's aim is to help its Caribbean partners seize the opportunities of the new global challenges, with all the requisite back-up measures, and addressing transition costs as appropriate.

A constructive agreement and dialogue with Cuba

Cuba is the only Caribbean country which has not concluded a cooperation agreement with the EU.

Cuba was admitted into the ACP group in 2000, although did not sign the Cotonou Agreement. Since October 2001, Cuba has been a member of CARIFORUM and has signed a "partial scope" free trade zone agreement with Caricom.

The EU Council adopted a Common Position on Cuba in 1996 which continues to define EU-Cuba relations, and is reviewed periodically. On the basis of this Common Position, the EU favours constructive engagement and dialogue with Cuba. The EU's

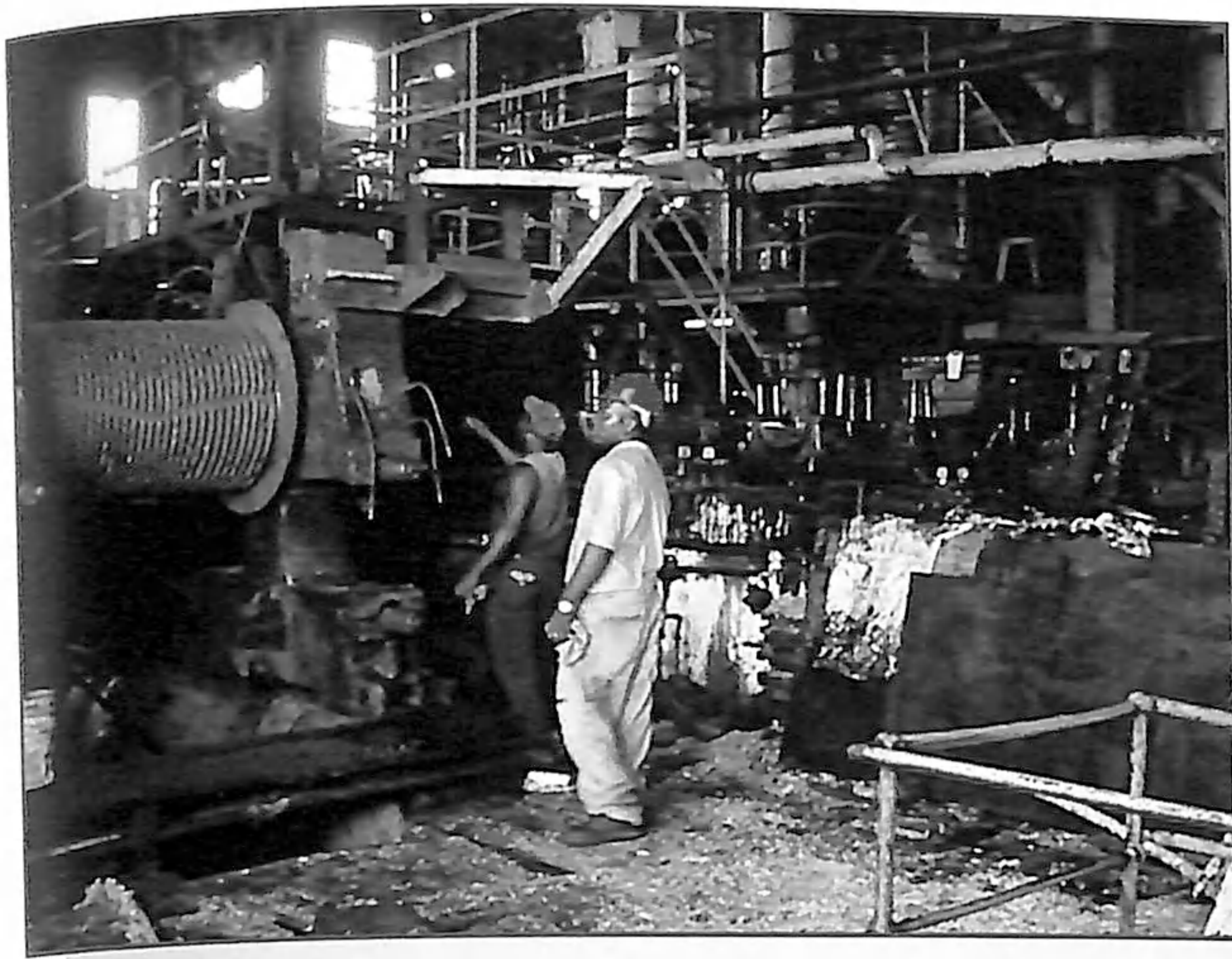
policy works towards encouraging a peaceful transition to democratic pluralism, the promotion of human rights and other fundamental freedoms, combined with economic recovery and improved living standards for the Cuban people.

Since cooperation with Cuba began in 1993, the Commission has financed close to € 145 million of assistance measures, mostly in the field of humanitarian aid (€ 90 million). In 2000 the Commission decided to phase out humanitarian aid and to prioritise



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A banana plantation in Jamaica.



© Déborah Kulbach — EC

Cane sugar processing plant in Jamaica.



© Déborah Kulbach — EC

A coffee producer in Jamaica's Blue Mountains.

projects promoting economic reform and civil society development. Since August 2003, Cuba has refused all bilateral aid coming from EU Member States and the European Commission. Only indirect aid, i.e. aid channelled through NGOs, foundations, UN agencies and local or regional authorities, is accepted by the government, albeit subject to severe restrictions as regards visibility and monitoring on the ground.

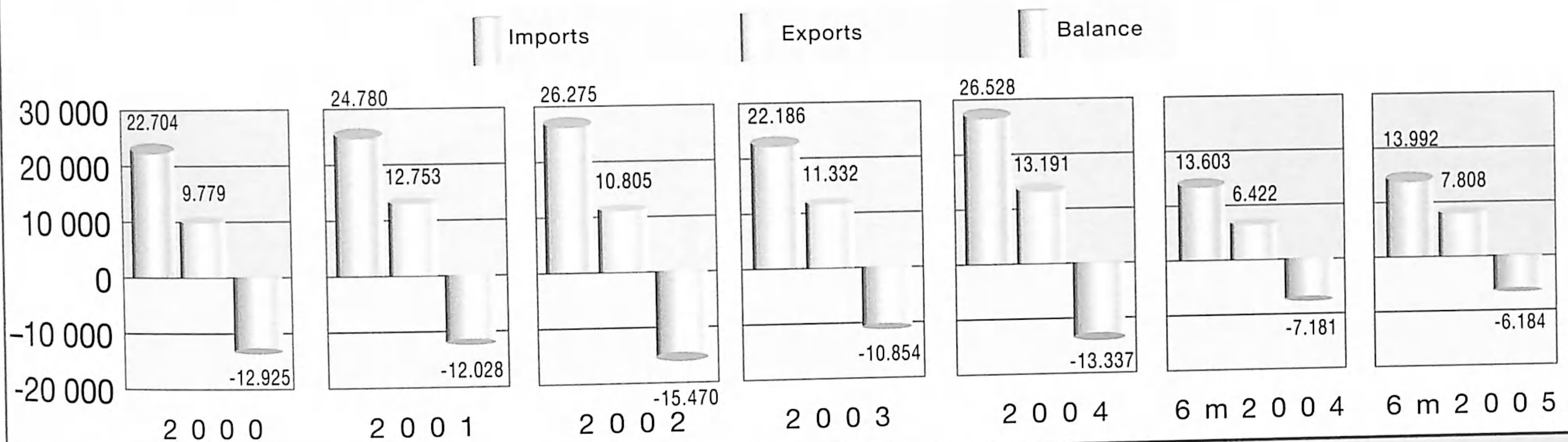
Finally, in terms of trade, the EU is Cuba's largest trading partner, with a third of all trade, almost one half of foreign direct investment and more than half of all tourists coming from Europe.

For more information see:

http://europa.eu.int/comm/development/body/country/country_home_en.cfm?cid=cu&lng=en&status=old

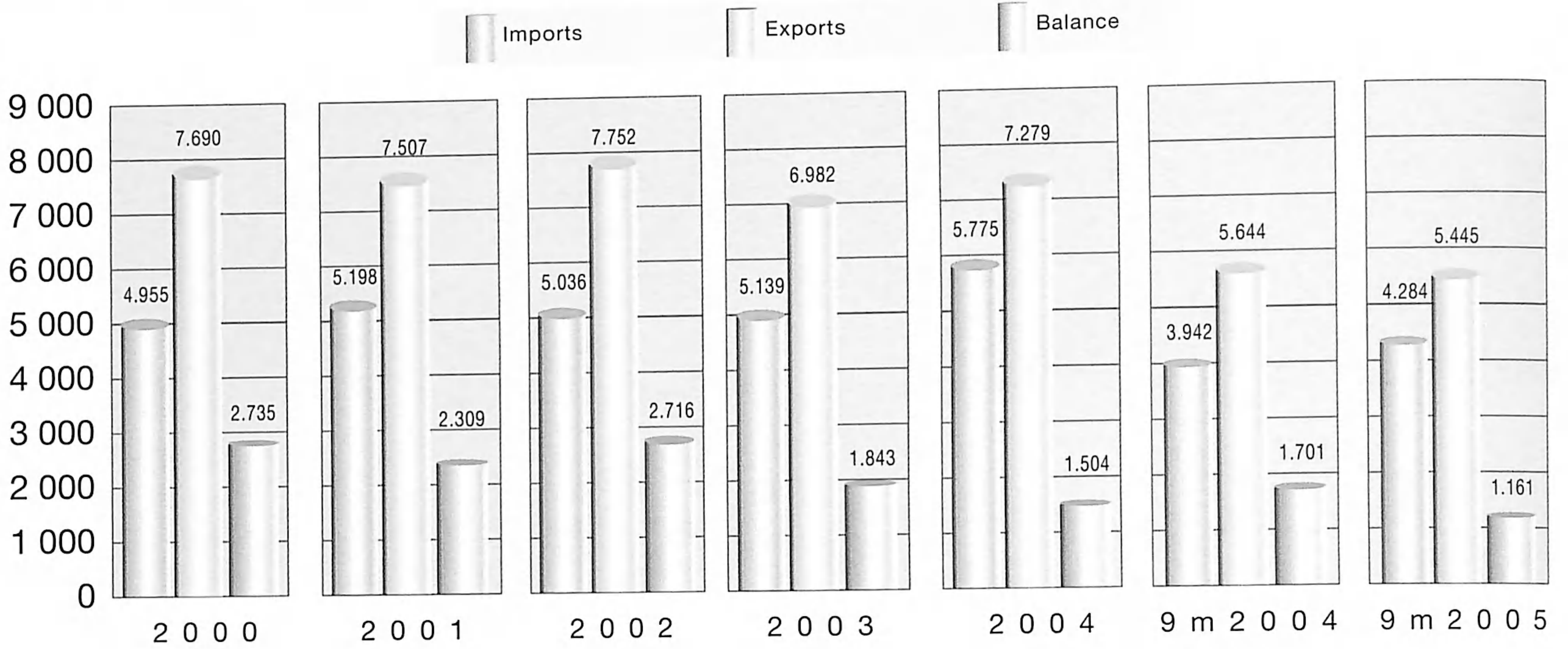
Caribbean trade with the world

EUR million
Source: IMF.



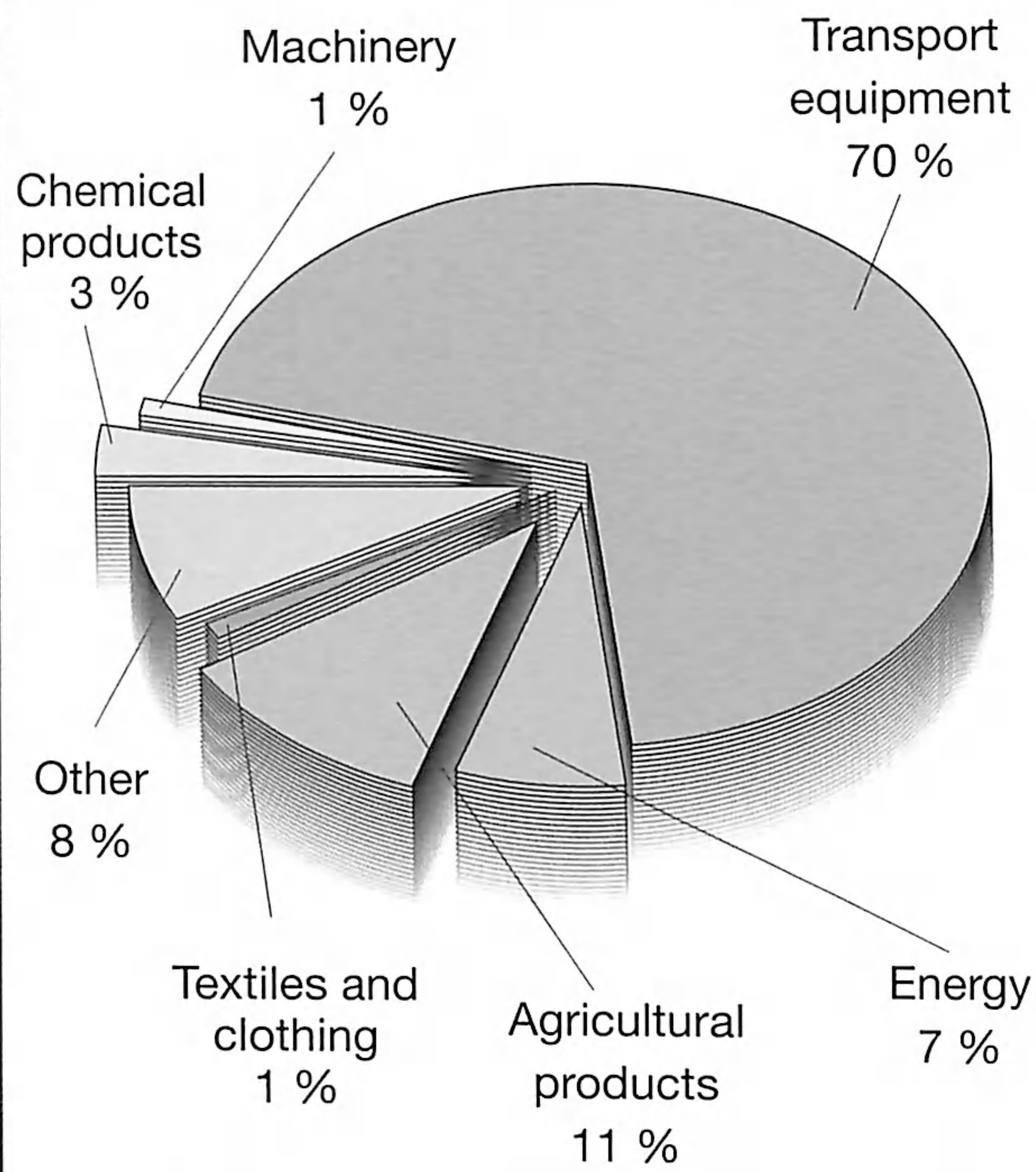
EU trade with the Caribbean

EUR million
Source: Eurostat.



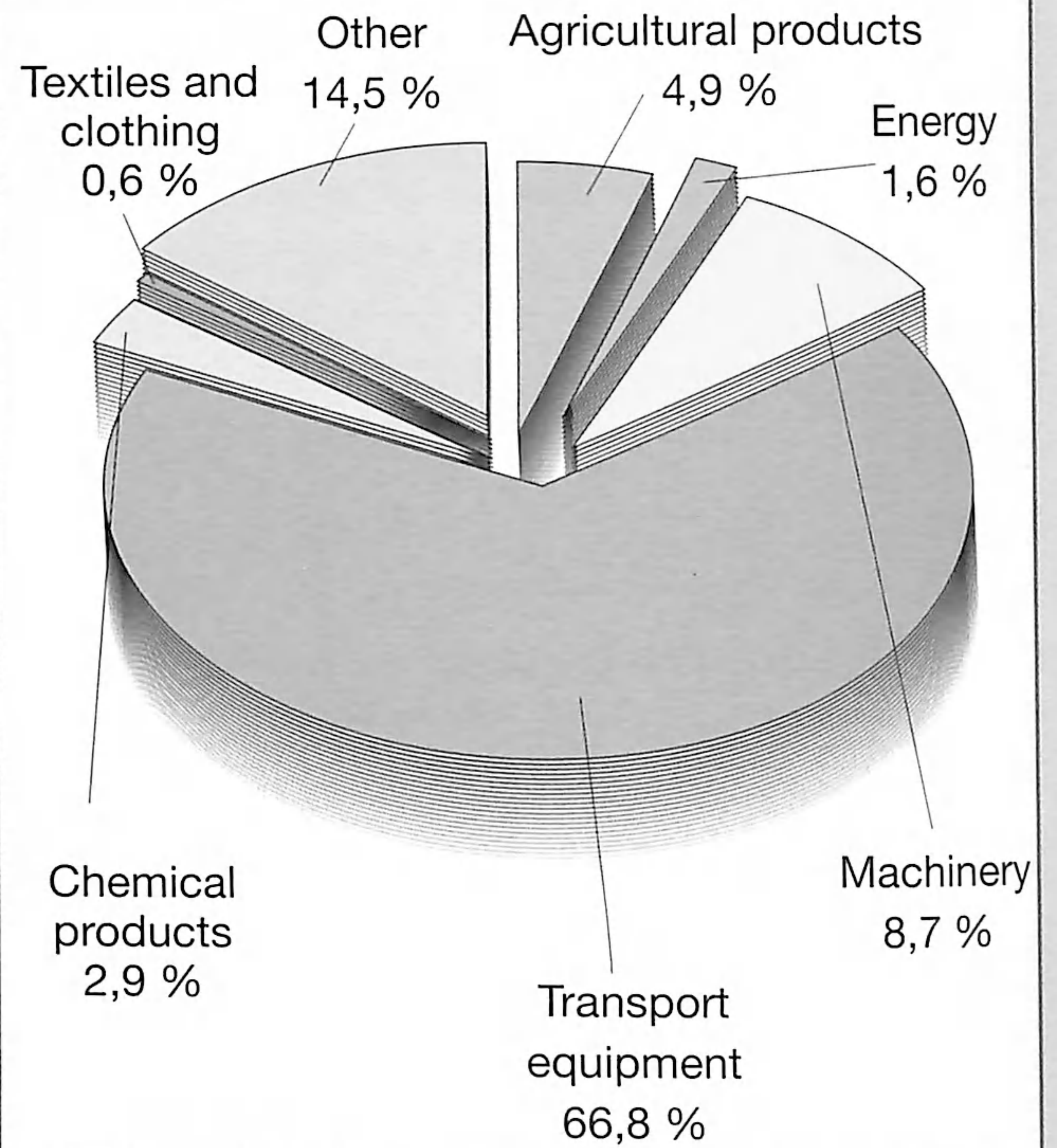
EU imports from the Caribbean (2004)

EUR million
Source: Eurostat.



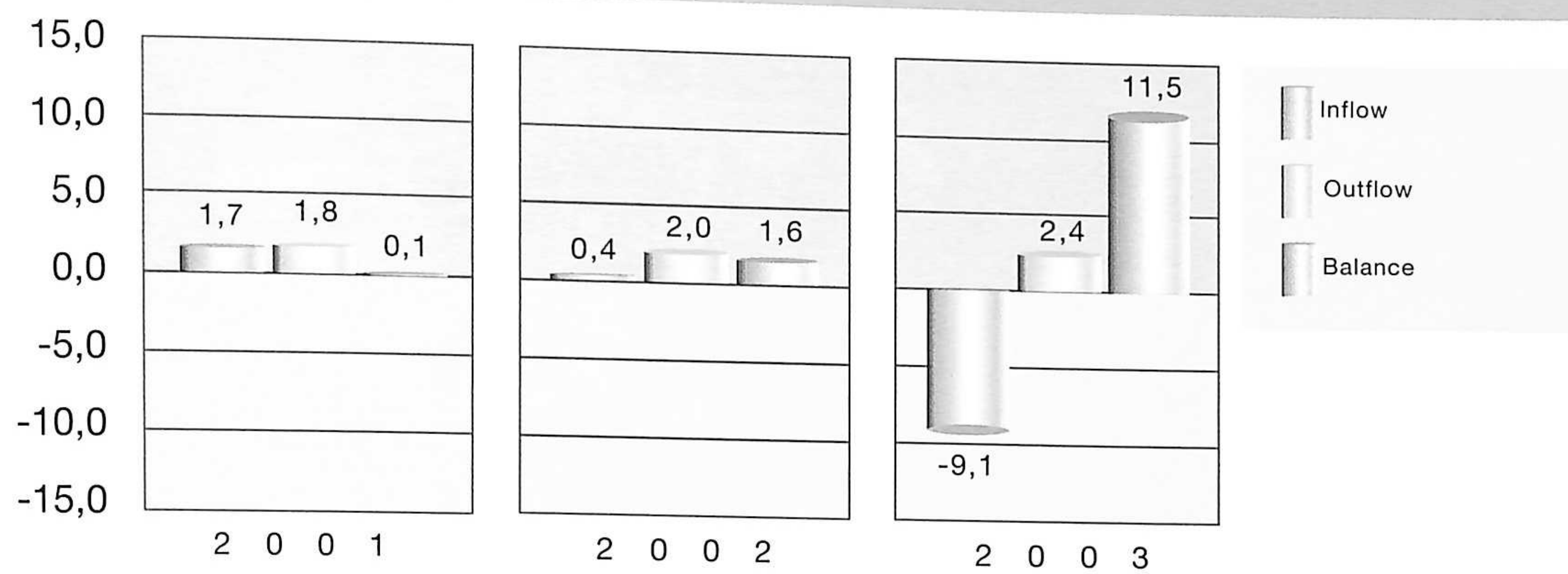
EU exports to the Caribbean (2004)

EUR million
Source: Eurostat.



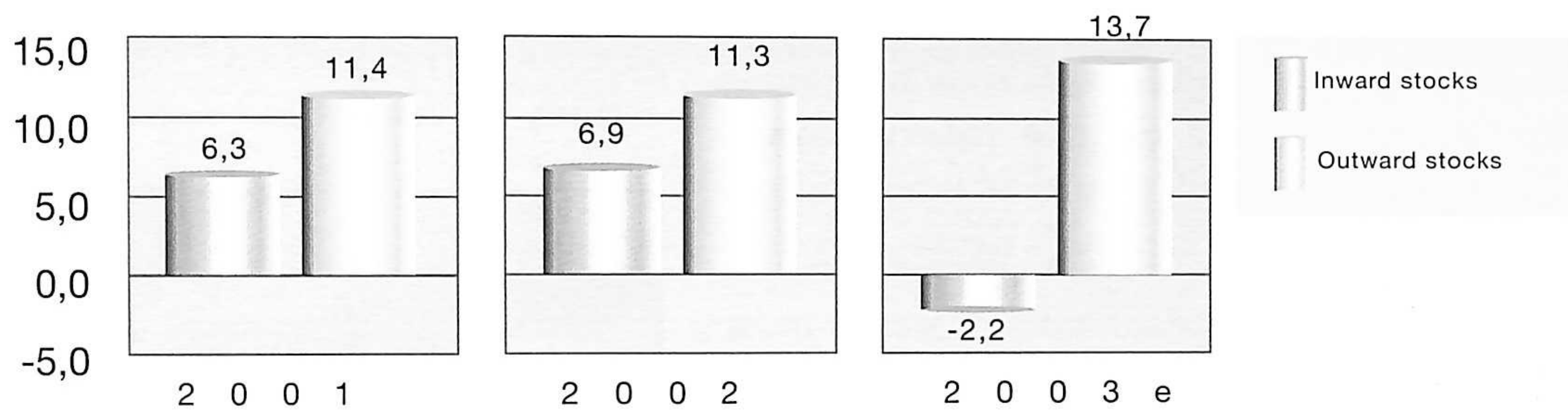
EU foreign direct investment in the Caribbean (flows)

EUR billion
Source: Eurostat.



EU foreign direct investment in the Caribbean (stocks)

EUR billion
Source: Eurostat.
e: estimated FDI (stock 2002 + flow 2003)



5. Bilateral relations with Mexico and Chile

5.1. The EU and Mexico

Mexico, the first Latin American country to sign a privileged partnership agreement with the EU

The Economic Partnership, Political Coordination and Cooperation Agreement signed in 1997, known as the “Global Agreement”, testifies to the **closeness and maturity of relations between the EU and Mexico**. It reflects not only the country’s **rise to prominence on the international scene** but the existence of common interests and shared values, particularly as regards democracy and human rights.

The Agreement governs all relations between the EU and Mexico, including **regular high-level political dialogue** on bilateral and international issues. A Joint Council, at ministerial level, meets once a year, and its work is prepared by a Joint Committee comprising European and Mexican civil servants. A successful dialogue with Mexican and European civil society has also been developed: a first forum took place in 2002 in Brussels and the second in Mexico in 2004.



© Caroline Grasso — EC

Church in Mérida, Yucatán State (Mexico).

A multifaceted cooperation strategy

Strengthening the rule of law, social development and economic cooperation are the main priorities in the EU cooperation strategy with Mexico for 2002–2006, with a financial package of EUR 56 million.

Economic cooperation has borne fruit since the entry into force of the Free Trade Agreement (FTA) in 2000, with Mexican organisations participating actively in various EU–Latin America regional pro-



© Marc Litvine — EC

Mexican boy.



© Marc Litvine — EC

Market in Mexico.

grammes. For example, some 3 700 Mexican companies have participated in events organised by the AL-Invest programme, which promotes alliances between companies in the EU and Latin America.

The Mexican Government and President Fox have put the emphasis on human rights issues and their commitment has inspired the EU to include Mexico as one of the priority countries in Latin America for the 2005–2006 European Initiative on Democracy and Human Rights. Various projects are supported under this initiative and numerous information forums organised.

The **Agreement on scientific and technological cooperation** between Mexico and the EU entered into force in July 2005. Its aim is to promote the establishment of long-term institutional alliances between research centres and to facilitate the participation of Mexican research institutes in the EC's framework programme for research and technological development.

Economic relations – a wealth of opportunities

When the FTA entered into force in 2000, trade relations between Mexico and the EU, its second most important trading partner, were enshrined in a new preferential framework which offered economic operators a wealth of opportunities, thereby helping to cement economic ties between the two partners.

The FTA provides for asymmetrical trade liberalisation, whereby the EU reduces tariffs on imports from Mexico faster than Mexico reduces tariffs on imports from the EU. Ever since 1 January 2003, Mexican exports of industrial goods (which represent 94% of Mexican exports to the EU) can enter the EU duty-free, while Mexico has until 2007 to bring about a similar level of liberalisation for EU products. Exports from Mexico consist basically of machinery, energy and transport equipment, while imports from the EU mainly involve the machinery, transport equipment and chemical sectors. The FTA also provides for preferential treatment in the service sector and has played a major role as a catalyst for investment flows, with over 7 200 companies with EU capital now doing business in Mexico and a growing number of Mexican companies investing in the European Union. Adjustments are currently being made to the FTA in the agriculture, services and investment sectors with the aim of increasing integration between the two economies.

Future prospects: a fresh impetus for the partnership

In view of the maturity of the bilateral relationship and the level of development Mexico has achieved, the EU and Mexico wish to strengthen their partnership. A new strategy is being drawn up aimed at improving links at all levels, particularly political level,

by strengthening dialogue. The modalities of cooperation must better reflect Mexico's potential and the international role it is preparing to assume. The relationship will be developed on an equal footing.

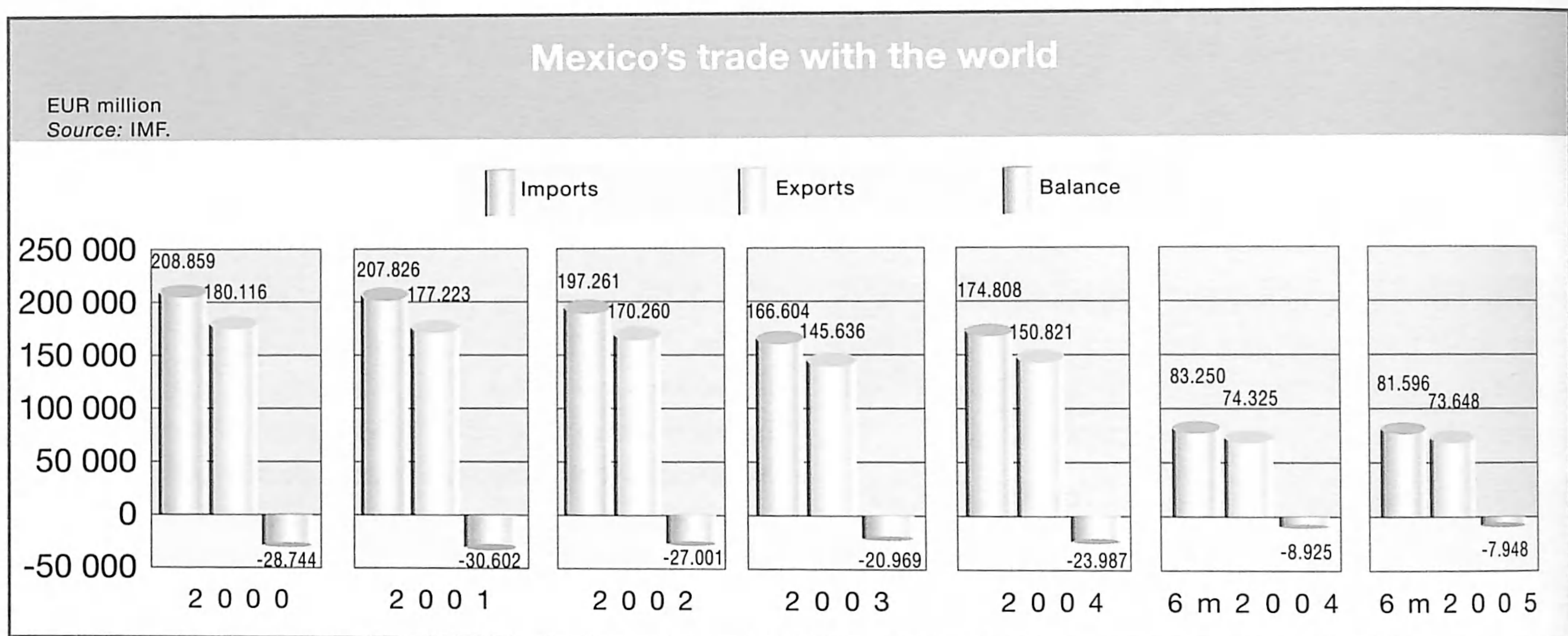
Proposal for a future cooperation strategy

The three new priorities for future EU-Mexico cooperation should be as follows:

- **Strengthening social cohesion** so as to reduce poverty and income disparities: the aim is to jointly identify problems and share European experience, to support internal reforms and to formulate policies specific to Mexico (tax, social, education policies, etc.). Other issues of relevance, such as gender inequality and the situation of in-

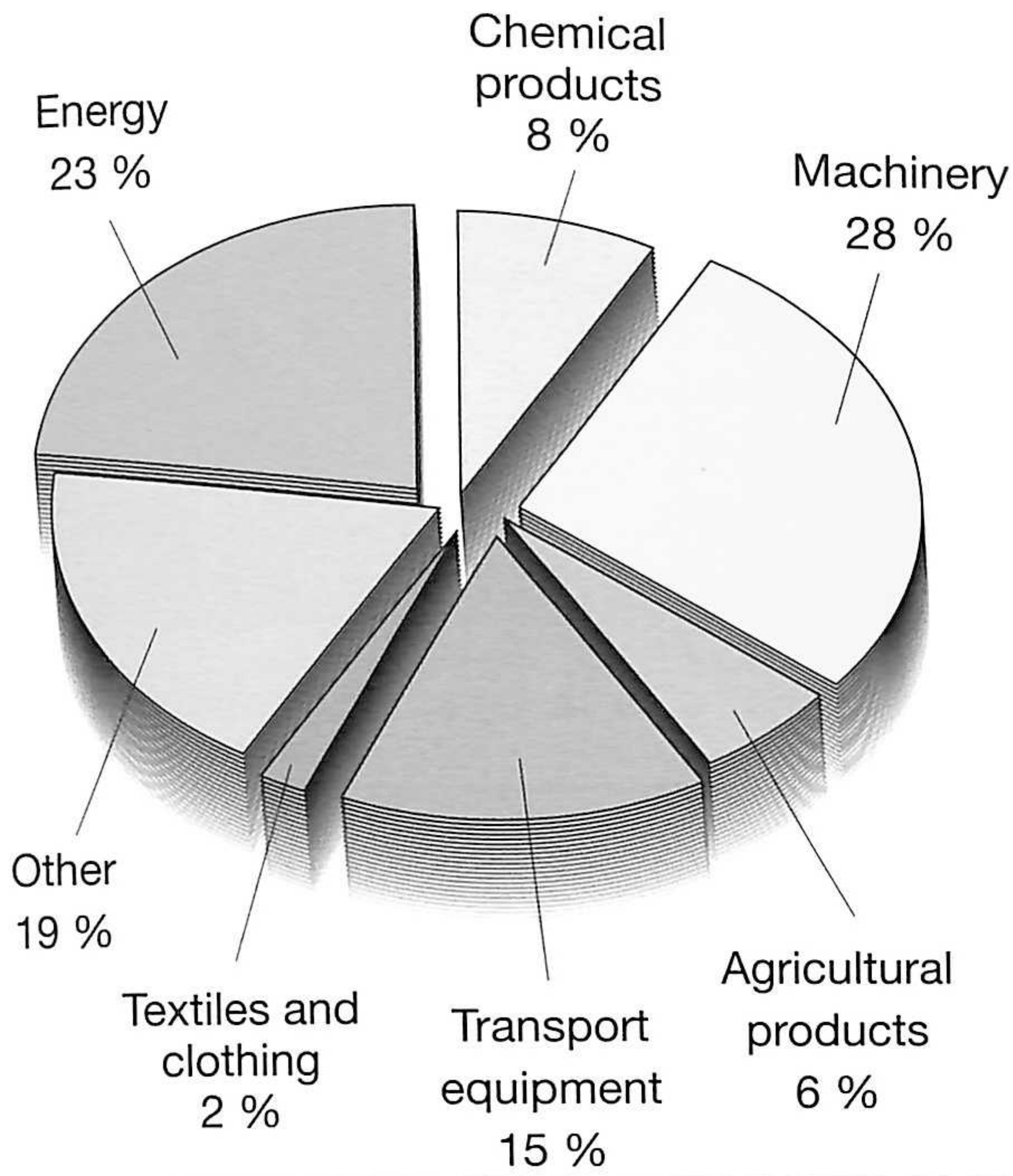
digenous populations, require particular attention and will therefore be afforded special treatment when specific policies are programmed.

- **The economy and competitiveness:** support for economic reform, regional development and decentralisation in order to exploit the full potential of the Global Agreement.
- **Education and culture:** the approach to these areas particularly conducive to fostering common values will involve the introduction of a specific programme of scholarships ("two-way" scholarships) and the creation of a special fund for information, dissemination and visibility in relation to EU action in Mexico.



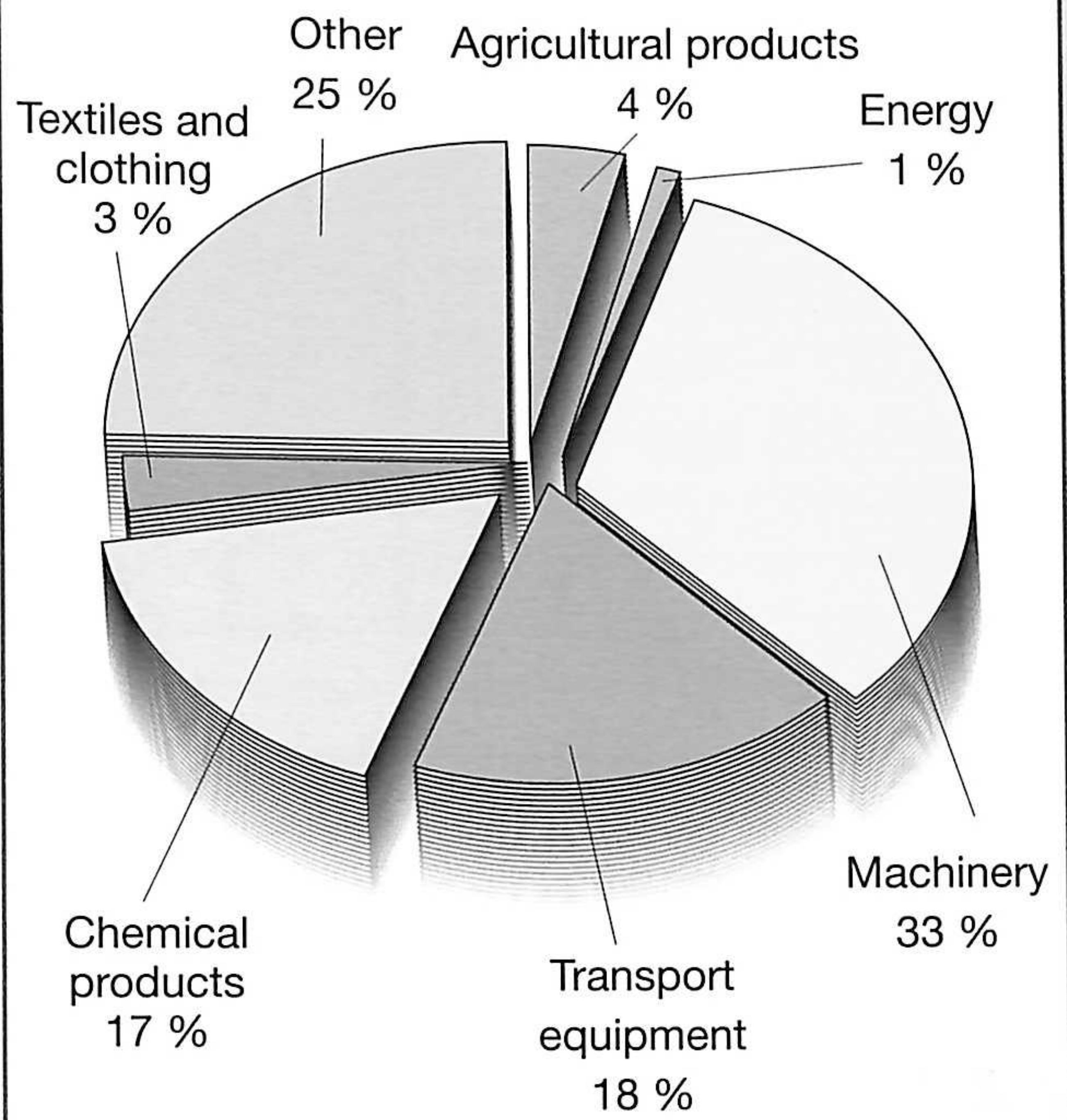
EU imports from Mexico (2004)

EUR million
Source: Eurostat.



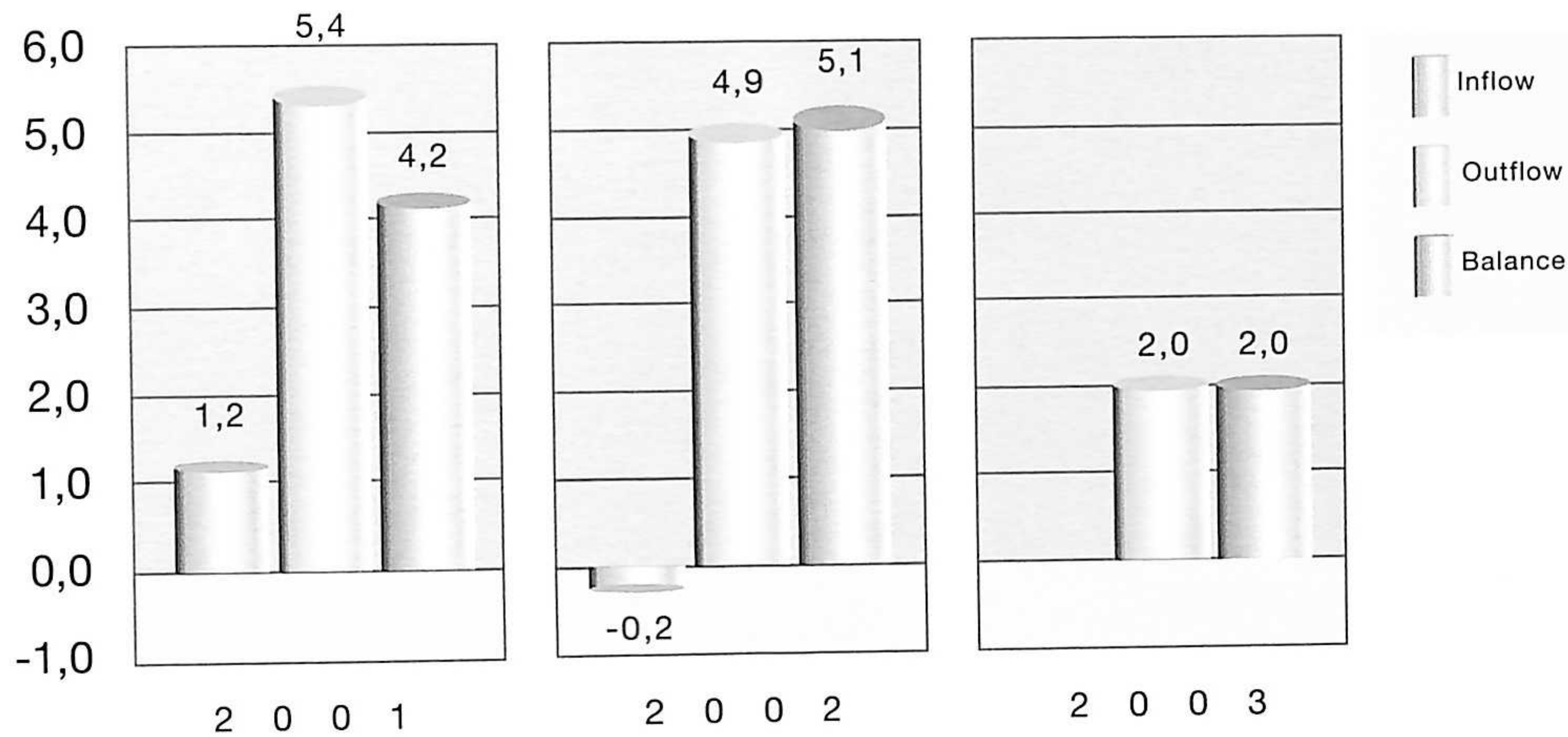
EU exports to Mexico (2004)

EUR million
Source: Eurostat.



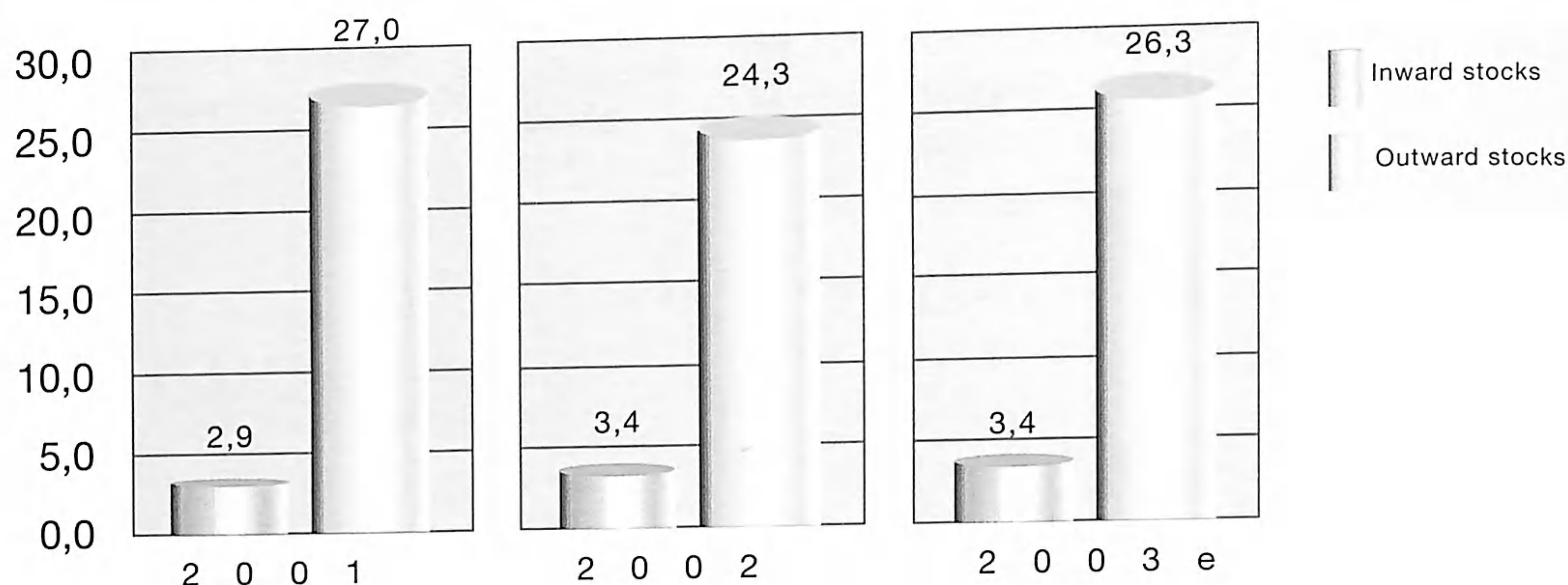
EU foreign direct investment in Mexico (flows)

EUR billion
Source: Eurostat.



EU foreign direct investment in Mexico (stocks)

EUR billion
Source: Eurostat.
e: estimated FDI (stock 2002 + flows 2003)



5.2. The European Union and Chile

The **Association Agreement** signed by the EU and Chile in 2002 entered into force in 2005 after ratification by all Member States. The Agreement is ambitious and truly innovative in a number of areas. It is the impetus behind a strategic partnership based on three pillars: political dialogue, trade and development cooperation.

Political dialogue meetings were held between the EU and Chile on a number of occasions in 2004 and 2005, covering a variety of topics, e.g. implementation of the Association Agreement, the political, economic and social situation in Latin America, Chile's role in the UN Security Council and Security Council reform, and Chile's involvement in a number of peace-keeping missions under the auspices of the United Nations and the EU.



Araucania Tierra Viva Project to promote the sustainable use of natural resources (Chile).

Strong political dialogue

In the political sphere, the Agreement provides for strengthening of the political dialogue between the EU and Chile through increased coordination of positions and joint initiatives in international fora. Both sides will also cooperate in the fight against terrorism. The dialogue is enhanced by increased consultation and involvement of the EU and civil society in Chile and by regular input from an Association Parliamentary Committee.

Cooperation for sustainable development

In the field of cooperation, the European Union and Chile are seeking to promote sustainable development, particularly in its social, economic and environmental dimensions. Practically all of the EUR 34.4 million allocated under the 2002-2006 country strategy paper has already been committed to programmes, e.g. the fund to support implementation of the Association Agreement (EUR 5 million); modernisation of the State (EUR 10.670 million); innovative businesses (EUR 17.2 million); and support for the administration of EU-Chile cooperation (EUR 530 000).



The Moneda Palace, seat of the Chilean Government.



Project to combat desertification in the Rio Hurtado region of Chile, co-financed by the EU.

Future cooperation should be geared to the following areas:

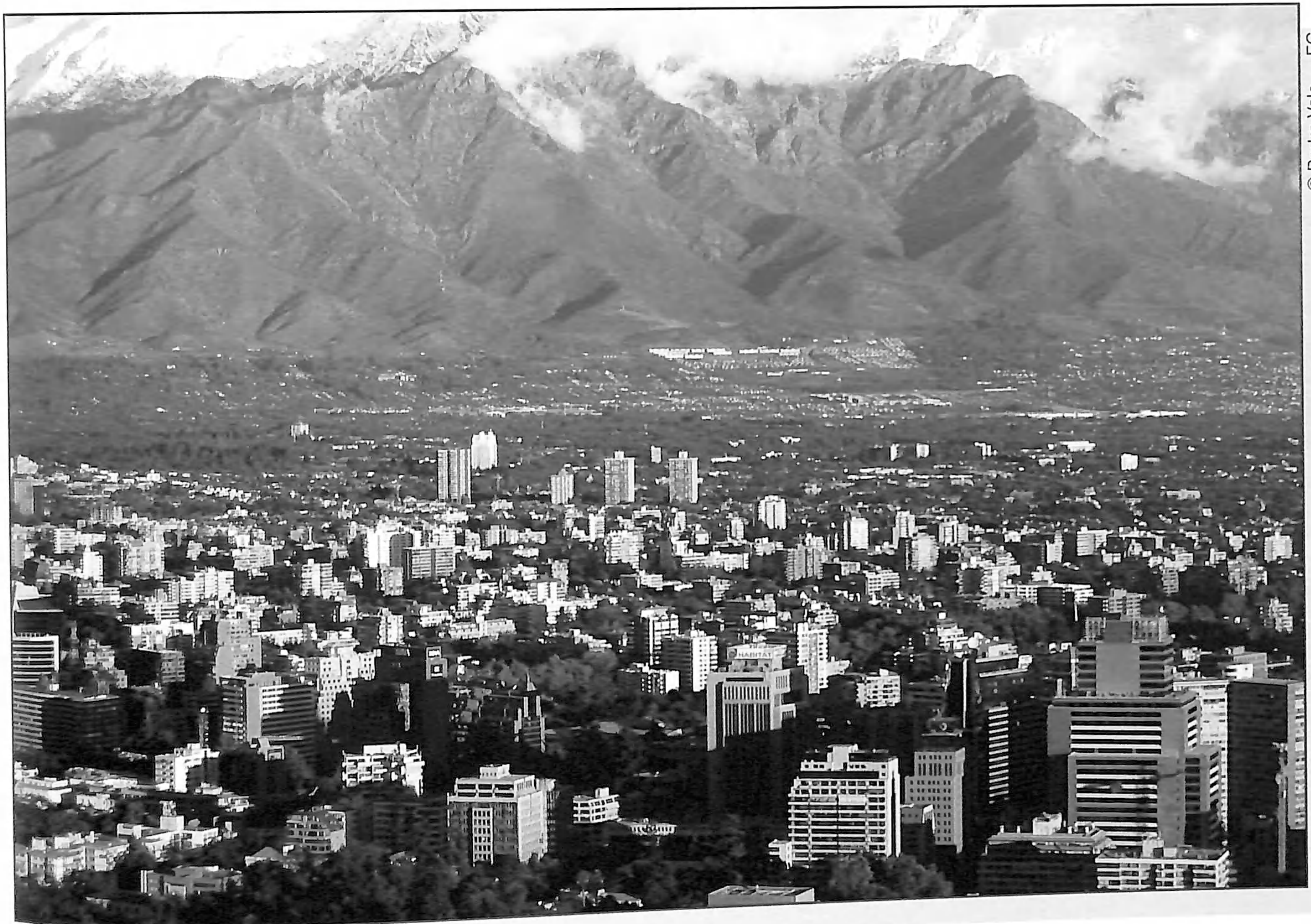
- Social cohesion
- Higher education
- Innovation and competitiveness

With a view to cooperation in the areas of science, technology and the information society, an EU-Chile Science and Technology Agreement was signed in 2002. It is aimed at opening a bilateral policy dia-

logue on research and technological development issues, improving scientific and technological cooperation between the two parties and increasing the investments in human and institutional capital, using the resources available in various European Commission programmes. Science and technology is one of the most dynamic sectors in EU-Chile relations and is an area where cooperation is highly effective and achieves excellent results.

In order to deepen our bilateral relations, the EU and Chile have started a dialogue on education policy, a key sector for both parties. An initial meeting on the subject of education took place between Commission representatives and their Chilean Government counterparts in March 2005. The aim of the dialogue is to exchange information on Chile's policies and on Community policies and programmes in this area.

In September 2005, a **dialogue on social policies and employment** between the EU and Chile opened in Santiago. The aim of this initial dialogue, which has proved a success, was to improve mutual understanding in relation to the diagnosis, strategies and policies for employment promotion and job creation in the EU and in Chile. An action programme has also been approved for implementation by both Par-



Santiago de Chile.

ties. The basic objective of these dialogues is to broaden and deepen relations between Chile and the EU.

On 6 October 2005, the EU and Chile signed a horizontal agreement on air transport for the first time.

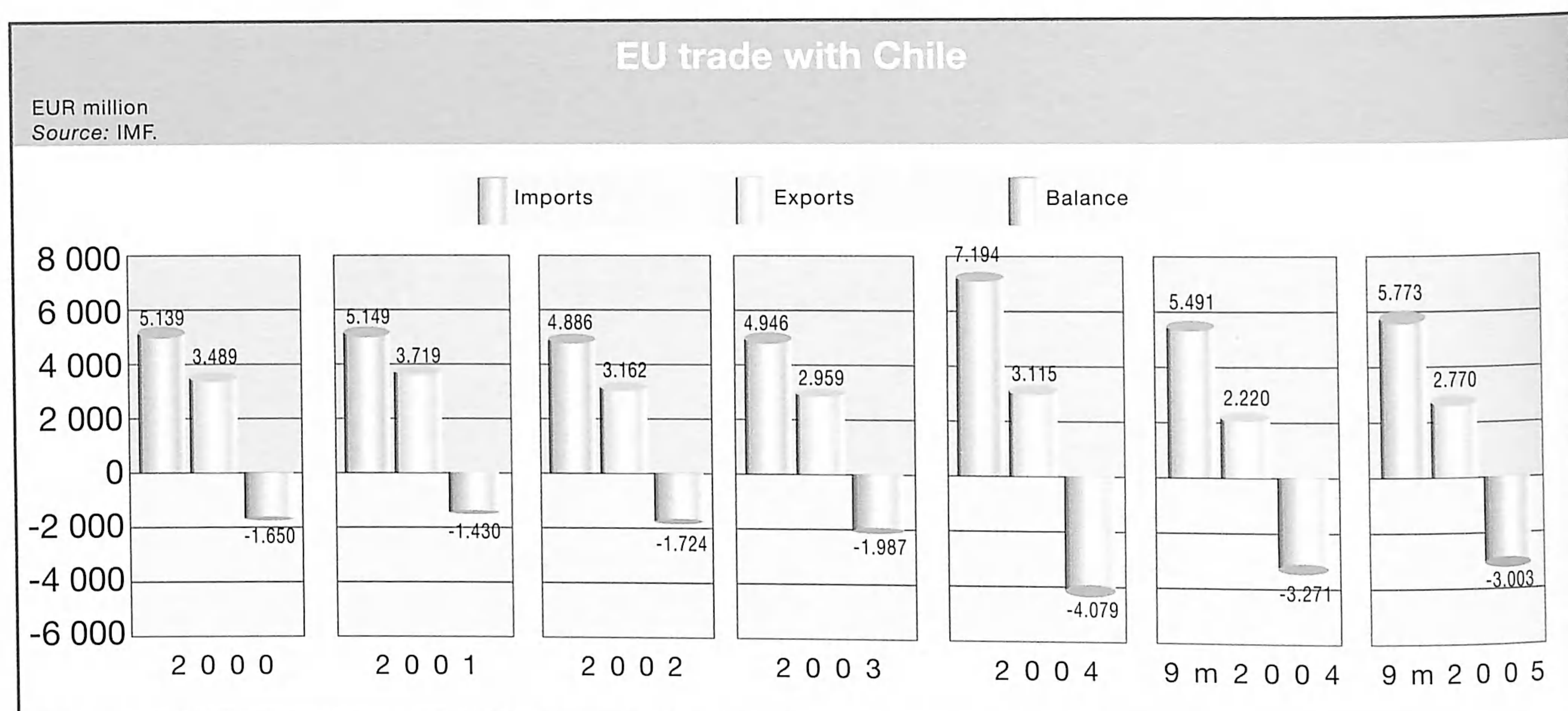
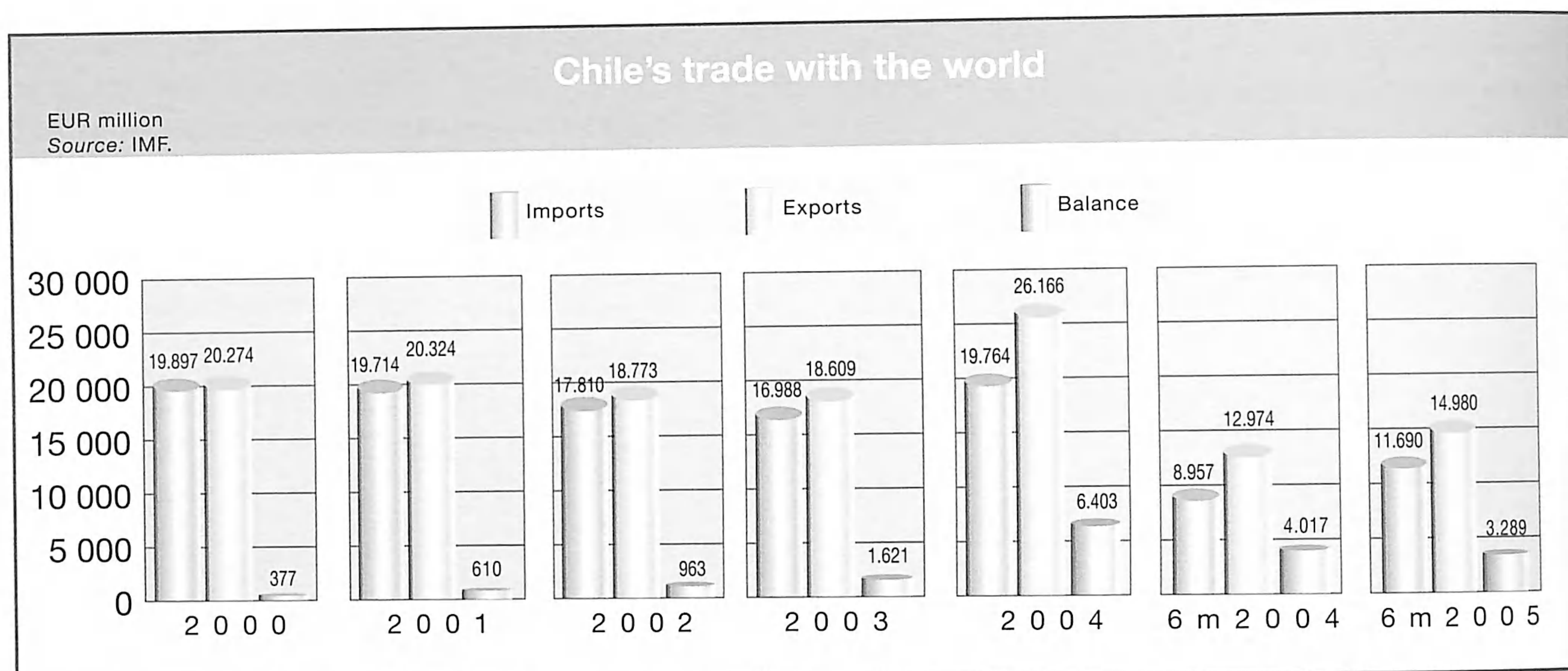
An innovative and ambitious free trade area

The trade part of the Association Agreement covers a wide range of areas. Chile and the EU have reached a **very ambitious and innovative agreement** that goes well beyond their respective WTO commitments. It establishes, for example, a free trade area in goods involving the **progressive and reciprocal liberalisation of trade in goods** over a maximum transitional period of 10 years, culminating in full liberalisation for 97.1% of bilateral trade. The European Union is not only Chile's biggest trading partner, but

also the leading foreign investor. Since the free trade area came into effect, both sides have started to see the signs of greater dynamism in bilateral trade. EU imports from Chile derive principally from the minerals (and derivatives) and agrifood sectors, while EU exports to Chile consist mainly of machinery, transport equipment and chemical products. The agreement also establishes a free trade area in services, provides for the liberalisation of investment and includes rules to facilitate trade in wines and spirits. It provides for the reciprocal opening-up of government procurement and for the adequate and effective protection of intellectual property rights. Implementation of the trade provisions of the Agreement has been smooth.

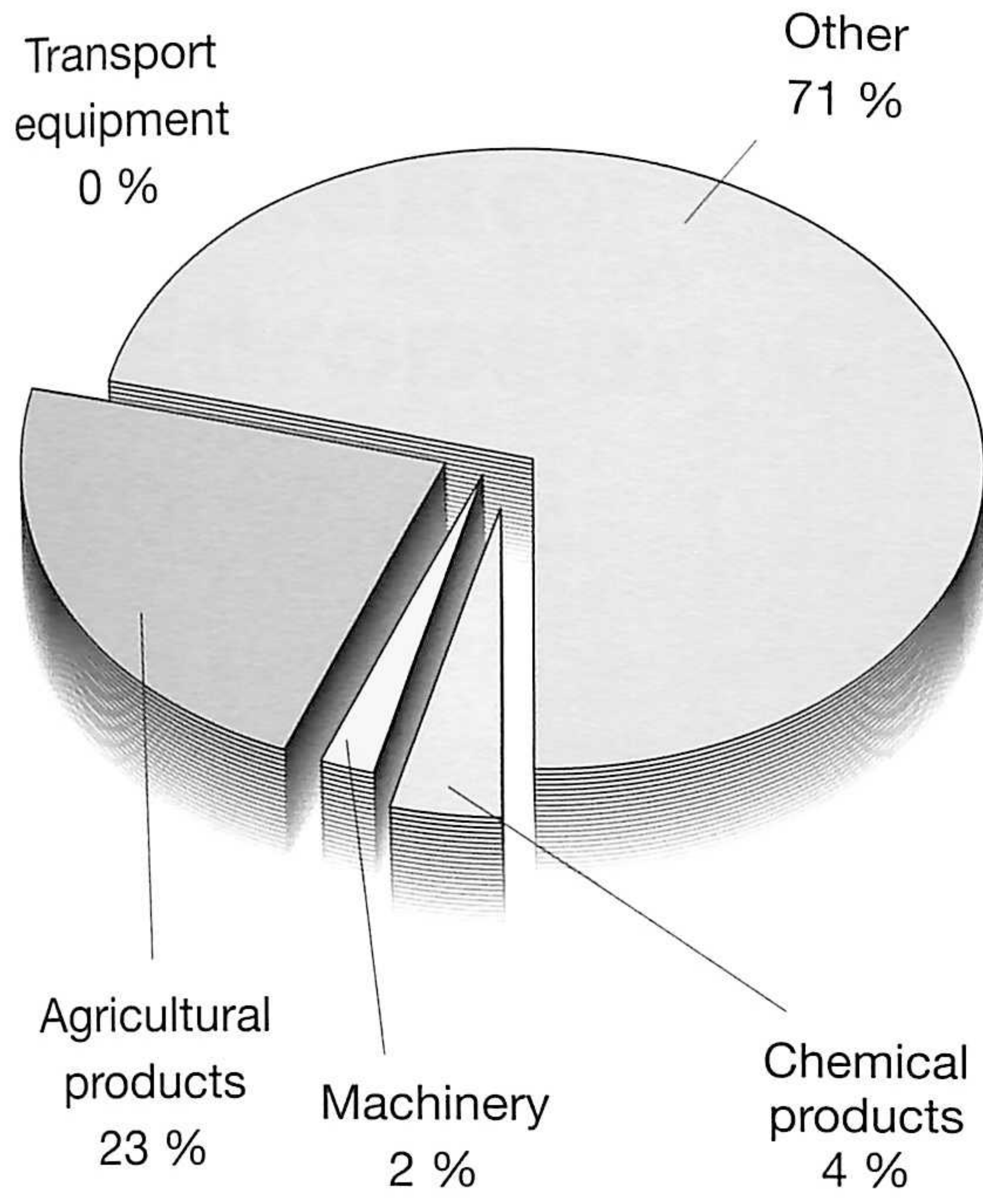
More information:

http://europa.eu.int/comm/external_relations/chile/intro/index.htm



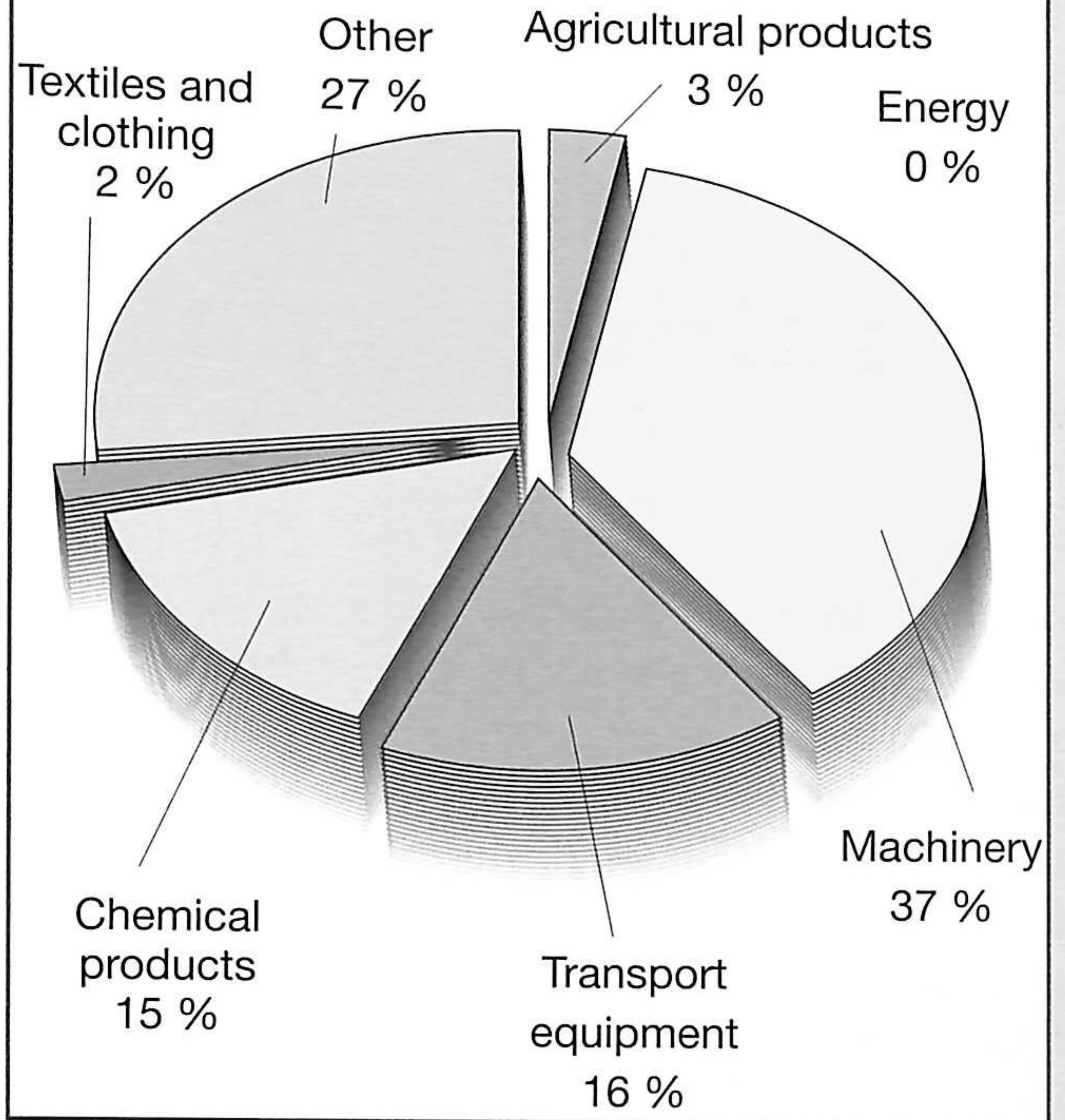
EU imports from Chile (2004)

EUR million
Source: Eurostat.



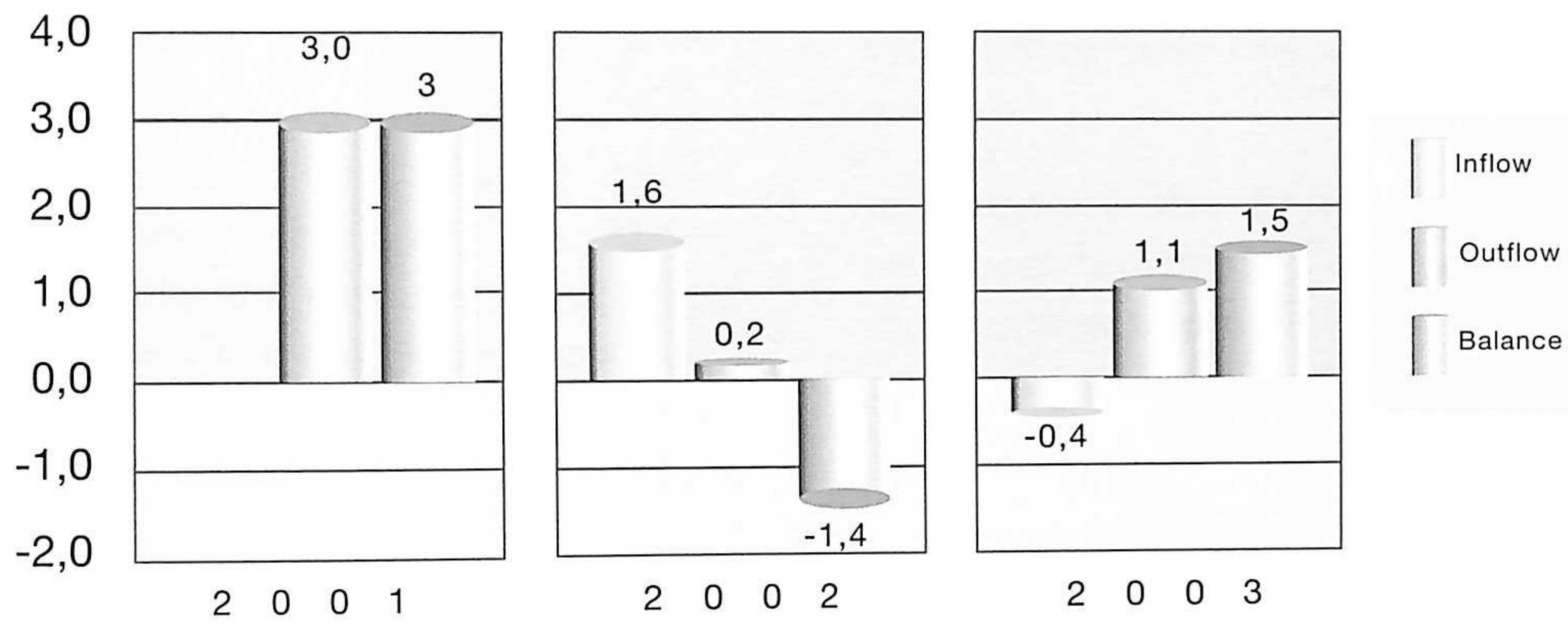
EU exports to Chile (2004)

EUR million
Source: Eurostat.



EU foreign direct investment in Chile (flows)

EUR billion
Source: Eurostat.

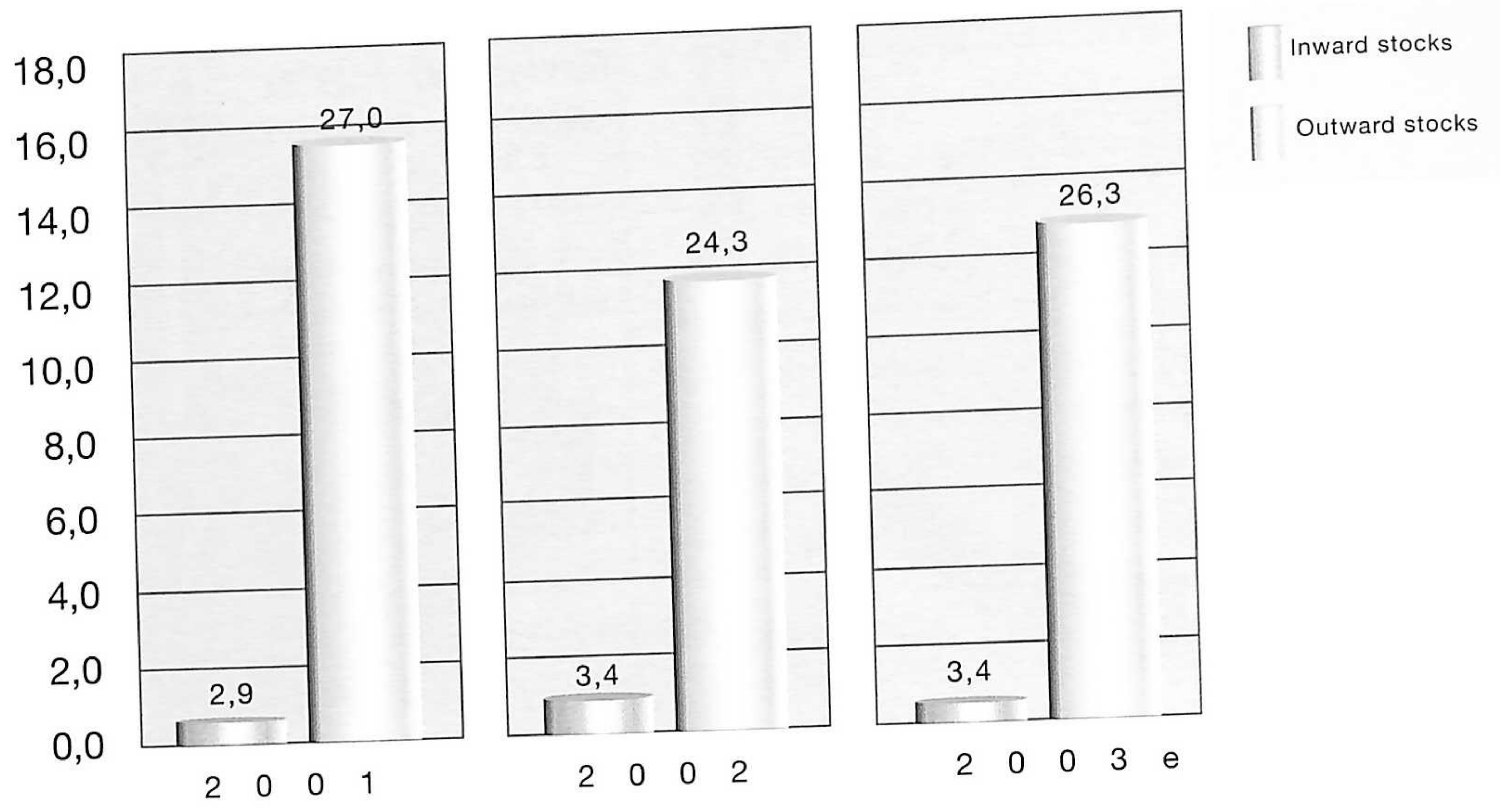


EU foreign direct investment in Chile (stocks)

EUR billion

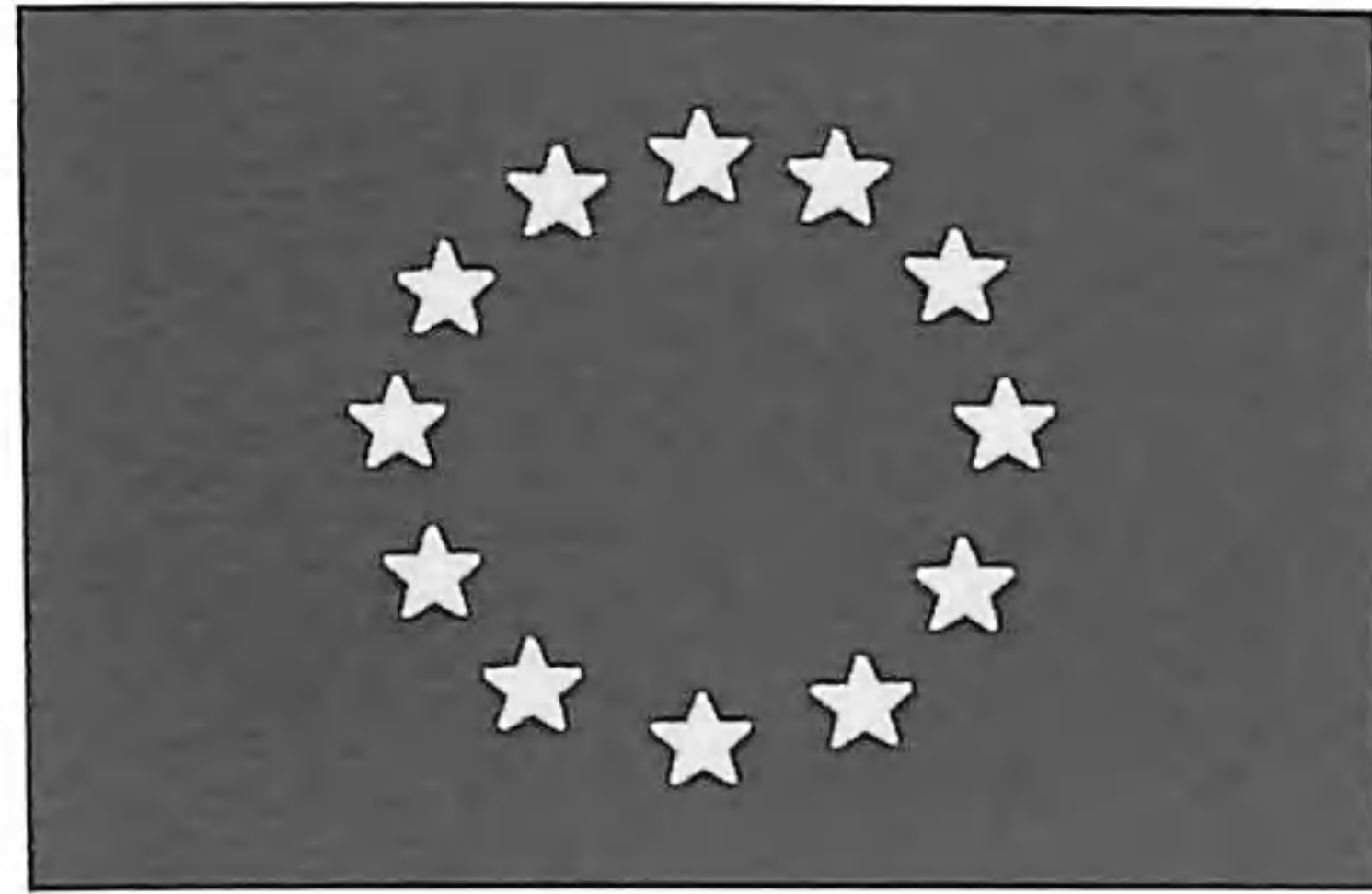
Source: Eurostat.

e: estimated FDI (stock 2002 + flow 2003)



6. EU humanitarian aid to Latin America and the Caribbean: European Commission activities

EUROPEAN COMMISSION



Humanitarian Aid

Set up in 2002, the European Commission's Humanitarian Aid department (ECHO), funds relief operations for victims of natural disasters and conflicts outside the European Union. Aid is implemented neutrally and impartially, straight to victims, regardless of their race, ethnicity, religion, gender, nationality or political affiliation.

The funds are used to finance humanitarian agencies (NGOs, UN agencies or the Red Cross family) and help them mobilise goods and services, e.g. food, clothing, shelters, medical care, water supplies, urgent repairs and mine clearance. The Commission also finances disaster-preparedness measures and the reduction of risks related to natural disasters in vulnerable areas.

6.1. Population displacement - Colombia

Colombia has one of the world's largest displaced populations, with between 2 000 000 and 3 840 000 people forcibly displaced since 1985⁷ and more than 287 000 newly displaced in 2004.⁸ Since 1994, the Commission has provided a total of EUR 100 million in humanitarian aid to internally displaced people (IDPs) and other vulnerable groups affected by the civil conflict. It is estimated that approximately

150 000 people per year benefit from this assistance. The priorities for action involve protecting and assisting both those remaining in the country who are affected by displacement, economic blockage or confinement, and those fleeing to neighbouring countries. Relief work is geared primarily to helping those that the relevant national agency, Red de Solidaridad Social,⁹ and other State institutions are unable to assist. ECHO works together with the Red Cross movement, UN agencies and European NGOs.

The Commission's humanitarian aid strategy is:

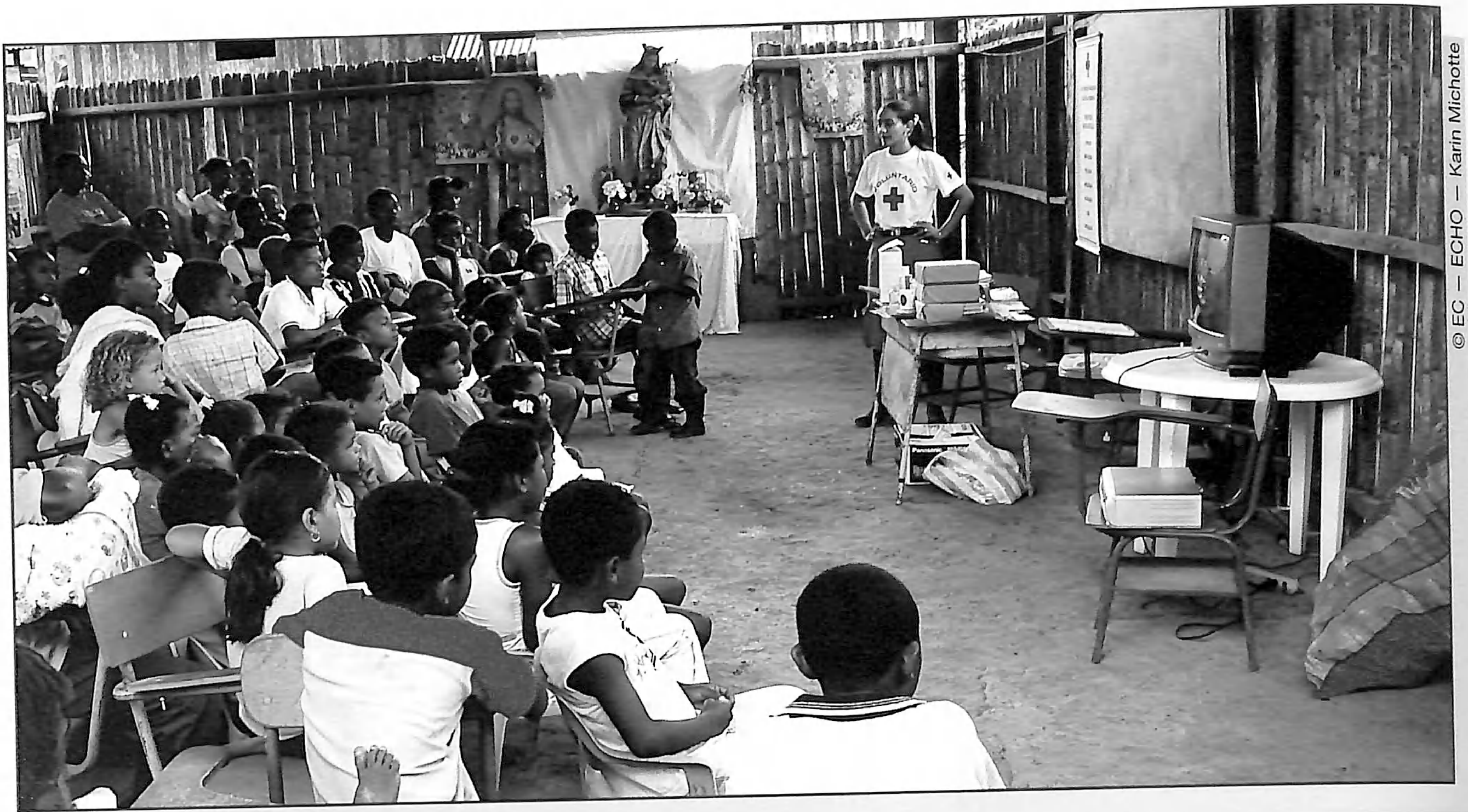
- to ensure **basic relief** for IDPs in all regions of the country immediately following displacement (through the ICRC and the World Food Programme) and through NGOs on a case-by-case basis;
- **to improve the living conditions**, restore a minimum level of self-reliance and promote the social integration of IDPs in rural areas in the regions most affected (through European NGOs and European National Red Cross Societies);
- to improve **protection** for people affected by the conflict, in particular children, who are vulnerable to recruitment by armed groups;
- and to increase the **exchange of information** among humanitarian organisations in order to improve the coordination and quality of humanitarian assistance (through OCHA, the United Nations Office for the Coordination of Humanitarian Affairs).

ECHO actively coordinates with other Commission departments and with the EC Delegation in Bogotá, in order to enhance the links between relief, rehabilitation and development.

⁽⁷⁾ Figures provided by the Government and CODHES (Consultoría para los Derechos Humanos y el Desplazamiento).

⁽⁸⁾ Source: CODHES.

⁽⁹⁾ Between January and October 2005, 43 548 persons were assisted by the ICRC.



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Personal hygiene awareness programme for displaced families (Narino, Colombia).

6.2. Natural disasters

Central America

Central America has been a major area of operations dealing with the impact of natural disasters since ECHO was created in 1992. The Commission has been involved in assisting the victims of hurricanes, tropical storms, earthquakes, volcanoes, droughts and floods in the region. These natural phenomena pose a constant major threat and are on the increase across Latin America.

In 2004/2005, the Commission provided more than EUR 7.5 million in aid to the region for traditional relief operations and EUR 6 million for disaster-preparedness activities.

The Commission was also active in **Guatemala** in 2003/2004 on the improvement of medical coverage for indigenous peoples in isolated rural areas, also funding direct nutritional support for severely malnourished children in some remote areas.

In 2004, when **Hurricanes Charley and Ivan** hit **Cuba**, the Commission provided EUR 1 million in aid to cover basic necessities and repairs to storm-damaged houses, schools and sanitation systems.

In October 2005, **Hurricane Stan** wrought havoc in **Guatemala** and **El Salvador**. El Salvador was struck again when Mount Ilamatepec erupted. The Commission responded by financing emergency relief operations for a total of EUR 5.7 million. In less than 24 hours it mobilised emergency aid in the

form of shelters, clean drinking water supplies, first aid and hygiene kits and food rations. It ensured primary health care for the hardest hit families in both countries. In November, a further decision was taken on additional aid to the two countries.

In 2006 ECHO is to open a local office in Guatemala to help monitor at close hand the 2005 aid package and the aid earmarked for victims in both countries in 2006.

Latin America

ECHO also operates as and when required in other Latin American countries such as **Ecuador, Bolivia, Peru and Paraguay**, where natural catastrophes are a recurrent phenomenon. The Commission prioritises assistance to the most vulnerable when local capacities are not sufficient to cope with major disasters. Other humanitarian aid projects that it finances include disaster-preparedness activities. Between 1999 and 2005, Commission humanitarian aid to Latin America (excluding support for Colombian IDPs and DIPECHO activities) amounted to more than EUR 29.5 million.

ECHO's initial response to natural disasters includes the provision of essential relief such as temporary shelters, water supplies, distribution of food aid and emergency packages (e.g. cooking utensils and hygiene products), emergency and basic medical care, the rehabilitation of sanitation systems and epidemiological surveillance.

The Caribbean

The 2004 hurricane season tragically confirmed how vulnerable the Caribbean is to natural disasters. In 2004 and 2005 the Commission allocated **more than EUR 25.3 million in humanitarian aid**, mostly to deal with the aftermath of extreme weather and floods, but also humanitarian crises caused by the social and political situation in Haiti.

In September 2004, **Hurricane Ivan**, a category 5 storm, raged through the **islands of Grenada and Jamaica**. Ten relief operations were financed for a total EUR 4 million to assist the most vulnerable sections of the population in both countries. In 2006 ECHO will continue to support a project to repair housing on Grenada, including a disaster-preparedness component.

In September 2004, **Hurricane Jeanne** – a category 3 storm – struck three countries: the **Dominican Republic, Haiti** and the **Bahamas**. The Commission contributed a total of EUR 5.08 million to the financing of 15 projects.

The Commission also mounted a humanitarian response following the floods which hit the **Dominican Republic** and **Haiti** outside the hurricane season in May 2004 and January 2005.

Since the start of 2004, a further EUR 9.3 million has been allocated to Haiti to meet humanitarian needs caused by the country's social and political situation. 25 projects have been financed in the health, water, sanitation and food security sectors.

6.3. DIPECHO: the natural disaster prevention and preparedness programme

The Andean Community, Central America and the Caribbean are just three of the six regions covered by the **DIPECHO** programme. This programme addresses disaster preparedness and getting the community organised in the regions that are most vulnerable and most frequently affected by natural disasters. Its aim is to boost the capacities of those at risk to respond to, prepare for and protect themselves from unavoidable natural disasters in order to save lives and avoid economic losses. Activities running under the programme include:

- raising awareness and direct training in zones at risk,
- building local response capacity,
- setting up and strengthening early warning systems,



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Las Maduras, Retalhuleu (Guatemala) - distribution of first aid in the wake of Hurricane Stan.

— organising relief services and minor works to help lessen the impact of disasters.

DIPECHO is targeted primarily at the most vulnerable sections of the local community (physical, social, cultural, economic and environmental factors), but also at local, district, national and regional authorities. **The programme has shown that even simple and inexpensive precautions can help save lives and reduce the devastating impact of a natural disaster.** In the period 2000 to 2005, total spending on DIPECHO projects in central America, the Andean Community and the Caribbean amounted to EUR 34 million.



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Construction of this bridge with DIPECHO funding has stopped the village being cut off when the Santa Rosa floods (Nicaragua).

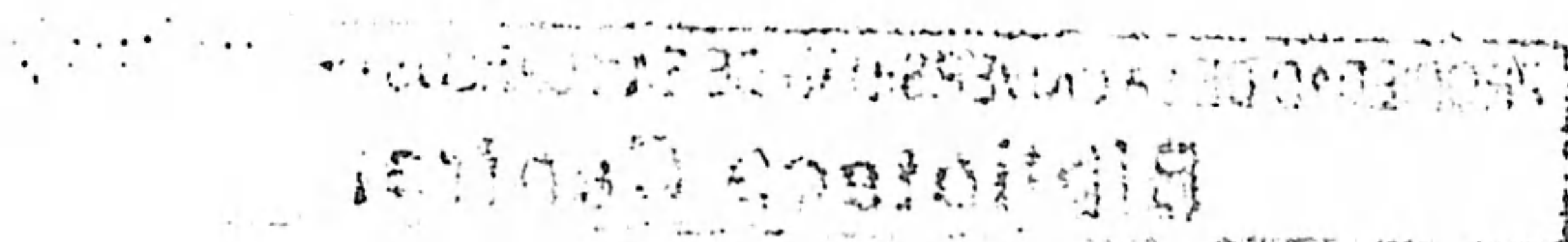
More information:

http://europa.eu.int/comm/echo/index_fr.htm



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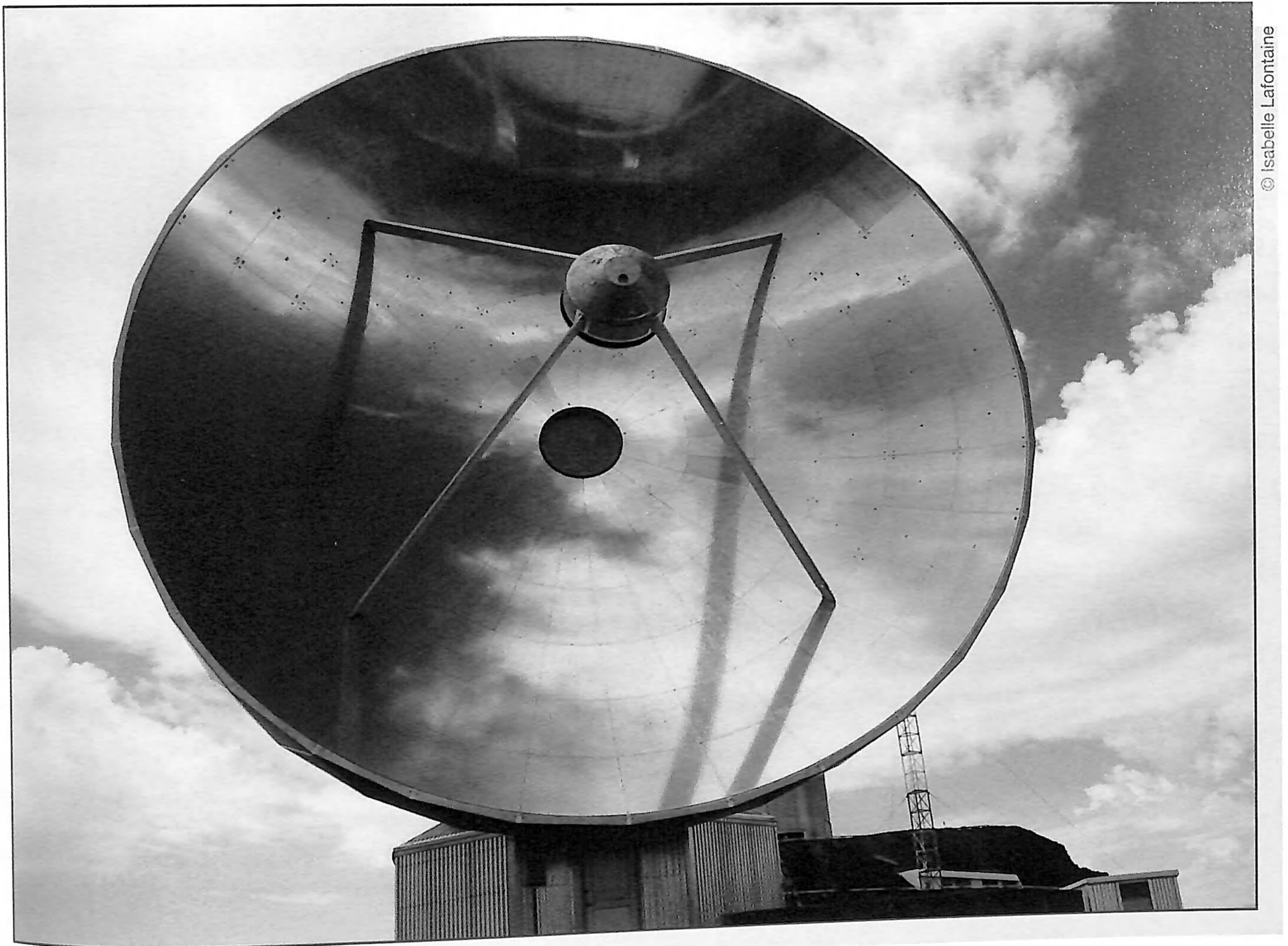
The DIPECHO natural disaster prevention and preparedness programme teaches children how to react when a volcano erupts. Ecuador.



Conclusion

The European Union, Latin America and the Caribbean have gradually developed a forum for consultation and dialogue characterized by frank and fruitful cooperation and by considerable progress, for instance in the fields of promoting democracy and regional integration.

The fourth Summit of Heads of State and Government of the two regions, to be held in Vienna in May 2006, will ensure the continued strengthening of the strategic partnership between the two regions. It demonstrates that Latin America, the Caribbean and the European Union are not simply important trade partners, but also key interlocutors because of their strong historic ties and the values they share.



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La Silla (Chili).

Timeline of EU-Latin America/ Caribbean relations

- 1952** Establishment of the European Coal and Steel Community resulting in the integration process which was to lead to the “European Union” in 1992
- 1969** Establishment of the Andean Pact, to become the Andean Community in 1996 (Treaty of Trujillo)
- 1973** Establishment of CARICOM: Caribbean Community and Common Market (Treaty of Chaguaramas)
- 1974** Start of the biennial European Parliament and Parlatino Conferences
- 1975** Establishment of the ACP Group (Africa, Caribbean and Pacific) and signing of the First Lomé Convention (EU-ACP)
- 1976** Initial cooperation activities between the EU and Latin America, including certain Caribbean countries which were not members of the ACP at this date
- 1983** Signing of the first cooperation agreement between the EU and the Andean Pact
- 1984** Launching of the San José dialogue between the EU and the Central American countries
- 1985** Signing of the EU-Central American Cooperation Agreement
- 1986** Establishment of the Rio Group
- 1990** Rome Declaration establishing political dialogue between the EU and the Rio Group
- 1990** Lomé IV (EU-ACP), accession of Haiti and the Dominican Republic
- 1991** Signing of the Treaty of Asunción establishing Mercosur (Common Market of the South)
- 1992** Establishment of Cariforum
- 1994** Signing of the Ouro Preto Protocol consolidating and institutionalising the Mercosur process
- 1994** 4th ministerial meeting between the EU and the Rio Group in Sao Paulo: adoption of a declaration on “partnership”
- 1995** Communication from the European Commission: “European Union – Latin America: the present situation and prospects for closer partnership 1996-2000” - COM (95) 495
- 1996** 1st meeting of the high-level dialogue between the EU and the Andean Community on combating drugs following the signing in 1995 of the agreements on “precursors”
- 1997** Signing of the agreement on an economic and political partnership and cooperation with Mexico
- 1999** Communication from the European Commission: Communication from the European Commission on “A new European Union – Latin American partnership on the eve of the 21st century” - COM (99) 105
- 1999** 1st EU-Latin America /Caribbean Summit, Rio de Janeiro

- 1999 Launching of negotiations for an Association Agreement between the EU and Mercosur
- 2000 Communication from the Commission on the follow-up to the Rio Summit: "Follow-up to the first Summit held between Latin America, the Caribbean and the European Union" - COM (00) 670
- 2000 Signing of the Cotonou Agreements between the EU (15 countries) and the ACP countries (77 countries)
- 2000 Cuba joins the ACP group
- 2000-2001 Gradual entry into force of the free trade agreement with Mexico
- 2002 2nd EU-Latin America /Caribbean Summit, Madrid
- 2002 Signing of the EU-Chile Association Agreement
- 2002 Signing of the Memorandum of Understanding by the European Commission and the Inter-American Development Bank (IDB)
- 2003 Entry into force of the Cotonou Agreement
- 2003 Entry into force of the provisional trade measures in the EU-Chile Agreement
- 2003 Signing of the Agreement on Political Dialogue and Cooperation between the EU and the Andean Community
- 2003 Signing of the Agreement on Political Dialogue and Cooperation between the EU and Central America
- 2004 3rd EU-Latin America/Caribbean Summit, Guadalajara
- 2004 Launching of the negotiations on Economic Partnership Agreements (EPA) with the Caribbean
- 2004 1st EU-CARIFORUM troika meeting at the EU-LAC Summit
- 2005 A European Commissioner participates in a CARICOM Conference for the first time
- 2005 EU-Rio Group ministerial meeting (Luxembourg)
- 2005 Communication from the Commission to the Council and the European Parliament on "A stronger partnership between the European Union and Latin America "
- 8.12.2005, COM(2005) 636 final
- 2006 4th EU-Latin America/Caribbean Summit, Vienna (12-13 May)

Glossary

ACP: Africa–Caribbean–Pacific. The ACP group was established following the signing of the first Lomé Convention with the European Union in 1975. There were 79 members in 2003.

ALA Regulation: Regulation of the European Parliament and Council governing Community cooperation with the countries of Asia and Latin America.

ALBAN: European Union Programme of High Level Scholarships for Latin America

ALFA: Latin American Academic Training. A bi-regional cooperation programme on higher education.

AL-INVEST: Bi-regional cooperation programme for cooperation between European SMEs and Latin American undertakings.

@LIS: Alliance for the Information Society. Bi-regional cooperation programme aimed at promoting the information society and combating the digital divide.

Budgetary support: an innovative method of cooperation entailing supplementing national budgetary resources with international funds, in a given sector and for a policy agreed upon with the donor(s), in order to enable the recipient to reach a number of objectives over a period of time. Budgetary support requires sound planned management of public finance and a suitable tripartite framework of cooperation between state, donor(s) and civil society. This enables the joint definition of a sectoral strategy under the aegis of the beneficiary state and the regular monitoring and quantified evaluation of its results, allowing the funds to be disbursed by the donor in accordance with progress achieved.

CAN: Andean Community of Nations.

CARICOM: Caribbean Community and Common Market, the main objective of which is to promote regional economic integration.

CARIFORUM: Discussion forum to promote the regional integration of the Caribbean countries that

are members of the ACP.

Comunidad Sudamericana de Naciones: The South American Community of Nations. A political and economic community established at Cuzco, Peru, on 8 December 2004.

Cotonou Agreement: New ACP–EU partnership agreement concluded in February 2000 for a 20-year period (2000–2020). This agreement and its financial protocol will be reviewed every five years.

DIPECHO: Disaster-preparedness programme of the European Commission's Directorate-General for humanitarian aid (ECHO).

EDF: European Development Fund. The EDF finances projects and programmes in the ACP countries and in overseas countries and territories. The 9th EDF covers the first five years of the Cotonou Agreement and represents an amount of €13.5 billion.

EIB: European Investment Bank.

EPA: European Partnership Agreements. Trade agreements between the EU and the ACP regions. These agreements, which are compatible with WTO rules, are intended to gradually remove barriers to trade and to strengthen cooperation in every domain relating to trade.

EU: European Union (members in 2006: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovenia, Slovakia, Spain, Sweden, United Kingdom). Two countries are currently in the process of accession (Bulgaria and Romania, which will join the EU in 2007) and there are two candidate countries (Croatia and Turkey). The EU was established on the foundations of the EEC (former EC), the ECSC (European Coal and Steel Community) and Euratom (European Atomic Energy Community).

European Commission: One of the three main institutions of the European Union representing the common European interest. Its principal function is to propose and implement the Community's policies.

EUROSOCIAL: Regional programme for social cohesion in Latin America - Eurosocial focuses on government policies (e.g. education, health, justice, taxation and employment) with the objective of increasing levels of social cohesion in Latin American societies.

FDI: Foreign direct investment

Flex: This system is used to compensate for financial imbalances in ACP countries caused by significant losses of export revenue.

GSP: Generalised System of Preferences. A system consisting of granting, unilaterally and according to a principle of non-reciprocity, preferential tariffs which are unlimited in terms of quantity, to 180 developing countries, economies undergoing transition and dependent territories. Tariff preferences are modulated according to the classification of imports (sensitive/non-sensitive).

GSP+: Generalised System of Preferences Plus. The new GSP Regulation, No 870/2005 of 27 June 2005, provides for a special incentive scheme for sustainable development and good governance, to come into effect as of 1 July 2005. The new system, or GSP+, provides additional benefits for countries implementing certain international standards in human and labour rights, environmental protection, the fight against drugs, and good governance.

INTERREG III: The INTERREG III Community programme (2000-2006) has an operational framework aimed at promoting harmonious and balanced development as well as regional integration in the areas concerned.

LAC: Latin America - Caribbean

Lomé Convention: The first Lomé Convention, signed in 1975, involved the nine EU Member States of the time and 46 ACP countries. This Convention was renewed four times between 1975 and 2000, before being replaced by the Cotonou Agreement in 2000.

Memoranda of understanding: Bilateral agreements between the European Community and its partners, which lay down the priorities and indicative

budgets for development cooperation for a certain period (in this brochure: 2000-2006)

MERCOSUR: Southern Common Market. Regional integration organisation.

Minustah: The aim of the United Nations Stabilisation Mission in Haiti is to stabilise the political situation in the country by organising elections, restoring and stabilising the security situation and ensuring respect for human rights so as to guarantee international security and peace in the region. It acts under Chapter VII of the UN Charter (Security Council resolution 1542 of 30 April 2004).

OAS: The Organisation of American States is made up of the countries of the Western hemisphere and is designed to strengthen cooperation and promote common interests among its member nations. It is the region's premier forum for multilateral dialogue and concerted action.

OECS: Organisation of Eastern Caribbean States.

OREAL: Observatory of European Union - Latin American relations.

PRRAC: Regional Programme for the Reconstruction of Central America.

Rio Group: Political consultation mechanism dealing with subjects of common interest to Latin America and the Caribbean.

SFA: Special Framework of Assistance for Traditional ACP Suppliers of Bananas. The SFA's aim is to improve competitiveness in the banana sector and/or to underpin diversification.

SICA: System of Central American Integration.

Stabex: Used up until the 9th EDF, Stabex compensated ACP countries for losses of export revenue due to fluctuations in prices or in demand for agricultural products.

Sysmin: Used up until the 9th EDF, Sysmin alleviated the effect of the fluctuations of revenue from the production and sale of mining products.

URB-AL: Bilateral EU-Latin American cooperation programme aimed at developing links between European and Latin American local authorities by pooling best practices relating to urban policies.

WTO: World Trade Organisation

European Commission

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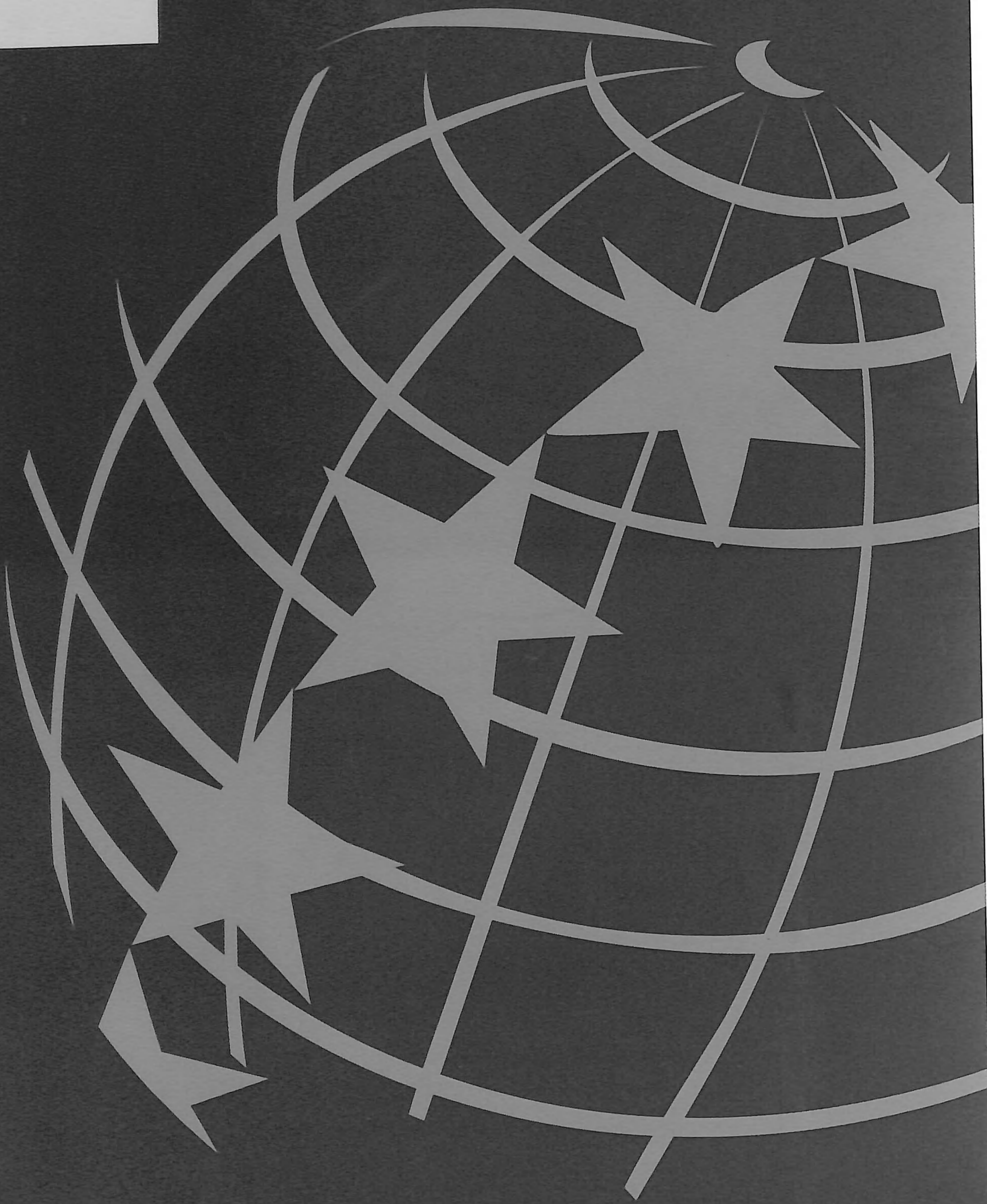
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