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Recommendation for a

COUNCIL DECISION

**AUTHORIZING THE COMMISSION TO NEGOTIATE  
A FRAMEWORK AGREEMENT ON  
TRADE AND ECONOMIC COOPERATION WITH CHILE**

(presented by the Commission)

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A FRAMEWORK AGREEMENT ON  
TRADE AND ECONOMIC COOPERATION WITH CHILE**

**EXPLANATORY MEMORANDUM**

I. EC-Chile relations are governed by the "third-generation" cooperation framework agreement signed in December 1990. Developments in Chile, however, have led the EU to examine the need for closer relations - something which the Chilean authorities officially requested in July 1994.

In its conclusions of 9 and 10 December 1994, the Essen European Council invited the Commission to put its ideas on strengthening ties with Chile into concrete form.

In May 1995, the Commission approved a Communication to the Council and Parliament on closer relations with Chile.

The communication set out four avenues to achieve this.

In June, the Council approved the communication and invited the relevant Council bodies to start talks on these four options.

On 17 July, the Council asked the Commission to present to it the draft negotiation directives for a new agreement and expressed its desire to intensify political dialogue by such means as a consultation mechanism.

II. The basic text on relations between the EU and the countries of Latin America and the Caribbean, along with the Commission communication of last May on closer relations with Chile and the Council conclusions of 17 July 1991 are the starting points for the attached recommendation on negotiating directives which the Commission is presenting to the Council.

III. The new framework agreement with Chile should, in the Commission's view, be an agreement of an interim and evolving nature, with a view to the eventual establishment of an EU-Chile association of a political and economic nature. The agreement is part of the Community's policy on cooperation with the developing countries.

The ultimate move to an association, and in particular the liberalization of trade, should be considered by the parties in the light of circumstances and the progress made under the framework cooperation agreement.

The association would not take effect without an agreement reached by the parties in accordance with their respective procedures. Given the sensitivity of certain products, particular attention should be paid to the interests of the producers and regions most seriously affected.

In line with the policy adopted by the Community and the Member States, the agreement would include three references to respect for human rights and democratic principles, in accordance with the Commission communication COM(95) 216, of 23 May 1995, approved by the Council on 29 May: a reference in the preamble, a clause stipulating that it is an essential element of the agreement, and a "non-execution" clause.

**IV. The framework agreement proposed by the Commission would have the following structure:**

**Preamble and General Principles**

**Title I Trade cooperation and preparations for the liberalization of trade**

**Title II Economic cooperation**

**Title III Other areas of cooperation**

**Title IV Means**

**Title V Political dialogue**

**Title VI Institutional framework**

**Final Provisions**

There will also be a protocol on mutual assistance between the parties' customs administrations.

## V. Trade cooperation and preparations for the liberalization of trade

Chile's economy is very open to the outside world, with low customs protection and close trade links with the EC, which is still its largest trading partner. The government is pursuing an active policy of integration into the global economy (known as "open regionalism") and has expressed an ultimate desire for a free trade association with the EC and Mercosur.

The negotiating terms for a new agreement with the country should therefore take into consideration the interregional framework cooperation agreement between the EC and its Member States and Mercosur and its member countries, which was initialled in Montevideo on 29 September.

The Commission believes that a political and economic association between the Community and Chile is in the parties' interest. It nevertheless feels that an intermediate stage is needed to allow both to establish conditions that will ease the passage to free trade.

The Commission is therefore proposing that the agreement provide for a range of instruments that will, on the one hand, enable the parties to exchange information, seek ways of aligning their practice and analyse economic and trade relations and, on the other, target cooperation on fields directly affecting the conditions of trade.

The Commission considers, as does the Council, that the liberalization of trade must cover the bulk of trade, while taking account of the sensitivity of certain products and the relevant rules of the new WTO.

To that end, the Commission proposes that trade cooperation be founded on the following instruments:

1. A joint subcommittee made up of officials of the European Commission and Chile would be set up to handle trade questions.

This subcommittee would meet at least once a year for the purpose of exploratory talks aimed at defining the future liberalization of trade and bringing into motion the interim machinery for facilitating trade and preventing unfair trading practices.

This dialogue would cover all areas affecting trade in goods and services between the parties, culminating in the presentation, at the annual meeting of the joint committee, of specific recommendations for the future liberalization of trade.

The subcommittee would be able to set up whatever working parties were necessary to facilitate its work.

One such working party (the monitoring group) would monitor trade developments, coordinate the activities of the other working parties, provide back-up for the joint subcommittee and, lastly, serve as a permanent trade liaison body between Chile and the Union. This framework for dialogue would be backed up by such studies, analyses and exchanges of information as proved necessary.

2. Cooperation in the mutual interest, notably on issues directly affecting trade, would help bring the two regions' economies closer together:
  - cooperation on standardization with a view to possible mutual recognition agreements;
  - customs cooperation;
  - statistical cooperation;
  - cooperation on intellectual and industrial property issues;
  - cooperation on competition;
  - cooperation on reciprocal liberalization of public procurement and regulated sectors.

## **VI. Economic cooperation**

The current EC-Chile framework agreement has enabled economic cooperation to develop to the satisfaction of both sides. The EC is one of Chile's top trade and investment partners and has a major stake in inter-business cooperation in the country.

The need for changes in Chile's productive structure to smooth its integration into the world economy and create the right conditions for an association with the EC mean that economic cooperation must change tack to make it easier:

- for both sides to foster a stable and attractive climate for two-way investment;
- to boost cooperation between EU and Chilean business, particularly in the field of technology;
- to strengthen joint scientific and technological research activities, focusing on applied research, development and advanced training;
- to extend economic cooperation mechanisms more fully to the service sector and SMEs;
- to develop specific forms of economically valuable cooperation in the energy, transport, telecommunications and environment sectors.

Given the degree of liberalization achieved by Chile in some areas, the parties undertake to make a special effort to expand and build up cooperation in services, investment and cooperation on science and technology.

## **VII. Other areas of cooperation**

### ***A. Interinstitutional cooperation***

- Chile's public administration faces a number of problems modernizing its productive structure and making it competitive. The EU's experience could be of great help in this respect, which is why the framework agreement will bolster institutional aid programmes, focusing on projects to transfer experience and train administrative staff.
- Better institutional cooperation is particularly important in facilitating Chilean participation in the process of Latin American integration, and especially closer relations with Mercosur (the negotiating directives for the interregional framework cooperation agreement with Mercosur included proposals for a heading on cooperation for closer integration, designed in part to draw the national laws of

Mercosur countries nearer together and help the various processes in train for institutional integration).

#### *B. Other areas*

- The need to strengthen already close links between Chile and all EU countries in order to create an association also requires closer cooperation on cultural, educational and training matters and consumer protection. Joint efforts to combat drugs will also be included.

### **VIII. Means**

The Commission considers that financial cooperation with Chile falls within the scope of Council Regulation (EEC) No 443/92 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America.

Chile may likewise be eligible for funding from budgets for cooperation in some of the specific areas envisaged e.g. science, technology, the environment and energy.

Chile will also be eligible for loans from the European Investment Bank.

The Commission believes that a modest increase will have to be made to the appropriations in Part A of the Community budget to cover the participation of staff from Community institutions in individual technical assistance operations in Chile.

### **IX. Political dialogue**

Political dialogue will focus primarily on bilateral and regional aspects of relations. Given their many mutual interests and the number of issues on which their views coincide, the dialogue should help Chile and the Community to consult each other more closely on a substantial range of multilateral issues and to coordinate their respective positions in a variety of multilateral institutions.

This consultation will take the form of regular meetings and exchanges of views between policy-makers, officials and parliamentarians. The dialogue should preferably be conducted jointly with other partners in the region, coinciding wherever possible with meetings to further political dialogue already established with them.

### **X. The institutional framework**

The Commission believes that the agreement should be supervised by a body responsible for its overall monitoring and implementation.

That body would be composed of representatives of the Council of the European Union and the Commission, and of Chile.

It would be assisted in its work by a joint committee on cooperation. A trade subcommittee would see to it that the agreement's trade objectives were met.

## **X. Conclusion**

The Commission believes that the framework agreement between the EC and Chile (signed in December 1990) has achieved all its goals, providing the country with valuable support on its return to democracy and laying the foundations of mutually beneficial economic cooperation. In light of this and the interest shown by Chile in the swift conclusion of a commercial and economic association agreement with the EU, the Commission feels a new framework agreement is needed to achieve the final objective of a political and economic association between the two sides.

The Commission therefore recommends that the Council authorize it to negotiate a framework cooperation agreement aimed ultimately at establishing an economic and political association with Chile, in accordance with the directives in Annex I and in consultation with a committee appointed specially by the Council to assist it in this task.

**NEGOTIATING DIRECTIVES FOR A  
FRAMEWORK COOPERATION AGREEMENT LEADING ULTIMATELY  
TO A POLITICAL AND ECONOMIC ASSOCIATION  
BETWEEN THE EUROPEAN UNION AND CHILE**

**I. CHARACTER AND SCOPE**

1. The aim of the negotiations is the conclusion of a framework cooperation agreement with Chile to replace the existing Framework Cooperation Agreement between the European Economic Community and the Republic of Chile.<sup>1</sup> The agreement is intended to strengthen existing relations between the parties on a basis of reciprocity and shared interests with a view to paving the way for the subsequent establishment of a political and economic association.
2. **Duration:** The parties will decide when to proceed with an association in the light of the progress made under the agreement and that of Latin American integration and relations with the EC.
3. The agreement will include a clause maintaining in force existing bilateral agreements between the Community and Chile, in the event of Chile's joining Mercosur, as long as they do not run counter to the recently-initialised EC-Mercosur interregional framework agreement.
4. A clause will be included stating that adherence to democratic principles and respect for human rights, which inform both Chile's and the Community's internal and international policies, are the cornerstones of relations between the parties, form the basis of all the agreement's provisions and are one of its essential elements.<sup>2</sup>

**II. STRUCTURE**

The future agreement is of the "framework cooperation" type and will contain provisions covering trade cooperation, including gradual and reciprocal trade liberalization in line with the relevant WTO rules. It will also cover economic and other matters in which cooperation is mutually advantageous.

The ultimate goal of the economic and other cooperation activities will be to prepare the Chilean economy for closer ties with the EU, paving the way for a political and economic association between the EC and Chile.

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<sup>1</sup>The current Agreement was signed on 12 December 1990 and entered into force on 1 May 1991 (OJ L 79, 26.3.1991, p.1).

<sup>2</sup>In accordance with the policy set out in Council Document 7255/95.

### III. CONTENTS

The preamble will refer to the following:

- the long-standing ties between the EC and Chile and the new impetus given them by the 1990 Framework Agreement;
- the importance attached by the two parties to respect for human rights, democratic principles and the market economy, which are the cornerstones of the agreement;
- the importance attached by the parties to the values and principles set out in the final declaration of March's Copenhagen Social Summit;
- the desire of the parties for sustainable development, taking account of the need to conserve and protect the environment;
- the mutual interest in the establishment of contractual links with a view to expanding cooperation, developing and diversifying trade and boosting investment flows;
- the will of the parties ultimately to establish a political and economic EU-Chile association. This will focus on closer political cooperation, including a consultation procedure. It will also aim at gradual, reciprocal liberalization of all trade, taking account of the sensitivity of certain products and the relevant rules of the WTO. Investment promotion and closer cooperation will also be mentioned;
- the parties' commitment to establishing political dialogue including consultation mechanisms with a view to developing their relationship in the long term.

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## TITLE I

### TRADE COOPERATION AND PREPARATIONS FOR THE LIBERALIZATION OF TRADE

**Objective:** strengthening trade cooperation between the two parties to promote the growth and diversification of trade and pave the way for trade liberalization, so as to provide favourable conditions for the establishment, in due course, of a political and economic association.

#### **Chapter I: Trade cooperation**

There will be systematic cooperation through the establishment of a regular economic and trade dialogue conducted by a joint subcommittee, which will pursue the agreement's trade objectives and prepare the move, in due course, to trade liberalization.

The dialogue will involve meetings between senior officials from the European Commission and Chile at least once a year. It will result in annual recommendations being put to the joint committee with a view to future trade liberalization.

The subcommittee will be assisted in its work by working parties meeting as necessary.

Cooperation will be backed by the requisite studies and technical reports.

The main fields of cooperation will be:

- market access and trade liberalization: studies and forecasts on the practicalities of liberalizing trade between the parties (timetable and structure of negotiations, transition periods, etc.)
- tariff and non-tariff barriers, quantitative restrictions and measures having equivalent effect: analysis, studies and administration, including quotas, foreign trade rules, anti-dumping duties, safeguard clauses, technical standards, plant health legislation, mutual recognition of certification systems, etc.;
- tariffs applicable to third countries;
- compatibility with GATT/WTO rules on trade liberalization;
- identification of sensitive products by the parties;
- identification of priority products by the parties;
- services: cooperation and exchanges of information, with particular reference to transport, insurance and financial services;
- competition: monitoring of restrictive practices;
- identification of possible tariff reductions.

One working party (the monitoring group) will coordinate the various activities and continuously monitor trends in trade between the parties. It will provide a permanent link between the Community and Chile for all trade issues.

Chile could be involved in moves towards trade liberalization under the interregional framework Agreement between the EC and its Member States and Mercosur and its member countries, initialled at Montevideo on 29 September, and benefit from the range

of cooperation programmes proposed in the Mercosur Agreement subject to the parties' agreement, under arrangements to be fixed at a later date.

### **Chapter II: Cooperation on technical standards and standardization with a view to concluding mutual recognition agreements**

Cooperation between the Community and Chile will seek to promote efforts to provide the necessary conditions for uninterrupted trade in terms of technical standards, standardization, health regulations, consumer protection, employee safety and environmental protection. It will also be geared to bringing the EC and Chile closer together by means of the negotiation in the longer term of mutual recognition agreements and agreements on the protection and mutual recognition of designation of origin and geographical ascriptions.

#### In practice, cooperation will:

- encourage any measure aimed at bridging the quality gap between the Community and Chile and generally improving product and business standards;
- provide organizational support to help Chile develop a quality control policy.

### **Chapter III: Customs cooperation**

Customs cooperation will seek to consolidate and improve the legal framework for EC-Chile trade.

#### This cooperation will result in:

- exchanges of information;
- improved working methods;
- the simplification of customs clearance formalities for goods;
- the alignment of laws in the field of customs and indirect taxation;
- schemes to facilitate exchanges of officials and senior personnel from customs and tax departments;
- the development of new training techniques and coordination of activities in the relevant international organizations;
- technical assistance, where appropriate.

Without prejudice to other forms of cooperation provided for under this agreement, notably cooperation against drug abuse, mutual assistance between the parties' customs authorities will be governed by a protocol annexed to this agreement.

### **Chapter IV: Cooperation in the field of statistics**

The main objective here will be to align methods, thus enabling the parties to use each other's statistics on trade in goods and services and, more generally, any field covered by this agreement for which statistics can be drawn up.

**Chapter V: Cooperation in the field of intellectual and industrial property**

Cooperation in this field will seek to avoid distortions of trade between the two parties and promote investments, technology transfer, trade, cultural and artistic activities and associated economic activities.

To this end, the parties will offer a level of protection of intellectual and industrial property equivalent to the most exacting international standards. Consultations will be held to avoid trade conflicts in connection with the protection of industrial property. The two parties will also consider technical cooperation in this field.

**Chapter VI: Cooperation on public procurement**

The parties will cooperate on opening up public procurement on a reciprocal basis, and consider establishing technical cooperation in this field. Such cooperation will mainly involve annual consultations, possibly set up by the working parties created by the joint subcommittee on trade cooperation.

## TITLE II

### ECONOMIC COOPERATION

Articles 2 to 6 of the 1990 Framework Cooperation Agreement with Chile provided for various forms of economic cooperation which have since helped build closer economic ties between the parties.

Economic cooperation between Chile and the Community is intended to benefit both parties, strengthen relations between them, cultivate synergies in their economies, create new opportunities and increase their economic competitiveness.

Priority will be given to areas of cooperation that generate economic and social links and networks between businesses (trade, investment, technology, information and communications systems, etc.).

New areas of cooperation will include the definition and alignment of macroeconomic and microeconomic policies: budgetary policy, the balance of payments, monetary and fiscal policy and industrial/service sector policy. Studies will be undertaken to ensure regular monitoring of developments in the parties' macroeconomic policies and balances and the efficient operation of the market.

Given the degree of liberalization achieved by Chile in some areas, the parties undertake to make a special effort to expand and build up cooperation in services, investment and cooperation on science and technology.

Conservation of the environment and ecological balances will be a consideration in the implementation of the various areas of economic cooperation that affect it.

The parties will recognize the importance of social development, which must accompany economic progress, and will pay particular attention to the fundamental rights of employees, in the first instance by promoting the relevant ILO Conventions.

#### **Chapter VII: Industrial cooperation and services**

The aim is to support and promote industrial policy measures enabling the contracting parties to develop a dynamic approach to the management of cooperation on industry and services with a view to creating a favourable environment for their mutual interests, and in particular:

- identifying and removing obstacles to industrial cooperation between the two parties by promoting compliance with competition laws and an awareness of market requirements reflecting the need for participation by, and cooperation between, economic operators;
- ensuring that the cooperation instruments available to the parties are used jointly and in a coordinated fashion;
- ensuring a coherent package of activities to promote cooperation between the parties' businesses;
- supporting common industrial policy goals with the aim of promoting the modernization, diversification and restructuring of industries - including those producing raw materials - through appropriate action (training, networks, research,

- meetings between businessmen in a range of sectors including tourism, energy, transport, telecommunications, etc.);
- fostering cooperation between Chilean and EC economic operators, especially small and medium-sized enterprises (joint ventures, information networks, trade bureaux, know-how transfers, subcontracting, applied research, licences, franchising, etc.);
- developing an integrated, decentralized approach to cooperation between operators of the two parties in order to foster industrial innovation, making the most of R&D and standards/certification policies that strengthen and complement cooperation;
- building up organized contacts between operators of the two parties in the form of conferences, seminars, missions to prospect industrial and technical opportunities, round tables and general and sector-specific fairs with the aim of identifying and exploiting mutual interests to boost trade, investment and industrial cooperation projects;
- promoting increased cooperation between economic operators in Chile and European associations, with a view to establishing and stepping up dialogue between networks aimed at developing decentralized industrial cooperation programmes and operations;
- promoting moves to streamline regulations and legislation so as to facilitate international business cooperation;
- introducing schemes for institutional collaboration between the EC and Chile to grant the two parties' economic operators easier access to public procurement and other service contracts subject to special regulations.

**Chapter VIII: Investment promotion**

The aim of cooperation will be to help the two parties promote, within the scope of their respective competences, an attractive and stable environment for reciprocal investment.

Cooperation will take the form of:

- machinery for information about, and identification and dissemination of, investment legislation and opportunities;
- development of a stable macroeconomic climate attractive to investors;
- development of a legal framework favourable to investment on both sides;
- development of uniform and simplified administrative procedures;
- development of joint investment machinery, especially for both parties' SME.

**Chapter IX: Scientific and technical cooperation**

The aim of cooperation in science and technology, carried out in the mutual interest of the two parties and in accordance with their policies, especially as regards rules on the exploitation of research-based intellectual property, shall be:

- exchanges of information and experience at regional level, especially on the implementation of policies and programmes, with the emphasis on standardization;
- promotion of durable relations between the two parties' scientific communities;
- intensification of activities to promote innovation in Chilean and European businesses.

This cooperation will involve:

- joint (applied) research projects in areas of common interest, with active business participation as appropriate;
- exchanges of scientists to promote research, project preparation and high-level training;
- joint scientific meetings to foster exchanges of information and interaction, and identify areas for joint research;
- dissemination of results and development of links between the public and private sectors;
- evaluation of the activities concerned.

Higher education institutions, research centres and manufacturers (especially SMEs) on both sides will be involved in this cooperation in an appropriate manner.

### **Chapter X: Energy cooperation**

EC-Chile energy cooperation will aim to strengthen economic links in key energy sectors such as hydroelectric power, hydrocarbons, renewable energy and energy-efficient technology.

Cooperation will take the form of:

- exchanges of information in all appropriate forms, including the development of data banks shared by economic and social operators of Chile and the Community, training and joint conferences;
- technology transfers;
- preparatory studies and project implementation by the relevant institutions of both parties;
- the participation of economic operators from the two regions in technology development projects and joint infrastructure;
- the signing of specific agreements in key areas of mutual interest, where appropriate;
- aid for Chilean institutions dealing with energy issues and the formulation of energy policy.

### **Chapter XI: Transport**

Cooperation is intended to support the restructuring and modernization of Chile's transport system, improved circulation of persons and goods and better access to air, sea and road transport markets, via the removal of administrative, technical and other obstacles. In international maritime transport, the parties will see that there is unrestricted market access on commercial terms.

Cooperation will take the form of:

- information exchanges on respective policies, particularly with regard to the interconnection and interoperability of networks and multimodal transport, and other subjects of mutual interest;

- training programmes in economics, law and technical subjects for economic operators and senior public officials.

## **Chapter XII: Telecommunications and information technology**

Information technology and communications are key sectors in a modern society and are of vital importance for economic and social development and the smooth transition to the information society.

Cooperation in this area shall aim to promote:

- dialogue about different aspects of the information society;
- exchanges of information on standards, conformity testing and certification in the information technology and telecommunications fields;
- the spread of new information and telecommunications technologies, particularly in the fields of integrated services digital networks (ISDN), data transmission and the development of new communications and information technology facilities;
- stimulation and implementation of joint research, technological development and industrial projects in the fields of new information technology, communications, telematics and the information society.

## **Chapter XIII: Environmental cooperation**

The aim of cooperation will be:

- to promote the protection of the environment and the rational use of natural resources in pursuit of sustainable development;
- to integrate that objective into all fields of cooperation between the Community and Chile.

Cooperation will focus on:

- projects aimed at strengthening Chile's environmental organizations and policies;
- exchanges of information and know-how, for example on rules and standards;
- environmental training and education;
- technical assistance and the introduction of regional joint research programmes.

### TITLE III

#### OTHER AREAS OF COOPERATION

The 1990 Framework Cooperation Agreement provided for cooperation on social development (Article 11), public administration (Article 12), information and communication (Article 13), training (Article 14), and regional integration (Article 15). To these, the new framework agreement will add new priorities emerging from closer relations with a view to a political and economic association between the EU and Chile.

#### **Financial and technical cooperation relating to social development**

Social and regional inequalities, exacerbated in some cases by industrial restructuring, have led to serious problems that will continue to require a substantial stream of technical and financial cooperation projects geared to combating extreme poverty and generally assisting the most deprived sections of the community.

Such cooperation may involve:

- job creation and vocational training programmes;
- social service management and administration projects;
- development, rural housing or land management projects;
- health and primary education programmes;
- support for civil society and grass-roots initiatives;
- any other programmes and projects which help combat poverty by creating business and employment opportunities;

#### **Public administration and regional integration**

Cooperation will be aimed at adapting Chilean systems of administration to expanded trade in goods and services with Europe, and smoothing the way for the organizational changes entailed in Latin American integration.

Given the Chilean administration's drive towards modernization, decentralization and regionalization, this cooperation could encompass overall organizational efficiency (the legislative and institutional framework), drawing lessons from the instruments and policies of the European Community.

#### Means

- technical assistance to Chilean policy-making and executive bodies, including meetings between staff of the European institutions and their Chilean counterparts;
- regular exchanges of information taking whatever form is appropriate, including the use of computer networks; personal data protection will be ensured in all areas where data is to be exchanged;
- transfers of know-how;
- preliminary studies and joint project implementation;
- training and organizational support.

### **Interinstitutional cooperation**

The purpose of interinstitutional cooperation between the Community and Chile is to promote closer cooperation between the parties' institutions.

The agreement will seek to encourage regular meetings between these institutions; cooperation will be as broad as possible, and will include:

- any measures promoting regular exchanges of information, including the joint development of computerized communication networks;
- advice and training;
- transfers of know-how.

### **Media, information and culture**

In view of Chile's very close cultural ties with most of the Member States, cooperation in this sphere, including information and media contacts, should be enhanced.

This will involve promoting meetings between representatives of the media from the two parties, supplying technical assistance where appropriate, and stepping up exchanges of information on questions of mutual interest. It could also include organizing cultural events.

### **Training and education**

The parties will undertake to identify ways of improving training and education in the field of regional integration, focusing on young people and basic education, vocational training and cooperation between universities and between businesses.

Priority will be given to measures designed to create permanent links between specialized Community and Chilean bodies, encouraging the pooling of technical resources and exchanges of know-how.

Projects on these lines may be based on agreements between education and training institutions and meetings between bodies responsible for education and training.

The parties may also conclude sectoral agreements on education and training.

### **Drugs**

The parties will undertake to coordinate and increase their efforts to prevent and reduce the production, distribution and consumption of illegal drugs and laundering of profits from drug-trafficking.

The parties will work through specialized agencies, in particular international bodies, to implement:

- projects to train, educate, treat and rehabilitate drug addicts in Chile;
- joint research programmes;
- exchanges of relevant information, including measures relating to money laundering and the control of precursors;

- cooperation on drafting and enforcing the relevant legislation.

Cooperation in this field should promote consultation and close cooperation between the parties.

### **Consumer protection**

This should be geared to increasing the compatibility of consumer protection schemes in the Community and Chile, primarily:

- through professional and information exchanges;
- by organizing training schemes and supplying technical assistance.

### **Additional areas**

No opportunity for cooperation should be ruled out in advance; rather, the parties should use the Joint Committee to explore together the practical possibilities for cooperation in their mutual interest.

## **TITLE IV**

### **MEANS**

The contracting parties will undertake, in so far as their respective resources and regulations allow, to provide the means, including the financial means, required to implement the cooperation provided for by the agreement.

The agreement will include a provision in which the Community undertakes to contribute to the realization of the agreement's objectives by means of financial cooperation executed in accordance with the appropriate procedures and using the appropriate financial resources.

Chile will benefit from the Community's instruments for Latin America under legislation such as Regulation (EEC) No 443/92 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America.

Chile will also have access to other budget headings such as those for ECIP, and scientific, technological, environmental and energy cooperation.

The parties will encourage the EIB to step up its involvement in Chile in accordance with its financing procedures and criteria.

## TITLE V

### POLITICAL DIALOGUE

The parties will establish an enhanced form of political dialogue, based on their mutual commitment to democracy and respect for human rights, to preserving peace and ushering in a fair and stable international order.

It will cover any matter of mutual interest for the furtherance of common objectives and will lead to close cooperation in international institutions.

Political dialogue between the parties will be conducted by means of contacts, exchanges of information and consultation between the various government bodies in Chile and the European Union, including the European Commission. The dialogue should preferably be conducted jointly with other partners in the region, coinciding wherever possible with meetings to further political dialogue already established with them.

It will involve Heads of State, ministers, senior officials and parliamentarians.

To this end, officials will negotiate a declaration on political dialogue to be annexed to the agreement.

## TITLE VI

### INSTITUTIONAL FRAMEWORK

A body (comprising representatives of the Council of the European Union and the Commission and representatives of Chile), will be set up to supervise implementation of the agreement, consider any major problems that might arise and any other bilateral or multilateral matter of mutual interest concerning the achievement of the agreement's objectives. It will meet regularly at ministerial level, and whenever necessary.

The Council will be assisted in its work by a joint committee on cooperation comprising representatives of the Community and Chile. A trade subcommittee will see to it that the agreement's trade objectives are met.

The body in question may also create other specialized committees and working parties, and decide upon their composition, objectives and operations.

## JOINT DECLARATION ON POLITICAL DIALOGUE BETWEEN THE EUROPEAN UNION AND CHILE

### Preamble

The European Union, on the one hand, and Chile, on the other,

- mindful of their common heritage and shared values, of the affinity between their cultures and of their close historical, political and economic ties,
- guided by their commitment to the United Nations Charter, and to upholding human rights and dignity and the freedom of the individual as cornerstones both of a democratic society and of institutions based on the rule of law,
- resolved to contribute to peace and international security in accordance with the principles of international law,
- committed to enhancing the political and economic freedoms underpinning their societies,
- recognizing their commitment to a model of economic management influenced by market economics and, in international relations, the concept of "open regionalism",

have decided to develop relations with a view to a long-term economic and political association.

### Objectives

The political will to achieve a political and economic association, reaffirmed on the occasion of the signing of the framework cooperation agreement between the EC and Chile, also underpins the decision to intensify political dialogue.

Dialogue will be rooted in the parties' common attachment to democracy and respect for human rights, and in their commitment to maintaining peace and ushering in a fair and stable international order, in accordance with the United Nations Charter.

This enhanced political dialogue will enable the EU and Chile to assess and monitor regional integration schemes and strategies, and examine factors influencing the parties' position in international economic and political systems.

It is also intended to ensure closer consultation on multilateral political and economic issues, for example by allowing them to coordinate their positions in the relevant multilateral organizations.

### Mechanisms

The parties will conduct this enhanced political dialogue by means of contacts, information exchanges and consultation, especially meetings at an appropriate level between the various Chile and European Union institutions, including the European Commission, as well as by making full use of diplomatic channels.

The dialogue should preferably be conducted jointly with other partners in the region, coinciding wherever possible with meetings to further political dialogue already established with them. Through enhanced political dialogue, the EU and Chile mean to work towards setting up a political and economic association, thereby consolidating the existing ties of culture, history and friendship between their peoples in accordance with the democratic process.

**FINANCIAL STATEMENT**

**1. TITLE OF OPERATION:**

Framework cooperation agreement with Chile

Recommendation for a Council Decision authorizing the Commission to negotiate a framework cooperation agreement with Chile.

**2. BUDGET HEADING INVOLVED**

(a) Implementation of the agreement will directly involve the following items:

- B7-3010: Financial and technical cooperation with Latin American developing countries
- B7-3011: Economic cooperation with Latin American developing countries
- B7-5020: Commercial and economic cooperation agreements with third countries
- B7-5000: Promotion of Community investment in developing countries in Asia, Latin America and the Mediterranean and in South Africa by economic cooperation and trade agreements
- B7-5040: Environment in the developing countries
- B7-5041: Tropical forests
- B7-5051: Women in development
- B7-5080: North-South cooperation schemes in the context of the campaign against drug abuse
- B7-5230: Democratization process in Latin America
- B7-5046: Health programmes and the fight against HIV/AIDS in developing countries
- B7-5010: Community contributions towards schemes concerning developing countries carried out by non-governmental organizations
- B7-5077: Decentralized cooperation in the developing countries
- B7-5091: Coordination of development policy, evaluation of the results of Community aid and practical follow-up measures
- B7-5096: Development cooperation inspectorate
- B7-5300: Measures to combat fraud in the cooperation sector

(b) Other items that may be used:

- B6-7211: International cooperation with third countries and international organizations
- B4-1041: European Energy Charter and cooperation with third countries in the energy field
- B4-1000: Thermie II (Community programme of financial support for the promotion of energy technology in Europe)
- B7-5050: Aid for population policies and programmes in developing countries

**3. LEGAL BASIS**

Bilateral framework agreement on trade and economic cooperation.

**4. DESCRIPTION OF OPERATION**

**4.1 General objective**

Conclusion of a framework cooperation agreement with Chile.

**4.2 Period covered and arrangements for renewal or extension**

This is an interim agreement intended to pave the way for a political and economic association between the Union and Chile.

**5. CLASSIFICATION OF EXPENDITURE OR REVENUE**

**5.1 Non-compulsory expenditure**

**5.2 Differentiated appropriations**

**5.3 Type of revenue involved**

Not applicable

**6. TYPE OF EXPENDITURE OR REVENUE**

Expenditure will usually take the form of a 100% grant, though operations may sometimes be cofinanced by other donors (Member States).

The recipients will systematically be required to contribute according to their means.

**7. FINANCIAL IMPACT**

**7.1 Method of calculating total cost of operation (definition of unit costs)**

This agreement establishes a framework for new measures to reflect the changing content and methods of Community cooperation/relations with Chile in the light both of recent social and economic developments in the country and of the process of strengthening ties between the parties.

Although the quality and quantity of cooperation with Chile will be improved, there will be no specific budget for new operations.

**8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN**

In order to ensure maximum accountability in the management of budget resources, projects are subject to the following procedures:

- committee for the assessment of restricted invitations to tender (technical assistance);
- system of co-directors (one local and one Community);

- project administration involving analytical accounts;
- supervisory missions by desk officers and/or technical and/or financial units;
- if necessary, evaluation by independent experts;
- if necessary, *ad hoc* evaluation in conjunction with the relevant units of DG VIII.

For projects of above-average duration and involving large budgets, there will be annual audits by internationally recognized firms, e.g. Price Waterhouse or Ernst & Young.

## 9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

### 9.1 Specific and quantified objectives; target population

The specific objectives of each project worth over ECU 1 million are set out in the relevant financing proposal approved by the ALA Committee, which includes an economic and financial analysis. For all other projects, specific objectives are set out in the detailed commitment form that accompanies each one.

The target population is everyone in Chile, but more particularly:

- the manufacturing and service sectors, especially SME;
- the most disadvantaged groups.

### 9.2 Grounds for the operation

The projects launched will be financed under existing budget items and are therefore underpinned by the financial statements accompanying those items in the PDB.

## 10 ADMINISTRATIVE EXPENDITURE (PART A OF SECTION III OF THE BUDGET)

### 10.1 Extra staff

The administrative resources needed will be mobilized through the Commission's annual decision on resource allocation depending on the staff and finance approved by the budgetary authority.

#### Staffing

Relations with Chile have so far been handled by an A official assisted by a part-time C official. They are unable to cope with the steady increase in political contacts, cooperation programmes and the day-to-day workload of the desk office generated by the stepping-up of relations over the past year.

The objective of the framework agreement is to strengthen relations between Chile and the Union in all areas with a view to a future political and economic association. The agreement will therefore bring with it qualitative requirements quite distinct from the volume of aid granted.

This agreement has to reflect the Union's will to maintain closer relations not only in the context of cooperation but in the form of deeper political dialogue and trade cooperation geared to the future liberalization of trade.

It is estimated, therefore, that the following extra staff will be needed: one new A official, one B official and one part-time C official. Their tasks will be as follows.

Grade A official and temporary member of staff

- \* Overall direction, general consistency, coordination of activities, in-house coordination, dealings with Chile, information and dissemination, overall administration;
- \* technical monitoring of trade relations, supervision of the working parties that will be set up, coordination of trade-related issues with other departments, day-to-day handling of trade questions, preparations for meetings of the joint trade subcommittee, drawing-up of reports, studies and analyses on trade aspects of the future bilateral association agreement;
- \* cooperation: identification, implementation, management, monitoring, etc.

Grade B official

- \* Support for A officials, particularly data searches, processing of statistics, data processing, administration and accounting.

Grade C officials

- \* Secretarial back-up.

The above estimates do not include extra staff that might be needed by other Directorates General as a result of closer ties with Chile.

Posts	Staff to be allocated to administering operation		Source		Period
	Permanent	Temporary	Existing resources within DG or department	Additional resources	
A	2		1	1	Indefinite, starting 1996
B	1			1	
C (Officials or temporary staff)	1		0.5	0.5	
Other resources					
<b>TOTAL</b>	<b>4</b>		<b>1.5</b>	<b>2.5</b>	

The above remarks concerning the need for additional resources are subject to a Commission decision.

The allocation of the additional posts will have to be considered in terms of the Commission's priorities when it examines the 1996 budget.

#### 10.2 Total financial implications of extra staffing

	Amounts	Calculation method
A officials	100 000	Gross salary. List of average annual cost of existing posts
B	90 000	
C	64 000	
<b>TOTAL</b>	<b>254 000</b>	

The amounts represent the total cost of extra staff for the duration of the operation, if it is of fixed duration, or for one year if it is open-ended.

#### 11. MISSION EXPENSES

From its very first contacts with the EC, Chile has expressed a desire for technical assistance from the EC in a number of fields in which Community institutions have acquired experience. To this end, it has expressly asked to be allowed to work directly with the officials of the institutions concerned.

In response to these requests, the Commission has attempted to involve its various DGs and departments in one-off projects to impart the benefits of its experience of integration.

While a number of DGs have expressed a desire to take part in this type of project, they have been seriously hampered in financing the relevant missions and many of Chile's requests have had to be turned down for want of a specific budget for such assistance.

If appropriate machinery is not set up to facilitate these specific projects, the situation will become even more serious with the advent of the framework cooperation agreement, which seeks to expand the scope of technical assistance.

Since it is impossible to predict how much extra will be needed for each DG in the absence of agreements between DGs on mission authorizations, a budget of an extra ECU 50 000 a year from 1996 should be planned to finance projects solely in this field. The budget should be initiated and coordinated by the relevant departments of the DG responsible for relations with Chile.

An extra allocation is therefore requested for EC-Chile know-how transfer projects concerned specifically with the Community institutions.

The amounts requested represent the cost of organizing missions averaging one week for 10 officials.

Budget heading	Amount (ECU)	Calculation method
A-1300	50 000	See table below
TOTAL	50 000	

No of missions	Average cost of trip	Average daily expenses	Total (ECU)	Rounded total (ECU)
10	3 800	135	47 450	50 000

The amounts represent the total cost for the duration of the operation, if it is of fixed duration, or for one year if it is open-ended.