



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 09.03.1999

COM(1999) 105 final

**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL, THE EUROPEAN PARLIAMENT
AND THE ECONOMIC AND SOCIAL COMMITTEE**

**on a new European
Union-Latin America partnership on the eve of the 21st century**



communication from the Commission to the Council, the European Parliament and the Economic and Social Committee on a new European Union-Latin America partnership on the eve of the 21st century

1. INTRODUCTION

The Madrid European Council of December 1995 adopted a document proposed by the Commission entitled *The European Union and Latin America: the present situation and prospects for partnership 1996-2000*².

In this document, the EU proposed a new strategy for its relations with Latin America, based on a differentiated approach reflecting the specific nature and needs of each subregion and country.

In recent years the EU has worked to lay the foundations of a partnership with Latin America based on dialogue with the various regional subgroups and a range of instruments geared to the political and socio-economic circumstances of each.

The prospects approved in 1995 covered the period 1996-2000. The Commission therefore believes the time has come to consider the future of the EU's relations with Latin America, the aim being to consolidate the strategy launched in 1996 and take account of the challenges presented by the 21st century.

It is vital to seize the opportunity offered by the forthcoming summit of European, Latin American and Caribbean Heads of State and Government in Rio de Janeiro on 28 and 29 June to:

- highlight the unique nature of the European approach to the Latin American subcontinent
- establish concerted approaches with the EU's partners in the three main areas of relations:

a) Political and strategic issues: The aim is to establish a mutually advantageous strategic partnership enabling both regions to press points on which their views and interests coincide more effectively in the relevant international forums and multilateral organisations, especially those in the fields of security, trade and finance.

b) Economic and trade issues: The desired objective is to promote the smooth integration of the parties' economies into the global economy while boosting their resistance to international financial upheavals. The aim is also to help combine

² COM (95) 495 final

economic development with social progress, integrating the poorest sectors of the population into the market economy.

c) Cooperation remains a fundamental area of Europe's strategy. The objective is to maximise the impact of the Community resources mobilised by channelling them mainly towards the less developed countries and agreed priorities.

2. THE GROUND COVERED TOGETHER: THE ACHIEVEMENTS OF EU-LATIN AMERICA RELATIONS

In 1995 the EU, noting the subcontinent's heterogeneity, the diversity of its political choices and the rapid transformations under way, proposed an original strategy to raise Europe's profile.

It decided to tailor the dialogue and cooperation to the circumstances of each subregion while consolidating the overall dialogue and fostering the subcontinent's continuing integration.

EU-Latin America relations since then have been characterised by a regional (Central America, Andean Community, Mercosur) or country-specific (Mexico, Chile) approach that has allowed account to be taken of differing circumstances and differentiated policies to be developed with each group and/or country according to the mutual advantage and individual potential.

Since the adoption of this strategy, the EU and Latin America have made a considerable effort, which, depending on the case, has resulted in the strengthening of existing instruments or the complete overhaul of the framework governing relations.

– With Latin America as a whole, substantial progress has been made in the sphere of political dialogue.

The development of the inter-parliamentary and ministerial dialogues with the Rio Group has produced common positions on key issues concerning not only Latin America but the whole international community.

In particular, the results of the ministerial conferences attest to a meeting of minds between the EU and Latin America on the promotion of democracy and human rights, the consolidation of the rule of law, sustainable development, the principle of shared responsibility for tackling drugs production and trafficking, and the commitment to regional integration. The establishment of a coordination and cooperation mechanism for combating drugs production and trafficking between Europe, Latin America and the Caribbean is one particularly telling consequence of the maturing dialogue.

– With Central America, Europe has consolidated its position as the leading donor.

This European involvement in the region's development has acquired new impetus since the renewal of the San José political dialogue in 1996.

Joint efforts had previously focused on helping victims of the civil strife and backing the negotiation and application of peace agreements - most recently in Guatemala in 1996, where the EU played a fundamental role.

In line with the 1996 Florence Declaration, it was agreed that the priorities for Community cooperation in the region would be bolstered by placing the emphasis in future on consolidating the rule of law, modernising government, social policies, trade development and regional integration.

In the sphere of trade development, Central America has, since the recent reform of the system of generalised preferences, been eligible for the most advantageous conditions offered by the system.

- With the Andean Community, the Union instituted a framework for political dialogue in 1996 to address the main challenges faced by the region.

Combating drug production and trafficking has become one of the main issues of the joint dialogue and has led to the introduction of support programmes in the spheres of alternative development and harmonisation of the legal and institutional framework. The Andean countries are now the main beneficiaries of the GSP, to which they have been granted access to encourage them in their efforts to tackle drugs.

In spite of the difficulties besetting the foundation of the Andean System, regional integration efforts have also been stepped up. This nevertheless remains an area in which progress will have to be made.

- With Mercosur and Chile, the emphasis, in line with the 1995 strategy, has been on introducing policies of mutual interest.

Substantial progress towards integration in the region has brought renewed interest from European economic operators. The EU is consolidating its position as the region's main trading partner and second largest investor: Mercosur has become one of the most dynamic markets for European exports.

Following the successes of the 1995 and 1996 agreements aimed *inter alia* at paving the way for free trade, the EU is examining new initiatives with a view to establishing interregional association agreements covering three key areas: the strengthening of political dialogue, the progressive establishment of a free-trade area and deeper cooperation.

- With Mexico, another major political and economic partner for the EU, the emphasis has been on seeking projects of mutual interest and consolidating the frameworks for political dialogue and trade.

Thus December 1997 saw the signing of an economic partnership, political coordination and cooperation agreement and an interim agreement on trade and trade-related matters. They provide for progress towards a free-trade area, for which negotiations are now under way.

With these agreements, the EU and Mexico have embarked on an enhanced political dialogue based on common principles and values, the liberalisation of their trade through the establishment of a free-trade area, and the introduction of cooperation instruments designed to increase their presence on each other's markets.

In tandem with, and as a complement to, this subregional approach, European cooperation with Latin America has, under the guidelines of the 1995 strategy, been targeted in particular on such areas as:

- institutional support and the consolidation of democratic processes
- poverty and social exclusion
- support for economic reforms and international competitiveness

These key areas have been associated with three cross-cutting issues:

- support for regional cooperation and integration
- education and training
- managing interdependence

Official development assistance (ODA) from the EU to Latin America now stands at EUR 2.2 billion, over 60% of all ODA to the region, thereby consolidating the EU's position as the leading aid donor to the region.

In terms of economic and trade relations, the EU is Latin America's second largest trade and investment partner.

In strategic terms, the approach established in 1995 has helped the EU and its partners develop joint policies reflecting the parties' specific circumstances and mutual interest.

This approach has enabled the EU to pursue an original and independent strategy in Latin America that has enhanced its profile in the subcontinent.

It is therefore necessary to continue down this path, taking account of the experience gained in recent years and the new challenges now emerging.

This experience shows that efforts will have to be continued with some partners to consolidate the rule of law and reform institutions. Similarly, action against poverty will have to remain a key area of European support.

Strengthening regional integration processes is another area with great potential for development in the future.

Operations in support of economic reforms and improving international competitiveness must also be continued through greater backing for the promotion of external trade and the strengthening of the private sector, and increased economic and trade cooperation, including measures to promote investment.

Despite the current difficulties, efforts to clear the way for the reciprocal liberalisation of trade will need to continue along present lines.

Joint action plans will need to be pursued to find new ways of dealing with the remaining weak points, notably with regard to greater social cohesion and the sustainability of development.

Lastly, cooperation must be stepped up to strengthen and focus operations while increasing the visibility of Europe's commitment to the continent.

3. THE CHALLENGES OF THE 21ST CENTURY

Over the last decade the Latin American countries have made significant progress in their domestic reforms (strengthening their institutions, consolidating democracy and the rule of law) and integration into the international political and economic scene (liberalising their economics, opening up their markets, joining the WTO, etc.). They know, however, that further reforms will be necessary and that the next millennium will bring a series of new challenges:

- (1) consolidating democracy by guaranteeing respect at every level for the principles of the rule of law, good governance, a more effective and transparent judicial system, and greater participation of civil society in national life;
- (2) a more equitable distribution of wealth by reducing the excessive gaps in wealth and income between different strata of society, in particular through:
 - a) a stable macroeconomic climate and structural reforms conducive to high-quality sustainable growth;
 - b) a stronger commitment to an industrial development respecting the environment and the principles of sustainable development, the only way to create enough skilled jobs to change the structure of income and decision-making at national level;
 - c) closer attention by governments to investment in human resources and the introduction of equal-opportunities policies coupled, where necessary, with more equitable systems for the redistribution of income through suitable fiscal policies;
- (3) smooth integration into the world economy based on a greater capacity to resist international financial upheaval; increasing economic interdependence and financial instability combined with small and fragmented national markets demand certain adjustments;
- (4) stepping up regional integration processes, in so far as they foster gradual and orderly economic liberalisation, and introducing the reforms required for monetary and financial stability; this will also offer operators a larger and more solvent market, enabling them to improve their competitiveness and facilitating their integration into the multilateral trading system.

Besides these challenges specific to the continent, Latin America is seeking its place in a world in the throes of globalisation, a phenomenon that the EU is also having to deal with. The partners therefore face a common challenge, that of parrying the adverse effects of globalisation and ensuring that all groups in society, without discrimination, share the benefits.

It is crucial to ensure that developments arising from globalisation do not - through a failure to take appropriate action - aggravate or create disparities between haves and have-nots, be they countries, societies, regions or subregions. Managing these phenomena entails:

- strengthening the domestic policies of developing countries, with an emphasis on coherent medium- and long-term development this calls for increased and better targeted international aid;
- refocusing international aid on the countries and sectors that need it most by taking greater account of qualitative aspects of development; development policies should not be geared solely to macroeconomic indicators but should be the product of a balance taking adequate account of the human and institutional dimension, notably in matters of education, social protection, labour conditions, environmental protection, etc.;
- pursuing gradual and orderly economic liberalisation and vigilant action against protectionism; maximising the benefits of globalisation presupposes suitable flanking policies and certain basic rules, notably in the areas of competition and financial markets;
- strengthening the international financial system by equipping it with the supervisory and regulatory machinery needed to avoid crises and erratic capital movements.

Through its measures to complete the single market and introduce a single currency and the associated institutional arrangements, the EU has acquired know-how regarding the scope for fine-tuning the financial and economic aspects of globalisation by factoring in social, human and cultural imperatives.

4. OPTIONS FOR FUTURE EU-LATIN AMERICA RELATIONS

The factors for closer links between the EU and Latin America, the ground already covered together and the continuing challenges naturally dictate a number of options for discussion in the dialogue.

A. A strategic partnership

The EU and Latin America share a desire to promote an international system founded on the principles of multilateralism and governed by universally recognised rules and multilateral surveillance systems. It is therefore in the interest of both parties to work towards a strategic partnership rooted in this common will. This mutually advantageous strategic partnership would enable both regions to press issues on which their views and interests converge more effectively in international forums and multilateral organisations. This convergent approach on the international stage could

help the partners cope better with the pros and cons of interdependence. It would cover a number of priority areas, and in particular:

- organisation: reform of the United Nations system and the establishment of machinery for preventing and resolving conflicts;
- law-making and enforcement: non-proliferation of weapons of mass destruction, migration, illegal trafficking (drugs, arms, money-laundering), terrorism;
- promotion of shared values: human rights and democratisation, sustainable development and the environment, financial stability and social justice.

To this end, dialogue must continue to be stepped up on three distinct levels:

(i) Latin America as a whole

Major issues of common interest could be discussed at this level, an example being the political dialogue with the Rio Group. The Rio Summit will undoubtedly decide whether the Heads of State and Government should meet again and, if so, how often. The organisation of special sectoral, topical or technical meetings at appropriate levels could also prove helpful, provided they are carefully targeted and comply with the principle of subsidiarity.

(ii) Regional groupings

They must remain the Union's key political partners. Regional integration has fostered the establishment of political ties and coordination structures, thereby helping increase the representativeness of groupings abroad. This approach is also more flexible and moulds itself more easily to each partner's circumstances and the interests of the EU.

(iii) Civil society

This field is still underdeveloped. Political relations between the EU and Latin America cannot be confined to dialogue between governments. Political cooperation must be made more democratic and less bureaucratic by encouraging civil society to play an active part in the process. Civil society's crucial role in developing participatory democracy is an established tradition in Europe and a more recent conquest in Latin America (and perhaps all the more creative for that). The new conditions reigning in Latin America now enable civil society to play to the full its role as the interface between the political, economic and social spheres.

B. Strengthening economic and trade cooperation

The objective is to work with Latin America to promote the smooth integration of both parties' economies into the world system by developing systems of production that satisfy universally applicable labour and environmental rules.

Improving growth performance requires these countries to adopt and apply sound macroeconomic policies and introduce reforms to capitalise on natural or acquired comparative advantages, provide a legislative environment conducive to securing productive investment and establish a stable political framework.

By pursuing a policy of stable growth and opening up its markets, increasing financial and technology transfers, etc., the EU can make its contribution to the Latin American countries' efforts in the matter of sustainable development.

The application of these basic principles obviously should not preclude the realistic differentiation and modulation of instruments in the light of each partner's specific capacities which lie at the heart of Europe's approach to the subcontinent.

Pursuing these objectives together calls for the EU and Latin America to step up their dialogue and cooperation on a series of fundamental issues:

(i) The development of markets and regional integration. Successful experiments by some Latin American countries show that it is possible to foster solvent domestic demand as a basic factor for growth and stability in the face of exogenous crises. Strengthening regional integration policies plays a capital role in this sphere.

Common policies or coordinated sectoral approaches are crucial, especially in the field of industry, to maximising the benefits of the trade liberalisation policies introduced by various countries.

The same is true of support for the introduction of competition policies aimed at enhancing the competitiveness of regional markets by combating cartels and dominant positions and harmonising legal and fiscal conditions.

This will help increase intraregional trade and promote the integration of different industries, so enhancing the internal cohesion of the developing groupings.

(ii) The stabilisation of financial flows and incentives for sustainable investment. The EU has unrivalled experience of monetary integration, macroeconomic policy coordination, collective surveillance and controlled liberalisation of financial flows in a regional framework.

By introducing a new dimension to Europe's economic policies, the euro increases the Union's responsibilities in the creation of a stable international monetary environment and the working of a globalised economy.

Dialogue and increased cooperation between the EU and Latin America on these issues are a worthwhile contribution to regional and multilateral efforts to give the world a stable and more predictable monetary and financial framework.

The immediate benefits of this cooperation will be to provide economic operators and investors with a stable and credible instrument underpinned by sound macroeconomic policies. Similarly, favourable conditions for protecting intellectual property will have to be fostered in order to encourage investment. Stability, transparency and predictability are crucial to reducing exchange-rate risks and stimulating economic development. They are also prerequisites for productive and long-term EU investment in Latin America.

(iii) Boosting trade. In the case of Mexico and Mercosur/Chile, this will involve putting the finishing touches to the extremely ambitious and advanced framework for relations described in 3. In the case of the other partners, which currently benefit from the GSP, thought will need to be given to the options for developing existing trade relations while continuing active support for international competitiveness, trade promotion and the private sector.

C. Increasing and targeting cooperation

The EU is the main source of official development assistance to Latin America, most of it in the form of grants. The outlook presented in Agenda 2000 suggests that the flow of funds will be at least comparable to that of the past. There should therefore be a substantial amount of grant aid available over the next five or six years under the various cooperation instruments, to which must be added the resources provided by the Member States and the EIB. Whatever the amount, the key is to guarantee, on the basis of transparent performance and fairness criteria, the quality of the measures financed, ensure irreproachable management and maximise the benefits to the target groups. With this in mind, the use of resources should be based on the following criteria:

(i) The rules of intervention should be geared to maximising the impact of European aid by the following means:

- targeting assistance better by focusing financial resources on the less developed countries, with due regard for their absorption capacity
- replacing "demand-led" programming with "dialogue-led" programming, i.e. identifying clearly defined programmes with the countries concerned and allocating resources to a limited number of agreed priority sectors
- concluding a clear and comprehensive legal framework for action (framework agreement), indicative multiannual guidelines (strategy papers) and an indicative multiannual financial package
- close coordination between donors; a division of labour is absolutely vital because each has limited resources and specific skills
- increased attention to evaluation (before, after and during operations), with greater attention to monitoring the execution of projects, their results and impact and their sustainability.

(ii) As for the sectors of intervention, cooperation must be focused primarily on flanking measures and schemes complementing the policies described above to maintain the consistency of the Community approach and the continuity of efforts made in recent years.

Community cooperation in a given country or region will be focused on a limited number of sectors chosen by common accord with the local partners in the light of their specific circumstances.

The key issues will be:

- human rights, institutional support and the consolidation of democracy and the rule of law
- poverty and social exclusion, with priority going to integrated approaches linking economic progress to social development and protecting the environment and consumers (awareness of the risks inherent in the quality of food products, the impact on consumers of the liberalisation of public services, etc.)

- education and training, with the promotion of centres of excellence to sustain cutting-edge sectors and facilitate transfers of European technology; the emphasis will be on scientific cooperation in areas of mutual interest
- support for regional integration and mutually advantageous economic cooperation with the more advanced countries
- decentralised cooperation, with the introduction of schemes in the fields of culture, the artistic heritage and the promotion of common values.

NEW IMPETUS FOR THE PARTNERSHIP ON THE EVE OF THE 21ST CENTURY

1. Uniting factors

Internationally, the EU has political and economic objectives (peace, security, democracy, sustainable development, market stability, etc.) that are much easier to attain with partners capable of implementing joint solutions to shared problems.

Latin America is such a partner. Its cultural proximity and like-minded political positions, potential for growth and developing social and economic structures have brought an upsurge in investment flows, trade and technology transfers.

Latin America has shown a marked capacity for expansion in recent years, even if disparities remain both between and within countries. The radical reforms carried out by Latin American governments in the fields of liberalisation and the introduction of rigorous economic policies have done much to revive the interest of economic operators aware of the new opportunities afforded by a market in full expansion.

The EU also shares with Latin America political interests that are reflected by the ongoing political dialogue. In particular, the shared political interests express Latin Americans' deeply felt aspirations to peace and security, for the strengthening of democracy and the promotion of human rights.

Latin America's interest in Europe must help enhance understanding for the specific characteristics and originality of the Union in the concert of nations:

- (i) The building of the European Union shows how an area of peace, stability and prosperity can be created by dialogue and cooperation. The EU offers Latin America a dialogue between partners founded on the principle of multilateralism, the lack of any desire for dominion and the rejection of all forms of exclusion.
- (ii) Though the European experience cannot be directly transposed to different contexts, it can foster debate on fundamental issues (regional integration, the role of the State and the public sector, decentralisation, social policies, etc.) and inspire everyday practice in many key areas of participatory democracy.
- (iii) In economic and monetary terms, the EU is a partner whose progress, especially in the matter of monetary integration, will give it an increasing role worldwide, shaping its relations with Latin America:

- (iv) In terms of culture and training "leaders", Europe offers specific qualities and a cultural and linguistic model that can serve as a model for Latin America.

2. The future

EU-Latin America relations have developed remarkably rapidly and fruitfully through three phases: the initial priority for development aid was followed by the opening-up of economic partnership, culminating in the current phase, which is governed by the fundamental concepts of the regional approach and relations based on the mutually recognised principle of respect for democracy and human rights.

In view of the quality and frankness of the dialogue established and the progress made in the implementation of the objectives of the Commission's 1995 communication, the climate is now right to take relations a step further in order to consolidate the strategy laid down in 1995 and address the new challenges that have emerged.

The Commission reiterates its commitment to maintaining and strengthening a Latin America strategy based on dialogue with the different regional integration groupings covering three essential and complementary spheres:

- Helping establish a strategic alliance founded on the identification of issues on which positions converged and capable of strengthening the partners' hand in negotiations on the international stage through the defence of coordinated positions.

Such an initiative could, for instance, help achieve mutual progress on conflict prevention, regional and global security and confidence-building measures in danger zones; as well as progress in multilateral talks on trade and financial services. It would also help provide a response to global threats, among them drug trafficking, terrorism, organised crime and the uncontrolled exploitation of natural resources.

- Promoting the establishment of diversified sustainable development models designed to guarantee the sound and managed integration of all players into the globalisation process and the genuine economic take-off that is a factor for social progress.

Macroeconomic and legislative measures must, however, be accompanied by efforts to develop a socially responsible productive sector ready to share some of the costs of modernisation, social reforms and environmental conservation.

Progress towards greater liberalisation is also needed. By the same token, it seems sensible to consider together in greater depth all the issues relating to the reform and modernisation of government with a view to helping make the State a more effective actor and arbitrator in matters relating to the establishment of a fairer society.

- Facilitating EU-Latin America dialogue between representative bodies from civil society in the two regions, since dialogue cannot be confined to governments alone. Dialogue should be enriched by promoting the direct links between organisations, firms, consumer associations, trade unions, institutions, etc. needed to foster a favourable environment.

In this way the discussions between the EU and Latin American partners will be reflected in the globalised economy of the 21st century by fruitful and constructive cooperation.

Annexes: **Statistics**
 Financial statement

LATIN AMERICA: SOCIAL AND ECONOMIC INDICATORS

	Population (millions)	Total GDP in 1990 (USD million)	Per capita GDP in 1990 (USD)	External debt (USD million)	Life expectancy (years)	Adult illiteracy rate (%)	Social spending (%)*
<u>Central America</u>							
Costa Rica	3,50	7 441	2 081	3 427.6	77	5,2	61,3
El Salvador	5,90	7 663	1 293	2 891.4	67	28,5	39,4
Guatemala	10,50	10 411	990	3 681.1	66	44,4	29,5
Honduras	5,90	4 006	670	4 397.4	67	27,3	-
Nicaragua	4,30	2 137	491	5 453.9	68	34,3	45,5
Panama	2,70	7 357	2 702	6 941.4	73	9,2	70,9
<u>Andean Community</u>							
Bolivia	7,70	7 323	942	5 147.9	60	16,9	42,0
Colombia	37,00	64 412	1 738	28 859	70	8,7	31,5
Ecuador	11,90	16 621	1 392	14 409.5	69	9,9	43,9
Peru	24,30	53 836	2 209	28 955.4	66	11,3	21,2
Venezuela	22,70	74 423	3 267	35 048.2	71	8,9	32,0
<u>MERCOSUR</u>							
Argentina	35,60	232 310	6 512	96 840.7	73	3,8	28,6
Brazil	163,40	529 195	3 239	177 608.1	67	16,7	36,7
Paraguay	5,00	7 576	1 489	2 130.7	68	7,9	46,3
Uruguay	3,20	11 072	3 437	5 898.8	73	2,7	73,1
<u>Chile</u>	14,60	57 861	3 957	27 410.5	72	4,8	64,9
<u>Mexico</u>	94,20	315 563	3 347	157 124.6	72	10,4	36,1

* covers spending on education, health, housing, social protection, social services and social welfare.

Sources: IDB, Progreso económico y social en América Latina - Informe 1998-1999 for 1997 population figures, total and per capita GDP in 1997, external debt in 1996

IRELA using World Bank and UNDP data for life expectancy, illiteracy, and social spending as percentage of total spending (1997 reports of WB and UNDP).

Latin America: balance of trade with main trading partners 1992-96 (USD million)

	1992	1993	1994	1995	1996
World	-8940	-17094	-20793	-12325	-26885
European Union	3388	-3490	-4917	-4863	-9691
United States	-8582	-5871	-6987	4866	6994
Asia	-2558	-6315	-6493	-12794	-19076
Japan	-2717	-4323	-4098	-6903	-8761
China	705	116	-42	-1104	-1482
NIS	-1578	-2586	-2772	-4725	-7897

Source: IRELA

Latin America: exports to main trading partners 1992-96 (USD million)

	1992	1993	1994	1995	1996
World	143491	153795	180042	220233	248392
European Union	29803	26343	31517	36242	37021
United States	62920	72058	82900	100667	120892
Asia	13655	14027	17308	22235	22840
Japan	6316	6073	7360	9246	9093
China	1369	1467	1750	2629	2898
NIS	3719	4066	4727	6442	6773

Source: IRELA

Latin America: imports from main trading partners 1992-96 (USD million)

	1992	1993	1994	1995	1996
World	152431	170889	200835	232558	275277
European Union	26415	29833	36434	41105	46712
United States	71503	77929	89887	95801	113898
Asia	16213	20342	23801	35029	41916
Japan	9033	10396	11458	16149	17854
China	664	1351	1792	3733	4380
NIS	5298	6652	7499	11167	14670

Source: IRELA

EU-LATIN AMERICA TRADE 1992-96

By economic grouping (USD million)

	1992	1993	1994	1995	1996
<u>MERCOSUR</u>					
balance of trade	7 240	3 101	58	-2 590	-4 961
exports to the EU	16 485	14 570	16 907	18 045	18 408
imports from the EU	9 245	11 469	16 849	20 635	23 369
<u>ANDEAN COMMUNITY</u>					
balance of trade	-218	-999	817	147	-693
exports to the EU	5 123	4 751	6 702	7 208	6 917
imports from the EU	5 341	5 750	5 885	7 061	7 610
<u>CENTRAL AMERICA</u>					
balance of trade	8	-104	422	202	-426
exports to the EU	1 120	1 377	1 801	2 514	2 776
imports from the EU	1 112	1 481	1 379	2 312	3 202
<u>MEXICO</u>					
balance of trade	-4 253	-5 043	-6 204	-3 339	-3 319
exports to the EU	3 398	2 658	2 748	3 389	4 543
imports from the EU	7 651	7 701	8 952	6 728	7 732
<u>CHILE</u>					
balance of trade	1 176	238	324	1 293	144
exports to the EU	3 202	2 555	2 831	4 449	3 682
imports from the EU	2 026	2 317	2 507	3 156	3 538

Source : IRELA

Official development assistance to Latin America

Transfers (USD million)

	1992	1993	1994	1995	1996	Total 1992-96
Germany	535	552	432	585	839	2944
Austria	13	30	30	33	29	136
Belgium	61	50	44	98	95	349
Denmark	35	38	33	42	66	213
Spain	382	460	353	337	343	1875
Finland	23	19	7	12	7	67
France	171	268	187	244	223	1093
Ireland	0	0	1	2	3	6
Italy	333	276	261	76	99	1045
Luxembourg	4	6	8	0	9	28
Netherlands	205	199	188	266	239	1098
Portugal	0	0	0	1	1	3
United Kingdom	43	43	49	97	44	275
Sweden	117	97	103	112	114	543
European Commission	243	281	288	413	418	1644
EU total (Member States + EC)	2167	2320	1984	2318	2530	11318
United States	570	600	986	736	344	3236
Japan	762	727	808	1102	938	4338
Other DAC members	241	193	223	228	251	1136
Total for the DAC	3739	3840	4001	4384	4064	20028

Source: IRELA, based on data from the OECD's Development Assistance Committee (DAC)

Latin America's place in the EU's external economic relations

European Union: geographical breakdown of imports in EUR billion and percentage share

	1993		1994		1995		1996	
	EUR billion	%						
World	476,3	100,0	523,1	100,0	544,8	100,0	580,0	100,0
Latin America	24,1	5,1	28,7	5,5	30,4	5,6	30,2	5,2
United States	94,1	19,8	103,0	19,7	103,6	19,0	112,5	19,4
Japan	57,0	12,0	57,9	11,1	54,3	10,0	52,5	9,1
CEECs (10)	28,3	5,9	36,4	7,0	44,4	8,1	47,1	8,1
Mediterranean	41,1	8,6	43,8	8,4	45,0	8,3	49,5	8,5
China	19,7	4,1	23,3	4,5	26,3	4,8	30,0	5,2
ASEAN	28,5	6,0	32,5	6,2	34,5	6,3	38,5	6,6
ACP	15,8	3,3	18,1	3,5	19,9	3,7	22,0	3,8

European Union: geographical breakdown of exports in EUR billion and percentage share

	1993		1994		1995		1996	
	EUR billion	%						
World	469,0	100,0	524,6	100,0	572,2	100,0	623,4	100,0
Latin America	25,2	5,4	29,8	5,7	32,4	5,7	35,5	5,7
United States	90,2	19,2	102,2	19,5	103,3	18,1	114,3	18,3
Japan	24,4	5,2	28,7	5,5	32,9	5,7	35,6	5,7
CEECs (10)	35,1	7,5	42,8	8,2	53,2	9,3	63,5	10,2
Mediterranean	55	11,7	56,4	10,8	64,5	11,3	72,5	11,6
China	12,3	2,6	13,8	2,6	14,6	2,6	14,7	2,4
ASEAN	25,8	5,5	30,4	5,8	36,8	6,4	40,7	6,5
ACP	16,5	3,5	14,4	2,7	17,6	3,1	18,6	3

Source: European Commission

Foreign direct investment

	1992	1993	1994	1995	1996	1992-96
FDI flows to Latin America (USD million)						
Germany	257	45	808	1860	-129	2841
Austria	5	3	20	20	7	55
Belgium-Luxembourg	71	-91	-61	178	579	676
Denmark	'''	25	3	43	49	120
Spain	185	93	2072	1039	1571	4960
Finland	34	15	17	52	25	143
France	142	327	99	59	2036	2663
Italy	-46	-17	-2	111	183	229
Netherlands	653	481	1056	891	425	3506
Portugal	2	-1	3	34	308	346
United Kingdom	508	165	1102	1557	1901	5233
Sweden	20	37	16	14	144	231
European Union	1831	1082	5133	5858	7099	21003
United States	5208	8213	11553	13257	8996	47227
Japan	270	132	568	492	780	2242

Source: IRELA

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Draft communication from the Commission to the Council and the European Parliament on a new European Union-Latin America partnership for the 21st century

2. BUDGET HEADING INVOLVED

a) The plan is to finance the initiatives referred to in the Communication from the budget headings usually used for cooperation with Latin America. These include:

- B7-310: Financial and technical cooperation with Latin American developing countries.
- B7-311: Economic cooperation with Latin American developing countries.
- B7-312: Aid to uprooted people in Latin American countries.
- B7-313: Rehabilitation and reconstruction operations in developing countries in Latin America.
- B7-6000: Community contribution towards schemes concerning developing countries carried out by NGOs.
- B7-611: Integrating gender issues in development cooperation.
- B7-6200: Environment in the developing countries.
- B7-6201: Tropical forests.
- B7-6210: North-South cooperation schemes in the context of the campaign against drug abuse.
- B7-6211: Health programmes and the fight against HIV/AIDS in developing countries.
- B7-631: Aid for population and reproductive health policies and programmes in developing countries.
- B7-643: Decentralised cooperation in the developing countries.
- B7-65: Measures to combat fraud in the cooperation sector and management and assessment of Community aid.
- B7-651: Coordination of development policy, evaluation of the results of Community aid and follow-up and inspection.
- B7-6601: Cooperation agreements with third countries.
- B7-661: Community participation in action concerning anti-personnel mines.
- B7-663: Campaign against sex tourism in third countries.
- B7-703: Democratisation process in Latin America.

b) Latin American countries may also be given access to the resources of a number of horizontal programmes financed by the Commission, in accordance with the rules of each individual programme. These would include:

- B4-1041: SYNERGY- Promotion of international cooperation in the energy sector.
- B6-5211: Completion of the third framework programme (1990-1994) – projects concerned by the Agreement on the European Economic Area.

- B6-5311: Completion of projects not covered by the framework programme - projects not concerned by the Agreement on the European Economic Area.
- B6-5411 Completion of the fourth framework programme.
- B6-6142 Preserving the ecosystem - Energy.
- B6-6211: Confirming the international role of Community research.
- B7-20 : Food aid and support operations.
- B7-210 : Aid, including emergency food aid, to help the populations of the developing countries and others hit by disasters or serious crises.
- B7-217 : Operations to help refugees, displaced persons and returnees.
- B7-219 : Operational support and disaster preparedness.
- B7-610 : Training and promotion of awareness on development issues including periods of training at the Commission for nationals of third countries.

3. LEGAL BASIS

- Interim agreement on trade and trade-related matters (1997)
- Cooperation agreement between the EC and its Member States and the United Mexican States (1991)
- Framework cooperation agreement between the EC and Costa, El Salvador, Guatemala, Honduras, Nicaragua and Panama
- Framework agreement on cooperation between the European Economic Community and the Cartagena Agreement and its member countries, namely Bolivia, Colombia, Ecuador, Peru and Venezuela
- Inter-regional framework cooperation agreement between the EC and its Member States and Mercosur and its party states
- Framework Cooperation Agreement leading ultimately to the establishment of a political and economic association between the European Community and its Member States, of the one part, and the Republic of Chile, of the other part
- EU-Rio Group ministerial declaration, Panama City, 14 February 1998
- EC-Argentina framework agreement on trade and economic cooperation (1990)
- EC-Paraguay framework agreement for cooperation (1991)
- EC-Uruguay framework agreement for cooperation (1992)
- EC-Brazil framework agreement for cooperation (1995)

4. DESCRIPTION OF OPERATION

4.1 General objective

To set out a strategy for EU relations with Latin America, devoting particular attention to political dialogue, trade arrangements and development aid.

4.2 Period covered and arrangements for renewal or extension

Indefinite.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 Non-compulsory expenditure

5.2 Differentiated appropriations

6. TYPE OF EXPENDITURE OR REVENUE

Usually a 100% grant, though cofinancing with other donors (Member States, bilateral donors) may take place in certain cases.

The beneficiaries will routinely be asked to contribute financially to the degree that they are able to do so.

7. FINANCIAL IMPACT

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

Latin America figures among the budget priorities for external relations laid down in Agenda 2000. Agenda 2000 provides for the overall allocation for external relations programmes to increase at the same rate as the Member States' GNP. This position has been confirmed in the budget priorities for the 2000 financial year (SEC (1999) 148).

The resulting financial package will be fixed in the wake of the negotiations on the financial perspectives for 2000-2006.

The communication sets out priority lines of action as part of an updating and intensification of EU relations with Latin America. There are no provisions for a new financial instrument, so:

- some initiatives have a zero budgetary impact (including political dialogue, coordination of EU and Latin American positions, etc.);
- some initiatives are trade-related and will be costed once they have been set out in detail;
- some initiatives are connected with cooperation and use existing instruments for which budget allocations are made using the usual procedures.

7.2 Itemised breakdown of cost

Breakdown	Budget year n	n + 1	n + 5 and subs. yrs	TOTAL

7.3 Indicative schedule of appropriations

Schedule for proposed new operation

	n	n + 1	n + 5 and subs. yrs	TOTAL
Commitment appropriations					
Payment Appropriations					
n					
n + 1					
.....					
n + 5 and subs. yrs					
TOTAL					

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

All the instruments which are due to be used make provision for specific measures to counter fraud and stipulate that the Commission's Financial Regulation must be strictly adhered to. Depending on the nature of each operation, the following are planned:

- routine use of invitations to tender (complying with Commission procedures) for goods, works and services;
- routine submission by the beneficiaries of technical and financial implementation reports;
- technical and financial audit missions undertaken by independent experts and Commission officials (including Financial Control, DG I B, SCR);
- routine provision for the Court of Auditors to carry out whatever checks it might consider necessary.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantified objectives; target population

Details of the specific objectives and recipients of each initiative attracting Community budget support will be set out in the appropriate financing decision.

9.2 Grounds for the operation

Will depend on each individual case and on the budget heading used.

9.3 Monitoring and evaluation of the operations (see 8)

10. ADMINISTRATIVE EXPENDITURE (PART A OF THE BUDGET)

10.1 Increase in the number of staff

The actual mobilisation of the administrative resources required will depend on the annual Commission decision on the allocation of resources, taking into account any additional amounts or staff allowed by the budgetary authority.

I. Effect on staffing

<u>Type of post</u>	<u>Staff to be assigned</u>		<u>Breakdown</u>		<u>Duration</u>
	permanent posts	temporary posts	By using existing staff in the DG or service concerned	by recourse to additional staff	
Officials or temporary officials					
Other resources					
Total					

10.2 Overall financial impact of the additional staff

	Amount	Method of calculation
Officials ¹		
Temporary staff ¹		
Other resources (specify budget heading)		
TOTAL		

The figures give the total cost of the additional posts for the entire duration of the project if it is of a fixed duration or for 12 months if it is of unlimited duration.

10.3 Increase in other operational expenditure resulting from the operation: mission expenses

¹ By using the necessary existing resources for managing the operation: calculation based on A-1, A-2, A-4, A-5, A-7.

Budget heading No	Amount	Method of calculation
A 701		
TOTAL²		

Number of missions	Average cost ticket	Average daily allowance	Total (ECU)	Round total (ECU)

The figures give the total cost of the project if it is of a fixed duration or the cost for 12 months if it is of unlimited duration.

Additional needs for missions required for the implementation of this communication will have to be covered by the DG IB missions budget.

² The money will come from the DG IB budget.

ISSN 0254-1475

COM(99) 105 final

DOCUMENTS

EN

11 10 16 01

Catalogue number : CB-CO-99-125-EN-C

Office for Official Publications of the European Communities

L-2985 Luxembourg