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REPORT

drawn up on behalf of the Committee on External
Economic Relations

on the proposed cooperation agreement between the
European Community and Central America

Rapporteur: Mrs H. WIECZOREK-ZEUL

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By letter of 18 October 1984 the Committee on External Economic Relations requested authorization to draw up a report on trade relations between the European Community and Central America.

By letter of 11 December 1984 the committee was authorized to report on this subject.

On 21 November 1984 the Committee on External Economic Relations appointed Mrs Wieczorek-Zeul rapporteur.

At its sitting on 11 February 1985, the European Parliament referred the motion for a resolution tabled by Mr Vergeer and others on future relations with Latin America and Central America (Doc. 2-1500/84) pursuant to Rule 47 of the Rules of Procedure to the Committee on External Economic Relations as the committee responsible and to the Political Affairs Committee, the Committee on Budgets, the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Development and Cooperation for their opinions.

At its meetings of 21 February, 25 March, 25 April and 20 May 1985, the Committee on External Economic Relations considered the draft report. The motion for a resolution as a whole was adopted unanimously on 20 May 1985.

The following took part in the vote: Dame Shelagh Roberts, chairman, Mr Hindley and Mr van Aerssen, vice-chairmen; Mrs Wieczorek-Zeul, rapporteur; Mr Costanzo, Mr Ford, Mr Hitzigrath, Mr Kilby, Mrs Lizin (deputizing for Mr Motchane), Mrs van Rooy, Mr Tzounis, Mr de Winter, Mr Zahorka and Mr Zarges.

The opinion of the Committee on Development and Cooperation is attached. The Political Affairs Committee, the Committee on Budgets and the Committee on Economic and Monetary Affairs and Industrial Policy decided not to submit opinions on this report.

The report was tabled on 23 May 1985.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement

A

MOTION FOR A RESOLUTION

The European Parliament,

- having regard to the recommendation from the Commission to the Council 'concerning the opening of negotiations with Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador, grouped under the General Treaty on Central American economic integration, and Panama, in order to conclude a cooperation agreement',
 - having regard to the decisions of the European Council of 29 March 1982 to increase aid to the states of Central America,
 - having regard to the decision of the European Council of June 1983 on supporting the Contadora process,
 - having regard to the outcome of the meeting of the Council of Ministers of the Ten and the Foreign Ministers of Spain and Portugal with the Foreign Ministers of the Central American common market and the four members of the Contadora Group on 28 and 29 September 1984 in San José at which the countries participating proposed a new structure for a political and economic dialogue between Europe and Central America,
 - having regard to the motion for a resolution by Mr Vergeer and others on future relations with Latin America and Central America (Doc. 2-1500/84),
 - having regard to the report of the Committee on External Economic Relations and the opinion of the Committee on Development and Cooperation (Doc. A2-42/85),
- A. having regard to the decision of the European Parliament of 14 October 1982¹ which calls for a more comprehensive Community policy towards the Central American region and the offer of a cooperation agreement,
 - B. having regard to the decision of the European Parliament of 19 November 1982² in favour of special Community action to assist land reforms in Central America,
 - C. whereas the European Community had already in the past granted aid to the region but that this needs to be increased,
 - D. whereas the European Community represents a region of great importance to Central America: after the USA the Member States of the European Community represent the second largest market for Central America, accounting for 20% of foreign trade in 1983,

¹ OJ No. C 292, 8 November 1982, p. 87 et seq.

² OJ No. C 334, 20 December 1982, p. 127 et seq.

- E. wishing to support the autonomous self-determined development and independence of the region and its efforts towards integration and to help it to diversify its economic and political relations,
- F. wishing to avoid any further military escalation of conflicts in the region, to prevent any direct or indirect military intervention and to promote the development of regional peace procedures,
1. Approves in principle the recommendation from the Commission to the Council on the conclusion of a cooperation agreement with the Central American states and, possibly, the Central American Economic Council and regards this as the implementation of the proposal made by Parliament as long ago as 1982;
 2. Hopes that the cooperation agreement will play a part in safeguarding lasting peace in the region, combating poverty, achieving human rights, social justice and democratic structures and extend the economic relations of the European Community;
 3. Welcomes in particular the provision for a joint committee for economic cooperation to implement the agreement and an annual meeting of representatives of the Community and Central America to promote the political dialogue and suggests that regular meetings be held between Members of the European Parliament and members of the Central American parliaments to ensure that there is parliamentary supervision of the implementation of all parts of the agreements;
 4. Wishes aid to Central America to be doubled under the cooperation agreement, i.e. increased annually over five years from 40 m ECU to 80 m ECU, recalls the pledge given at the San José ministerial conference in September 1984 and wishes, when the agreement is extended, for consideration to be given to increasing these resources;
 5. Emphasizes however most strongly that the scale of present financing for the region, on a bilateral basis, must be maintained;
 6. Hopes that encouragement will be given under the agreement as a matter of priority to intra-regional projects to strengthen internal and regional development and sees the development of a new and viable, larger 'Central American Common Market' as an important element in such a strategy;
 7. Regards cooperation between the region of Central America and the neighbouring states of Mexico and Venezuela as particularly important and advocates three-way cooperation on energy supplies and economic development cooperation;
 8. Hopes that cooperation under the cooperation agreement will play a part in overcoming the most important economic structural problems in the Central American region which are above all the following:
 - dependence on the export of a few, usually agricultural, raw materials,
 - the fall in export earnings and growing indebtedness as a result of the high exchange rate for the dollar,
 - a considerable deficit on the balance of trade,

- economic dependence on the USA,
 - the unjust distribution of land;
9. Wishes that above all the resources should be used for the reforms needed in the countries of Central America:
 - agricultural reforms to develop agriculture, to provide a permanent domestic basis for food for the entire population and an improved rural development,
 - creation of various associations for the production and marketing of agricultural products,
 - industrial development using the existing resource base of the region (agricultural raw materials),
 - development of independent alternative sources of energy to replace oil imports,
 - development of transport infrastructure as part of greater decentralization,
 - specific aid for general education and training,
 - aid to develop the health system (combating disease, combating infant mortality, programmes to provide clean drinking water etc.);
 10. Wishes the European Community to collaborate closely with the Central American bank for Economic Integration (Banco Centroamericano de Integración Económica) and calls on the European Community and the Member States to apply for membership of the bank;
 11. Demands that in cases where governments systematically violate human rights and democratic principles, aid should only be given to projects where the needy population benefits directly via non-governmental organizations;
 12. Hopes that there will be provision under the cooperation agreement for autonomous concessions within the Generalized System of Preferences for certain agricultural and tropical products which are important exports for the Central American region;
 13. Believes, however, it is important to go further and to develop a system to stabilize the export earnings of Central American countries which will enable them to diversify production and exports, reduce their balance of trade deficit and better plan their economic development;
 14. Welcomes the proposal to create contacts between business in the two regions and hopes above all for participation by small and medium-sized undertakings;
 15. Calls for separate Community action, for example in relation to the Dominican Republic which is not a member of the Lomé Agreement nor covered by the proposal for a cooperation agreement with Central America;

16. Hopes that the Community will consider the scope for economic cooperation with Cuba, for example as part of cooperation with SELA (Sistema Economico Latinoamericano);
17. Regrets that the new International Sugar Agreement provides for no instruments whatever to curb the extreme fluctuations in the price of this raw material which have serious effects on the Central American and Caribbean countries; calls on the Community to press within the International Sugar Council for a sugar agreement with economic substance to be concluded;
18. Calls on the Member States of the Community to behave in accordance with the abovementioned objectives and principles in multilateral institutions such as the World Bank and the International Monetary Fund;
19. Calls on the Community and the Member States to work towards a swift satisfactory solution to the serious problem of indebtedness in cooperation with other creditor countries;
20. Wishes the Community to set up an office in Central America as a sign of its commitment to the region;
21. Instructs its President to forward this resolution to the Commission, the Council and the governments of the Central American states.

EXPLANATORY STATEMENTI. Introduction

1. Over the past years the European Parliament has considered the political, economic and social situation in Central America on a number of occasions. The reason for this report is the proposal by the Commission to conclude a cooperation agreement with the states of the Central American Common Market (Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica) and with Panama. As long ago as October 1982 the European Parliament advocated the conclusion of such an agreement. At the meeting of the Foreign Ministers of the ten Member States, and of Spain and Portugal with their opposite numbers from Central America on 28 and 29 December 1984 in San José, Costa Rica, this wish was reaffirmed.
2. The European Community is a very important trading partner for the countries of Central America. With a 20% share of exports in 1983 the Community was the second largest customer after the USA (35% in 1983) for Central American exports. Community exports to Central America only account for 0.33% of total exports. The Community obtains a large proportion of its imports of tropical products (coffee, bananas) from Central America. The Community's interest in Central America is, however, not simply one of trade. It has also sought to help prevent escalating crises and military intervention in Central America:
 - by supporting the countries of Central America in their efforts to overcome economic and social problems the Community wished to help eliminate the most important causes of internal tension;
 - the Community and its Member States are seeking to support and strengthen democratic forms of society and secure greater respect for human rights;
 - support is to be given to attempts at regional integration;
 - the aim of developing relations to the European Community is to improve the basis for an independent autonomous development in Central America.

Despite the enhanced economic and political importance of Central America for the European Community, trade relations between the two sides have never been contractually established. As part of its development cooperation with non-associated developing countries the Community has been supporting this region over the last few years with technical and financial support programmes, food aid, trade promotion, emergency aid and support for regional integration using the generalized system of preferences.

II. Review of relations between the Community and Central America

3. The first attempts at cooperation with the countries of Central America go back to 1975. At this time the Commission tried to develop relations at regional level. The aim was an intensification of contacts with the

possible conclusion of a global agreement. The key element in this concept was the relatively highly developed degree of integration in the Central American market (20% of intra-trade) and the Community's development policy goal of encouraging such integration in the Third World.

So far however this development has only met with partial success: the Central American heads of missions formed a group (Gruca) and on three occasions held an exchange of views with the Commission (1979, 1980 and 1984). Links with SIECA¹ have been intensified. In 1978 the Central American Ministers for Economic Affairs instructed SIECA to investigate the possibility of a cooperation agreement with the Community.

However, a number of factors prevented the conclusion of an outline agreement of this kind. Firstly, economic and political tensions among the countries of Central America increased to such an extent that it was no longer possible for them to adopt a unanimous position vis-à-vis the EEC and as far as the EEC was concerned, concern over the human rights situation in a number of Central American countries, e.g. Guatemala and El Salvador, was the main factor which led the Community to abandon any further moves towards an economic cooperation agreement. In addition deference was perhaps unjustifiably paid to the USA.

At its meeting of March 1982, the European Council considered the situation in Central America for the first time and observed:

'The European Council discussed the situation in Central America. It expressed serious concern at the continued growth of tensions in the region. It welcomed with interest any initiative likely to put an end to violence and lead, through dialogue and respect for democratic norms and for human rights, to the restoration of peace in the region, while safeguarding national sovereignty and the wishes of the people ... Noting that the tensions and conflicts ravaging Central America frequently stemmed from the grave economic problems and social inequalities which had been aggravated by world economic conditions to the detriment of the poorest countries, the European Council believed that the international community could not remain indifferent to these evils ... The European Council however agreed that the aid given by the Member States of the Community and by the Community itself for development in Central America and the Caribbean should be coordinated and increased within the limits of their possibilities.'²

4. In a resolution on economic relations between the European Community and Central America of 14 October 1982 the European Parliament called for an economic cooperation agreement and greater financial aid from the Community³. These funds were above all to be used for the reforms needed in the countries of Central America (agricultural reform, expansion of the internal market, promotion of industrial development, development of alternative sources of energy, reduction of balance of payments deficit, development of transport infrastructures, measures for general education and training).

¹ Secretaria Permanente de Integracion económica de Centro America, the secretariat of CACM

² Decision of the European Council of 29.3.1982

³ Wiczorek-Zeul report, Doc. 1-645/82

5. On the basis of these decisions and a Commission proposal to this effect¹, which was endorsed by the European Parliament on 19 November 1982,² the Council of Ministers approved on 22 November 1982 a special programme for economic and social development in Central America.

As part of this programme the Community was to provide a total 56.7 million ECU. These funds were chiefly to support ongoing agricultural reform programmes, promote the restructuring of agriculture as part of programmes for integrated rural development and offset trading deficits for the import of certain essential products produced in Europe (fertilizers, etc.). Given the scale of the financing this could only serve as a model. Costa Rica, the Dominican Republic, Honduras and Nicaragua profited from the special programme.

After the European Council in Stuttgart in June 1983 had once again emphasized the importance of development cooperation with the Central American region, the Commission proposed on 10 February 1984 further specific measures to strengthen cooperation with Central America. The Commission stressed that the conclusion of a framework agreement for economic cooperation and trade cooperation with all states in Central America would be useful provided that the resources allocated by the Community to support this region were increased considerably.

III. The San José Summit

6. A new political impetus was given to efforts to intensify relations between the Community and Central America by the summit meeting between the Foreign Ministers of the ten Member States of the Community, Spain and Portugal and from the Central American countries and the Contadora Group which took place on 28 and 29 September in San José, Costa Rica. In the joint final communiqué from this conference the participants reaffirmed their political will to safeguard peace and security in Latin America by means of dialogue and negotiations. All parties reaffirmed their commitment to the aims of peace, democracy, security, social and economic development and political stability in Central America and agreed that the problems of this region could not be overcome by military means but only by political solutions from within the region itself. Because of this conviction they reaffirmed their support for the peace efforts being made as part of the Contadora process.

They also announced their willingness to embark in the near future on negotiations on the conclusion of a multilateral framework agreement on cooperation between the Community and the countries of Central America. There then followed an initial coordination meeting to negotiate a cooperation agreement between the Community and the countries of Central America on 10 and 11 December in Guatemala City. Both sides confirmed their readiness to bring negotiations between the two regions to a conclusion in 1985.

¹ COM(82) 257 final

² Michel report, Doc. 1-784/82

IV. The economic situation in Central America

7. The countries of the Central American isthmus cover an area of 508,000 sq. km with a population of 25 million. The population growth rate is 2.8% per year. Some 49% of the population, i.e. 10.7 million people, are younger than 15. 25.7% live in cities with over 20,000 inhabitants. Infant mortality is 60%. The employment rate is only 50%. Per capita GDP (CACM) has fallen by some 20% since 1980 (Latin America: 9%) and is currently at the 1970 level. In 1980 41.8% of the population were living in extreme poverty (13.6% in Costa Rica, 56.7% in Honduras).
8. The basis of the national economies in Central America consists of certain tropical agricultural products such as coffee, bananas, sugar and cotton. 11.5% of the world coffee production and 10.8% of bananas come from Central America. Almost half of all those employed work in agriculture. Some 20% of those employed work in manufacturing which consists mainly of food processing and the chemical and textiles industries. Just under a third of those employed work in the service sector. There is practically no publicly-owned economy. Growth and industrialization do not normally form a central issue in the exercise of state power. It is more a question of preserving the traditional business and power elites and the military circles who often form part of this elite group.

Agricultural products also play a major part in exports. They account for almost 50% of all Central American exports. Other traditional exports include: cotton, sugar, tropical woods and meat. Only 20% of Central American exports consist of manufactured goods. 41% of Central American imports (CACM) are manufactured goods. Just under 28% are raw materials and chemical products and less than 20% are accounted for by energy imports.

In 1983 the countries of Central America (including Panama) exported goods to the value of US\$ 4,059.6 m, imports amounted to US\$ 5,729.4 m. The balance of trade deficit thus amounted to US\$ 1,700 m. In recent years some 20% of Central American exports have gone to the European Community and 35% to the United States. One per cent of US exports go to Central America. The corresponding figures for Japan (5%) and the other Latin American countries (3.5%) are relatively low.

9. In recent years the Central American economy has been in decline. The main reasons have been:
 - the fall in prices on the world market for the most important exports from Central America;
 - the rise in the price of oil imports which the non-oil producing developing countries in Central America need and which they can only replace by other forms of energy (hydroelectric power etc.) to a very limited extent;
 - the rising price of major manufactured imports;
 - obstacles to intra-regional trade;

Table 1

Central American foreign trade
in US \$ million

	EXPORT			IMPORT		
	total	of which EC	USA	total	of which EC	USA
<u>Guatemala</u>						
1979	1 160,9	255,0	309,2	1 361,8	218,1	473,4
1980	1 486,1	365,3	426,2	1 559,1	203,3	525,2
1981	1 114,8	186,1	294,0	2 009,3	214,6	550,6
<u>Honduras</u>						
1979	720,9	155,8	420,8	825,8	89,2	358,1
1980	813,4	193,8	431,5	1 008,7	109,0	426,0
1981	712,5	136,5	391,9	944,9	117,6	391,8
1982	655,7	140,2	346,0	689,9	74,0	273,5
1983	660,1	102,8	363,7	823,0	110,6	295,9
<u>El Salvador</u>						
1979	1 031,7	336,8	298,1	1 012,0	151,8	295,0
1980	720,0	104,6	213,8	975,9	93,9	245,7
1981	490,8	106,9	101,9	1 044,5	134,2	249,9
1982	407,6	78,8	107,6	944,8	102,6	233,1
<u>Costa Rica</u>						
1979	934,3	241,5	346,8	1 446,1	179,9	460,0
1980	1 031,5	233,6	360,3	1 596,4	167,6	550,1
1981	1 010,5	226,3	328,8	1 274,2	144,8	459,4
1982	876,8	226,5	295,1	945,2	89,7	387,2
<u>Nicaragua</u>						
1979	633,2	168,3	211,0	414,9	40,1	104,7
1980	413,8	129,5	160,3	881,9	69,6	242,1
1981	475,9	103,1	135,3	994,2	112,3	261,4
1982	390,7	94,9	97,9	774,9	109,5	147,6
<u>Panama</u> ¹⁾						
1979	291,6	44,2	135,4	1 183,8	87,0	389,7
1980	353,4	45,1	176,3	1 447,5	92,5	489,3
1981	319,4	55,6	169,3	1 561,9	123,6	537,4
1982	310,2	42,3	141,0	1 567,8	110,6	549,1
1983	302,6	42,8	164,1	1 411,4	108,3	456,3

¹ excluding Colon free trade area

Source: UNO

- the deterioration in the balance of payments and increasing service charges for debt partly due to high international interest rates.

The decline in export markets and the massive outflow of capital in recent years have led to a sharp rise in the indebtedness of Central America. At the end of 1983 these foreign debts amounted to US\$ 10,300 m (CACM). The CACM countries have to use 20% of their export earnings simply to service foreign debts.

10. As a legacy of its colonial past, agriculture in Central America is chiefly geared to producing a small number of products for export. This system of agricultural exports is entirely dependent on the world market, traditional markets and any fluctuations here. The outmoded pattern of ownership also makes it more difficult to use the arable land effectively. A small number of large landowners own gigantic estates whereas the vast majority of farmers have holdings of less than 1 hectare. For example in January 1980 in El Salvador 4% of all landowners owned 67% of the arable land. Half, on the other hand, 49%, had to manage with 5%.

In Guatemala at the present time 2% of the population own 65% of the land whereas the vast majority of small farmers (81% of those employed) have only 10%. This has two consequences for the rural population: either seasonal work as agricultural labourers at harvest time on the large estates or a pitiful peasant existence without sufficient capital, equipment and economic incentive to encourage local production and supply of agricultural goods for the local population.

11. Land reforms which have often been attempted in the face of fierce opposition are therefore essential for the countries of Central America, for a number of reasons:
 - they can enable more productive use to be made of the land;
 - they can reduce the dependence of the national economies on exports;
 - they can provide sufficient food for the local population;
 - they can prevent the flight from the land;
 - they can remove the basis for crass social injustice and as a result the enormous social conflicts.

At the moment Nicaragua is the only country in Central America which is implementing such reforms on any scale.

12. Between 1950 and 1954 the Arbenz Government in Guatemala attempted to pursue a policy of agricultural reform to benefit the lower classes of American Indians, and in particular agricultural labourers and the lower middle classes, but it encountered strong opposition from coffee planters and agricultural exporters and from their military allies. Since 1954 Guatemala has had a military regime, without any base in the various 'elections', the results of which were regularly falsified in favour of candidates supported by the military. Agricultural reform was blocked.

In Nicaragua the Sandinista revolution was possible only because in over fifty years in power the Somozas stood in the way of any effective agricultural reform and exploited the land as though it were their private property until finally all sections of the population, including employers and the middle classes, rose up in protest.

This is mainly a result of the fairer distribution of income over the country. This is explained by the late settlement of smallholders in the country (mid-nineteenth century) and the fact that these structures have to a large extent been retained. Since Costa Rica has few mineral resources, there was little incentive during the colonial period for more dense settlement, with the result that the country has managed to retain a stronger social dualism than for example in El Salvador.

V. The role of the United States in Central America

13. The United States has a crucial influence on the states of Central America, both in the economic and political sphere. In the economic sphere the traditional interests of the US as the major foreign trading partner consisted in seeking out raw materials, market and investment opportunities and additional opportunities for trade and the installation of production plant in Latin America as a whole. In 1983 the value of US direct investments in Central America amounted to US\$ 5,300 m ECU compared with some US\$ 600 million (1982) by West Germany and the United Kingdom who are the two main investing countries in the Community. In the agricultural sector the development of Central America is often controlled by a few American corporations such as in Honduras where Standard Brands and United Fruit control practically the entire banana crop. The same applies to beef production. Apart from in Nicaragua, grazing land in Central America is largely controlled by US companies who produce beef for export.

Between the turn of the century and the beginning of the 1930s the US Government repeatedly intervened in Central America with a view to achieving the objectives of North American industry and particularly of agricultural exporters. This interference took the form not only of direct military intervention but also of other ways of 'exerting influence', such as the Panama agreements or, in the case of Cuba (before Castro), fixed sugar quotas and the Platt Amendment, which gave the USA the right to intervene in the Cuban constitution. The most striking manifestation of this policy was the overthrow in 1954 of the left-wing liberal populist Arbenz Government by the CIA and Guatemalan armed forces. Since then the country has been tottering in the face of constant unrest, violence and infringements of human rights.

Whereas Mexico and other Latin American countries began as early as the 1920s and 1930s to introduce social and political reforms, the oligarchic social and power structures continued unreformed for a considerably longer period in the countries of Central America.

By contrast with the rest of Latin America, the world economic crisis at the beginning of the 1930s brought to Central America, with the direct or indirect support of the USA, a series of long-lasting dictatorships which remained in power until well after the Second World War: Ubico in

Guatemala (1931-1944), Hernandez Martinez in Salvador (1931-1944), Carias Andino in Honduras (1933-1949), Batista in Cuba (1933-1959), Trujillo in the Dominican Republic (1930-1961) and the Somozas in Nicaragua (1932-1979).

In most of these countries it was virtually impossible for a nationalist middle and entrepreneur class to evolve, development was impeded, agricultural structures remained untouched and the education of the people was neglected.

In the political sphere US foreign policy has been characterized since the Cuban revolution of 1959 by an extensive concern to safeguard American influence in Central and South America as part of its global conflict with the Soviet Union.

As a result the United States views any development which diverges from its own system as a threat to stability. In this context stability is usually interpreted as military stability. A large proportion of US aid to Central America takes the form of military aid to governments sympathetic to the United States. Consequently El Salvador's army receives support in its battle against the guerrilla movement within the country as do the Contras operating from Honduras who the US wishes to overthrow the Sandinist regime in Nicaragua. Nor does the United States balk at direct military intervention. In 1965, for example, they marched into the Dominican Republic.

14. This US policy conflicts with the interests of the states in Central America. These can only solve their economic and social problems if the state takes an active role in organizing the economic and social sphere. Such a development, however, is mistakenly seen by American businessmen and politicians as a threat to US interests.

This situation is one of the reasons why the European Community is a sought-after partner in Central America. Central America, as many throughout Latin America, hopes that the Community will provide a greater diversification of relations and thus a lessening of dependence vis-à-vis the USA. In addition the Community is seen as a moderate power which cannot intervene militarily and will not prescribe social patterns of development.

VI. Trade relations between the Community and Central America

15. In 1983 the Community imported from Central America (CACM and Panama) goods to the value of 1,184.2 m ECU. The value of exports to Central America was 1,005.1 m ECU. This resulted in a balance of trade deficit for the Community of 179.1 m ECU (see table 2). The Community's main trading partner in the region is Panama. Traditionally, the Community has always had a balance of trade surplus in Panama of several hundred million ECU whereas the balance of trade with the CACM states are all in deficit to the Community.

In 1983 the main Community imports from Central America were coffee (58% of total imports), bananas (20.5%) and cotton. Community exports to CACM consisted of machinery and transport (38.8%), finished goods (34.6%) and

Table 2

COMMUNITY TRADE WITH THE COUNTRIES OF CENTRAL AMERICA (1)
(balance of trade and balance for the Community in m ECU)

	1980			1981			1982			1983		
	Exports	Imports	Balance									
Exports of 10 to ...												
Imports of 10 from ...												
Guatemala	130.1	264.0	-133.9	180.0	204.1	-24.2	125.5	224.7	-99.2	106.8	182.9	-76.1
Honduras	68.6	130.7	-62.1	86.0	119.8	-33.8	56.9	134.3	-77.5	99.8	124.0	-24.2
El Salvador	60.0	236.5	-176.5	84.0	280.4	-196.4	71.8	195.4	-123.6	91.4	226.8	-135.5
Nicaragua	36.1	86.0	-49.8	63.6	86.5	-22.9	77.9	95.8	-17.9	76.4	111.0	-34.6
Costa Rica	92.0	185.0	-93.0	86.1	227.2	-141.1	73.8	228.9	-155.0	109.7	241.9	-132.2
Panama	365.8	148.3	+217.5	742.0	230.2	+511.8	699.5	222.5	+477.1	521.0	297.6	+223.4
Total	752.6	1050.2	-297.9	1241.7	1148.2	+93.5	1105.4	1101.6	+3.8	1005.1	1184.2	-179.1

(1) Central American common market and Panama

Source: Commission

Table 3 Community trade with Central America

in type of goods
as %

Exports of Ten to ... Imports of Ten to ...	Guatemala		Honduras		El Salvador		Nicaragua		Costa Rica		Panama	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Total (m ECU)	125.5	224.7	56.9	134.3	71.8	195.4	77.9	95.8	73.8	228.9	699.5	222.5
Food, beverages, tobacco	7.7	74.1	22.6	85.9	22.2	92.1	22.1	77.6	5.5	91.9	5.1	72.2
Raw materials	1.9	22.6	0.6	10.6	3.0	2.7	1.0	21.3	2.6	3.1	0.3	1.7
Oil etc.	1.1	1.9	0.7	-	1.0	-	1.9	-	1.5	-	1.7	-
Chemical products	32.2	0.1	23.0	2.7	39.3	-	18.6	0.3	28.1	0.1	10.5	1.7
Other industrial products	24.4	0.5	20.7	0.5	16.8	2.5	26.8	0.4	35.2	1.6	37.2	12.7
Transport of equipment	30.5	0.2	30.5	0.3	16.9	2.7	29.2	0.4	25.6	3.3	44.8	11.1

Source: Commission

chemical products (23.6%). There is little duty to be paid on the most important exports from Central America when they are imported to the European Community. Under the Common Customs Tariff coffee is currently subject to 5% duty and more than half the banana imports come into the Community duty-free as part of a customs quota. The rate of duty on raw cotton is also zero. As a result some 82% of Central American exports to the Community are charged 5% or less duty.

On the Central American side there are a number of restrictions on imports in the form of currency regulations, import licences and the like. The rates of duty are generally between 30 and 60%. Only Nicaragua is a member of GATT.

16. The Community spent 1.75 m ECU in 1982 to promote trade between the Community and Central America. These funds were used for seminars for exporters, to send experts to promote investment and exports, commercial delegations for specific products (food, wood, etc.), and participation at Latin American and European trade fairs etc.

As part of the Generalized System of Preferences (GSP) which has been in existence since 1971, the Community allows access to the common market at preferential customs rates to commercial finished or semi-finished products. This system includes all the countries of Central America. Under the GSP the Central American countries have gradually increased their exports to the Community but do not make full use of the advantages offered. In 1983 the proportion of preferential exports to the Community as a proportion of all such American exports was only 5.1%.

VII. Development and Cooperation

17. From 1979 to 1983 the European Community paid a total 204 m ECU development aid to Central America. Most of this (90%) consisted of financial and technical aid and food aid in roughly equal proportions. Over the same period the Community paid emergency aid of 12.15 m ECU to alleviate the effects of natural disasters which are unfortunately frequent in this region. These funds were also used to assist expellees and refugees. The Community made payments of aid amounting to 4.16 m ECU via non-governmental organizations.

The stage of development and the political situation in the recipient country are used as the basis for granting technical and financial aid. For this reason aid went primarily to Nicaragua and more recently Costa Rica. Honduras also received aid while on the other hand none was given to El Salvador or Guatemala. Technical and financial aid is almost exclusively used for integrated rural development on the basis of agricultural restructuring programmes. In this way the Community has helped to ease the pressure on these countries from foreign trade deficits.

18. The Community provides food aid in two different forms, namely either directly to governments or indirectly via non-governmental organizations in order to alleviate temporary food shortages in these countries. In 1982 food aid from the Community to Central America amounted to some 24.1 m ECU of which half went to Honduras (4.88 m ECU) and Nicaragua (8.31 m ECU).

Some of the food aid provided by the Community can be sold provided that the earnings are used by specialist institutions to finance specific projects. This was for example the case in 1980 with the earnings from the sale of some of the food sent to Honduras. In Nicaragua, 5.4 million ECU of such counterpart funds were used in 1980 to finance a literacy campaign. The special Community aid programme for land reform was also financed in this way.

VIII. The Central American market and Panama as cooperation partners

19. The foundations for the economic integration of Central America were laid on 13 December 1960 with the signing of the general treaty on the economic integration of Central America in Managua. This treaty was initially signed by four states. In 1962 Costa Rica joined as the fifth member. Since then Panama has concluded bilateral treaties with the five member states of the CACM.

The treaty provides for a number of measures to create an economic union, in particular the creation of a common external customs tariff, a certain degree of coordination and productive investment, the coordination of economic policy and financial machinery, for example to offset balance of trade deficits in inner regional trade.

The main policy body of the CACM is the Central American economic council to which the economics ministers of the member states belong. Administrative and technical coordination is carried out by SIECA (Secretaria Permanente de Integración Centroamericana). Also a Central American Bank for Economic Integration (BCIE) and a Central American fund for monetary stability have been created.

20. There have been three phases in the development of CACM since 1960:

- The first decade was characterized by powerful economic expansion which led to a marked increase in intra-regional trade. The external trade of the member states of CACM which only amounted to 6.4% of all external trade in 1960 rose to almost 25% by the end of the decade.
- During the period 1962-1978 there was growing inflation (not least due to the rise in oil prices), ever wider fluctuations in the world market prices for the most important exports, growing foreign indebtedness and the consolidation of inner regional trade to about 22% of overall external trade. Despite the decision by Honduras in January 1969 to leave CACM it continued to function in practically every respect.
- Since 1978 Central America has been going through a severe economic and political crisis which has led to the disintegration of CACM. The main causes of the economic crisis are: stagnation of export earnings compared with price increases for imports, higher interest rates combined with a rapid increase in indebtedness (together with a huge outflow of capital), exhaustion of the compensation fund with a corresponding reduction in the intra-regional flow of trade which is increasingly threatened by acts of violence particularly in the border areas of several CACM member countries. Per capita GDP has fallen by about 20% since 1980 and is now at the 1970 level. Over the same period the level of indebtedness has risen and is now approximately US\$ 13,000 m.

21. Despite these difficulties the countries in Central America have tried to maintain the level of integration reached and strengthen regional cooperation. Most recently, these activities have intensified. These efforts are generally supported by the initiative of the Contadora Group which seeks global stability for the region in the political, economic and social sphere. As far as the economic sector is concerned, the ministers responsible for economic cooperation emphasized at a meeting on 18 May 1984 in San José the need to tackle problems together, to reactivate intra-regional trade and to revive the institutions and machinery for regional cooperation. Following this the economic council and executive council, two bodies provided for in the general treaty, were set up again.
22. The main causes of the collapse of the CACM are linked to the fact that successful industrialization by means of a policy of import substitution depends largely on the size of the internal market. In terms of population the CACM is only a quarter the size of Mexico so that, although regional import substitution on the lines of the ECLA concept was achieved in the initial phase, this was only because the original level of industrialization was minimal. Moreover, regional import substitution took place not on the basis of an overall programme, as indicated in the ECLA concept, but simply as a result of the introduction of free trade within the CACM.

This means that, as soon as the impetus began to wane, serious disputes over distribution arose between countries which had derived fewer benefits from the process of integration and those which had gained from it, such as Costa Rica. No attempt had been made to develop policies which could have provided compensation.

Moreover, the import substitution model underlying the concept of the CACM gave rise to a whole series of additional structural problems which were partly responsible for its stagnation: (the industries which were established following the creation of the CACM (artificial fertilizers, pharmaceutical products, tyres, batteries, electrical equipment, etc.) were highly dependent on imports of raw materials. They were capital-intensive and had a low net product together with a high level of dependence on foreign investors and foreign technology.

As imports for these industries became more expensive and, in particular, as oil prices rocketed, while at the same time the prices of the region's traditional exports fell, this model of import substitution, and with it the CACM of which it was the principal mainstay, was hit by crisis.

As a result, the policy of import substitution was no longer consistently pursued and from the mid-1970s there was a renewed increase in imports of food and intermediate products.

A serious shortcoming of the import substitution model on which the CACM was based was the fact that to a large extent it failed to exploit indigenous resources, in particular, agricultural resources and the availability of a large workforce.

Moreover, disparities in the political evolution of the individual Member States inevitably contributed to the stagnation of the CACM.

Any concept aimed at reviving regional cooperation and integration in Central America must reflect on the causes of the collapse of the CACM.

IX. The Commission proposal for a cooperation agreement

23. The policy decision by the conference of ministers in San José made it clear that the swift conclusion of a cooperation agreement between the Community and Central America is in the interest of both parties. Accordingly, the Commission proposed to the Council of Ministers on 27 February 1985 that it should be given a negotiating brief to this effect. The Commission believes that the cooperation agreement should make it possible for the Community to contribute to stability in the region in particular by measures aimed at improving the socio-economic situation which is the cause of the current instability. At the same time the process of integration in Central America should be strengthened.
24. Given the particular situation in Central America the treaty must be different from other framework treaties on economic cooperation which the Commission has concluded in the past with other developing countries. Thus it is not enough to create the institutional framework to develop cooperation but there must be specific undertakings by the Community. The cooperation agreement must therefore:
- be non-preferential;
 - be capable of development and not preclude at the outset any aspect of the Community's terms of reference;
 - take account of the stage of development in the countries of Central America and in particular the difficult situation as regards socio-economic and political instability in the region;
 - encourage the economic and social development of the Central American region and in particular support the process of regional integration with appropriate financial resources, namely by doubling the funds in addition to existing aid;
 - consolidate, strengthen and diversify trade relations between the two regions. In this context a most-favoured clause must be introduced (given that Nicaragua alone is a member of GATT);
 - be concluded for a period of five years with all countries in Central America, i.e. Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama. The treaty should be concluded on the one hand by the Community and on the other by the six countries individually;
 - provide for a joint committee to be set up to ensure the smooth functioning of the agreement, provide suggestions and determine what cooperation measures should be taken;
 - provide for regular ministerial conferences for a political dialogue on the lines of the San José conference.

25. In the trade sector consideration should be given to the scope for improving the terms of access for Central American products to the Community market. These might be concessions under GSP for certain agricultural and tropical products. The most important agricultural product, coffee, is currently subject to 5% customs duty. Given the importance of this product for Central American exports it might be proposed that this should be reduced from 5 to 3%. This would leave a margin for preferential market access for ACP States.

In the field of financial cooperation the Commission proposes as part of the aim of economic development and as a contribution towards regional integration that in addition to the usual level of aid to countries in this region an additional amount should be paid principally to finance projects of regional importance. The Commission believes that a financial commitment by the Community for the whole period of the agreement is crucial if an effective agreement is to be concluded which takes due account of the political objectives which the Community is pursuing with the treaty.

The Commission proposes that the financial resources currently set aside for Central America should be doubled, this means an increase from 40 m ECU to 80 m ECU per year.

26. The Commission proposal on the conclusion of a 'mixed' cooperation agreement should be welcomed. It represents the implementation of a demand which the European Parliament made as long ago as 1982. As far as the parties to the agreement are concerned it would be helpful if in addition to the Community itself the Member States would sign the agreement. This would be in accordance with the desire expressed at the conference of ministers in San José, Costa Rica, to arrive at closer cooperation in the political sphere.

Account must also be taken in cooperation with Central America of the human rights situation in the various countries and no support given to dictatorships. In those states which continue to systematically violate human rights and democratic principles, support should only be given to projects which can be carried out by non-governmental organizations (NGOs) and from which the population in need benefit directly. This has so far been Community practice and should remain so. In the past the Community has always provided such direct aid via NGOs as food aid and as emergency aid in the event of natural disasters.

Parliament should be involved in the work of the joint committee for economic cooperation and in the annual meetings to promote a political dialogue between representatives of the Community and Central America.

27. The aim of the treaty should be to promote the internal and regional development of the Central American countries. This however presupposes a number of radical reforms:
- agricultural reforms to end the system of huge estates and smallholdings. Only this can establish a form of agriculture to provide a permanent and secure domestic food basis for the entire population and sufficient food for the consumption of low-income families;

- the utilization of the domestic resource base;
- expansion of demand for mass consumer goods by increasing mass purchasing power;
- education and training plus general basic qualification;
- development of the health system.

Cooperation under the agreement should promote such reforms.

In general priority should be given to projects which have a particularly marked effect on regional integration and the development of a larger and viable Central American common market.

In the foreign trade sector, in addition to the measures proposed by the Commission to facilitate access to the market for Central American products, more wide-ranging possibilities should be considered. By analogy with the STABEX system that operates with the ACP States, there could also be a system to stabilize export earnings for the countries in Central America.

28. The cooperation in the region between the countries of Central America on the one hand and the neighbouring states of Mexico and Venezuela should continue. These two states have in the past supplied the countries of Central America with oil at preferential prices. Thought might be given to three-way cooperation between the Community and these two groups of countries. The agreement does not include Belize which is one of the ACP States. Nor is any account taken of the two states on the island of Hispaniola, Haiti and the Dominican Republic, or Cuba. The Dominican Republic already receives aid from the Community as part of its cooperation with non-associated developing countries. This aid, like that to Central American states, should not be affected by the cooperation agreement the resources from which should be in addition to this aid. It is quite nonsensical that Cuba is completely ignored by the Community in this region. Economic links should also be established with Cuba. These might be developed at multilateral level, for example in the SELA (Sistema Economico Latinoamericano) framework, of which Cuba is a member.

OPINION

(Rule 101 of the Rules of Procedure)
of the Committee on Development and Cooperation

Draftsman: Mrs B. SIMONS

On 27 February 1985, the Committee on Development and Cooperation appointed Ms SIMONS draftsman of the opinion.

The committee considered the draft opinion at its meetings of 26 March 1985 and 23 April 1985. It adopted the draft opinion on 25 April 1985 by 23 votes to 1 with no abstentions.

The following took part in the vote : Mrs Focke, chairman; Mr Bersani and Mr Wurtz, vice-chairmen; Ms Simons, draftsman; Mr Andrews, Mrs De Backer-Van Ocken, Mr Baget Bozzo, Mr Balfe, Mrs Cinciari Rodano, Mr Cohen, Mrs Daly, Mr Mouchel (deputizing for Mr Flosse); Mr Normanton (deputizing for Mr Jackson); Mrs Pantazi, Mrs Pery, Mrs Rabbethge, Mr Rinsche (deputizing for Mr Wawrzik), Mr Schreiber (deputizing for Mr Loo), Mrs Schmit, Mr Simpson, Mr Trivelli, Mr Uiburghs (deputizing for Mr Pannella), Mr Verbeek and Mr Vergeer.

The Committee on Development and Cooperation

- A. having regard to the joint communique ¹ issued at the close of the meeting held in San Jose de Costa Rica on 28 and 29 September 1984 between the Foreign Ministers of the Member States of the European Community, Portugal, Spain, the countries of Central America and the member countries of the Contadora Group,
- B. having regard to the difficult economic, social and political situation in Central America,
- C. condemning military interference, either direct or indirect, in the region,
1. Stresses the importance of strengthening links between the European Community and Central America in order to assist the people of the region in their campaign against poverty, oppression and aggression and in favour of social justice, self-determination and democracy;
 2. Is convinced that Europe can contribute to the achievement of a peaceful solution to the problems of Central America; consequently encourages the Community and its Member States to institute a regular political dialogue with the States of the region and to support the peace initiative of the Contadora Group;
 3. Consequently favours the conclusion of a cooperation agreement between the European Economic Community on the one hand, and the countries of the Central American isthmus - Costa Rica, Guatemala, Honduras, Nicaragua, Panama and El Salvador - on the other;
 4. Believes that such an agreement should be developmental, economic and commercial, and political in scope, non-preferential and evolutive in nature, and should include a most-favoured nation clause;
 5. Hopes that this agreement may be concluded as soon as possible;
 6. Calls for substantially increased financial assistance for the region; believes that this aid, under the programme for non-associated developing countries, should be at least doubled;
 7. Insists that there be no reduction in bilateral aid from the Member States to Central America following a decision to increase Community aid;

1 PE 93.312

8. Sees the need to assist Central American countries to diversify both exports and market outlets;
9. Encourages support for regional programmes and projects, and feels that the Community should do all in its power to foster regional cooperation between the Central American states;
10. Calls on the Commission to investigate the means whereby the Community can cooperate more closely with the Banco Centroamericano de Integracion Economica - the Central American regional development bank;
11. Feels that the Community should support agrarian reforms likely to lead to a fair distribution of land in Central America; these would include, in particular, assistance with training and measures to promote the creation of agricultural and production cooperatives;
12. Believes that Community aid should be concentrated on poorest sectors of the population, particularly in the rural areas, but without excluding the urban poor, having as a priority support for projects aimed at increasing food production for local consumption;
13. Draws attention to the large number of refugees in the region; calls for special assistance to be provided for refugees, including emergency and food aid;
14. Stresses the importance of furthering respect for human rights and encouraging the emergence of democratic institutions; believes that, in the case of countries with governments that repeatedly violate human rights, aid should be granted to the populations concerned only through recognised non-governmental organisations;
15. Believes that measures should be taken to promote trade between Central America and the Community, inter alia by assisting and encouraging the countries in question to make full use of the GSP advantages at their disposal;
16. Believes that Community cooperation with Central America and the ACP States should be complementary, and calls for coordination of development activities between the region and the ACP Caribbean states;

17. Regrets the unsatisfactory outcome of the recent negotiations for a new International Sugar Agreement and hopes that, in the future, a more far-reaching agreement can be concluded;
18. Condemns any form of pressure put on the independent governments in the region, such as the United States' decision to reduce their purchases of sugar from 58,000 tonnes to 6,000 tonnes;
19. Expects the Community to inform the United States, as a contracting party to GATT, of its determination to ensure compliance with that organization's rules, in this instance the clauses regarding Central America and Cuba;
20. Insists on Community assistance to Central America being coordinated, where appropriate, with bilateral aid from the Member States and with aid from other donors in order to assist the least advantaged;
21. Deplores the fact that under pressure from its principal contributor, the Inter-American Development Bank has refused to honour its commitments towards Nicaragua regarding the financing of seven large-scale agricultural projects;
22. Calls on the Community to urge the Inter-American Development Bank to release the funds so that they may contribute, in the same way as Community funds, to Nicaragua's economic and social development;
23. Considers it important for the Commission to open a delegation office in Central America instead of the present 'antenna' office, which is insufficient for the political and economic relations of the EEC in that region;
24. Calls on the Commission to strengthen its contacts with the NGOs working in Central America;
25. Requests the Committee on External Economic Relations to incorporate the views of the Committee on Development and Cooperation in its draft report on relations with Central America.

B.
EXPLANATORY STATEMENT

I. Introduction

The Central American isthmus, excluding Belize, covers some 508,000 sq. kilometres with a population of approximately 25 million, growing at a rate of 2.8% per annum. The area is divided into 6 independent countries: Panama and the 5 Member States of the Central American Common Market; Costa Rica, Guatemala, Honduras, Nicaragua and El Salvador. In 1983 Community assistance to the region amounted to almost 41 mECU granted under the programmes of aid to non-associated developing countries, food aid and emergency aid.

The Committee on Development and Cooperation has long been conscious of the need for stronger links with Central America. This region is undergoing a severe crisis, both economic and political. The Central American Common Market (CACM) is consequently at present undergoing extreme difficulties. While revenue from exports has stagnated over the last 3 years, the cost of imported products has increased dramatically. Interest rates have been raised and the level of foreign debt has doubled since 1980 to a present level of some 13 thousand million US\$. Interzonal trade has declined (from 1018 million US\$ in 1981 to 784 million US\$ in 1982) and the GNP per capita has declined by 20% since 1980.

Along with, and to a certain extent because of, its economic difficulties, the region has been subject to serious political instability, thereby further weakening the CACM. At the same time, armed conflict and military intervention by interests foreign to the region have led to a serious deterioration of the situation.

The member countries of the Contadora Group, Colombia, Mexico, Panama and Venezuela, have, since January 1983, attempted to promote a peaceful solution to the conflict in Central America and have devised a Peace Plan. On 28/29 September 1984 the Community countries, along with Spain and Portugal, held a meeting in San Jose de Costa Rica with the 4 Contadora countries and the 5 Member States of the CACM, at which the Community Member States affirmed their

support for the Contadora process and "undertook to provide technical and financial assistance to Central America, in particular for agriculture, agro-industrial and rural projects"⁽¹⁾. The Community further agreed to "give priority to assistance to projects of a regional nature and to help the countries of Central America and their regional institutions through sharing with them the Community's specific experience acquired in matters of integration"⁽¹⁾. The Ministers "declared themselves ready to start discussions as soon as possible with a view to negotiating an inter-regional framework cooperation agreement that would confirm the political will of both regions to extend and develop their relations and would also help to reinforce relations between the Community and Latin America as a whole".⁽¹⁾

II. Views of the Committee on Development and Cooperation regarding an agreement with Central America

The Committee on Development and Cooperation has already expressed approval of the principle of increasing aid to the Central American region by tabling an amendment to the 1985 Draft Budget to increase appropriations earmarked for this region under Article 930 (financial and technical cooperation with non-associated developing countries). The Committee feels that, in the context of the new agreement, the volume of financial assistance should at least double (from some 40 mECU per annum to at least 80 mECU per annum). Such aid should be provided under Chapter 93 of the Budget of the European Communities, and must not lead to any reduction in bilateral assistance from the Member States;

The Committee requests the Commission to investigate the means whereby the Community can cooperate with the Central American Development Bank, the Banco Centroamericano de Integración Económica, perhaps through Community membership of the Bank or through participation therein by the European Investment Bank.

The Committee feels strongly that regional programmes and projects should be given special encouragement. The agreement to be negotiated with the 6

(1) Joint Communiqué issued at the close of the San Jose meeting (PE 93.312)

Central American countries should

- be a development agreement
- be an economic and commercial agreement
- include political aspects.

The development aspects of the agreement are of greatest concern to this Committee and would principally take the form of financial assistance under Chapter 93 of the Budget. It is important that a high proportion of Community aid be directed towards the rural sector, particularly for the benefit of peasant farmers and the encouragement of agricultural production. As always in the case of assistance to non-associated developing countries, aid should be concentrated to a great extent on the poorest sectors of the Community. Where possible help should be provided to programmes for agrarian reform, in particular based on a more equitable distribution of land, while practical action must also be taken to enable the peasants to farm land allocated to them. The Committee believes, however, that any agrarian reform imposed from above without the active participation of the peasant farmers concerned would be unsuccessful and calls for full local participation in any such reforms.

In the case of countries with government that consistently violate human rights, the Committee believes that aid should be granted to the populations in need through recognised non-governmental organisations and not through governmental agencies.

It is most important that Community action be coordinated where appropriate with the bilateral activities of the Member States of the European Community.

The economic and commercial aspects of the agreement, including trade promotion, come under the competence of the Committee on External Economic Relations. The Committee on Development and Cooperation has consistently endorsed the principle of the GSP. In this regard it should be pointed out that most Central American countries fail to exhaust their GSP quotas for most products, and more could be done to inform these countries of the possibilities that exist while encouraging measures to take advantage of these facilities.

The Committee on Development and Cooperation is convinced that there is a community of interest between Central America and the ACP States. All are members of the Group of 77 and have common requirements as developing countries. It is thus most important for Community aid to Central America to be coordinated with other European development activities, notably with the ACP States of the Caribbean, where regional interests clearly coincide.

Sugar production is of major importance for several Central American economies. Their sugar exports are mostly sold on the world market and are consequently subject to erratic price fluctuations. The recent protracted negotiations for a new International Sugar Agreement resulted in a quite unsatisfactory technical arrangement that can have little effect on world sugar prices. The Committee on Development and Cooperation hopes that, in the future, all interested parties, including the Community, will work for the conclusion of a more comprehensive and meaningful International Sugar Agreement.

Given the political and strategic importance of Central America and the considerable instability affecting at least 4 of the countries in the region it is important for the agreement to have a political component enabling the Community and its Member States to institute regular political dialogue at Ministerial level with the Central American States. Thus Europe could play a more active role in the region, contributing thereby to its economic, social and political development, including the furtherance of democracy. In addition, the Community should open a Delegation Office in Central America.

The Committee on Development and Cooperation would favour an evolutive, non-preferential agreement including the most favoured nation clause. Such an agreement would presumably be signed for an initial period of 5 years with the possibility of renewal.

III. Conclusion

The Committee on Development and Cooperation very strongly favours the principle of an agreement with the 6 Central American countries and calls on the Committee on External Economic Relations to support such an agreement subject to the views expressed above.

MOTION FOR A RESOLUTION (DOCUMENT 2-1500/84)

tabled by Mr VERGEER, Mrs RABBETHGE, Mr LANGES, Mr STARITA, Mrs FONTAINE, Mrs LENTZ-CORNETTE and Mr DALSSASS

pursuant to Rule 47 of the Rules of Procedure

on future relations with Latin America and Central America

The European Parliament,

- having regard to the historical and cultural links that bind Europe and Latin America,
 - having regard to the Final Act of the fifth European Community/Latin American Interparliamentary Conference held in Bogota from 25 to 28 January 1981,
 - having regard to the Final Act of the sixth European Community/Latin American Interparliamentary Conference held in Brussels from 13 to 16 June 1983,
 - having regard to its resolution of 12 October 1983 on economic and trade relations between the European Community and Latin America¹,
 - having regard to its decision setting up interparliamentary delegations , ²
 - having regard to the information forwarded by the President-in-Office of the Council on 23 November 1983 to its committees responsible on the negotiation of the framework agreement between the EEC and Latin America and the Cartagena Agreement (PE 87.928) in accordance with the Luns-Westerterp procedure,
 - having regard to the proposal from the Commission of the European Communities to the Council (COM(84) 105 final) of 6 April 1984,
- A. whereas a new Lomé Convention has recently been concluded with the Community's partners in Africa, the Caribbean and the Pacific (ACP),
- B. whereas the European Community cannot content itself with being a model for European economic integration but must in fact make a contribution that is valid for all,
- C. whereas the external debt problem could impede the process of economic, social and political development in Latin America,
- D. whereas any long-term planning is dangerous because of the wide variations in the price of the raw materials exported,

¹ OJ No. C 307, 14.11.1983

² OJ No. C 125, 17.5.1982

- E. whereas reciprocal exports and imports consist mainly of complementary goods,
 - F. whereas the European Community and Latin America should regard each other as trade partners on an equal footing,
 - G. whereas the peoples of Latin America are moving towards democracy one after the other,
 - H. whereas the forthcoming enlargement of the EEC to include Spain and Portugal should make it possible to establish links between the enlarged Community and Latin America,
 - I. having regard to the importance of the countries of Latin America as potential suppliers of raw materials that the EEC needs,
 - J. whereas the countries of Latin America are important as importers of Community products,
 - K. whereas, following the ministerial meeting in San José, an EEC/Central American economic cooperation agreement should soon be negotiated,
 - L. whereas there is no objective reason for limiting the European Investment Bank's activities outside the Community to countries with which the Community is associated,
 - M. having regard to the resolve of both parties to cooperate in setting up a Europe/Latin America Institute¹,
 - N. whereas the decisive factor in bilateral relations is not awareness of vast potential but the will to translate proposals into concrete action,
1. Considers it particularly important now that the time is ripe to reforge political, economic, financial, cultural and technological links between Europe and Latin America;
 2. Takes the view that a cooperation agreement not only serves an economic and trade purpose but also has a political dimension;
 3. Points out that closer relations with Latin America should make it possible to reinforce both respect for human rights and compliance with democratic principles and to sustain the attitude of countries that have initiated reforms along these lines;
 4. Considers it important that measures be taken to promote trade between the two parties, particularly by eliminating non-tariff trade barriers;
 5. Points out that development and cooperation in the following economic spheres: economic and financial cooperation, technical and industrial cooperation, cultural cooperation, protection of the environment, agriculture, communications and transport are of particular importance for Latin America;

¹ See COM(83) 142 final, 21.3.1983

6. Believes it is in the interest of both parties that Community investments in the South American continent be increased, and urges the countries of Latin America to adapt their current regulations so that there are as few barriers as possible to such investments;
7. Calls on the Commission to make recommendations to the Member States whereby the European Investment Bank, in cooperation with the Inter-American Development Bank, furthers the development of economic cooperation so that small and medium-sized undertakings in the countries of Latin America and projects implemented jointly with undertakings in the European Community receive the aid they need;
8. Calls for the creation of a special committee on small and medium-sized undertakings;
9. Calls on the Commission to increase its representation in the countries of Latin America, particularly by setting up new branch offices;
10. Endorses the wish of the Andean Pact that the Latin American seat of the European-Latin American Institute be established in Quito, for instance, as decided at the 6th Interparliamentary Conference;
11. Welcomes the fact that the Latin American Parliament and the Andean Parliament have cooperated more closely with the European Parliament elected by direct universal suffrage;
12. Welcomes the fact that the Community and all the countries of Latin America have defined a procedure for dialogue between the EEC and the GRULA, and hopes that the dialogue can be resumed as soon as possible;
13. Hopes, as regards Central America, that an EEC/Central America agreement can be negotiated soon;
14. Urges the EEC to make an effort to strengthen and revive its cooperation links with Latin and Central America and to this end calls on the Council to state its position on the Commission communication (COM(84) 105 final/Annex) of 6 April 1984 so that the Commission can draw up specific proposals;
15. Calls on the Council to make full use of the possibilities afforded by the various framework agreements;
16. Calls on the Council to invite the European Investment Bank, pursuant to Article 18 of the EIB, to intervene on behalf of the Latin American countries;
17. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the countries of Latin America.

