

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE
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COMMON MARKET TO FOCUS ON "PRACTICAL AID" TO LATIN AMERICA

The European Community hopes to embark on a more ambitious program of "practical aid" to Latin America, following a two-week goodwill tour by EC Commission Vice President Christopher Soames.

Soames visited Guatemala, the seat of the Central American Common Market (September 18-19); Venezuela (September 20-23); Peru, the seat of the Andean Group (September 24-26), and Brazil (September 27 to October 2). Earlier this year the Commission Vice President had visited Mexico, with which a trade and economic cooperation agreement goes into effect on November 1.

The Community plans to strengthen ties with Latin America

- bilaterally, with the large countries such as Brazil, Mexico, and Argentina with which the Community has trade agreements
- multilaterally, with regional integration groups such as the Central American Common Market (Costa Rica, Guatemala, Honduras, Nicaragua, El Salvador) and the Andean Group (Bolivia, Chile, Colombia, Ecuador, Peru, Venezuela).

No specific programs of financial aid are slated for Latin America, although members of the two regional integration groups and the four Latin American nations (Brazil, Uruguay, Argentina, Mexico) which have agreements with the Community are eligible for technical aid, which is expected to double to \$10 million by 1980. Direct financial aid is now available only to the poorest Latin American nations, such as Haiti.

Types of EC Aid

Practical aid will consist of EC assistance to Latin American export promotional efforts to enable these countries to make the best use of the Community's system of generalized tariff preferences on manufactured and semimanufactured goods. Through continuing exchanges of customs and legal experts, the Community encourages the integration of the Central American Common Market and the Andean Group.

The Community's 1975 budget includes \$301,500 to help developing countries in their regional integration efforts. Half of this amount is earmarked for the Central American Common Market and the Andean Group. The money is used for exchanges of Community and CACM and Andean officials, for internships for economists and engineers in Community companies, and for seminars.

The Community's 1975 budget also includes \$723,600 to help developing countries that are not formally associated with the Community finance export promotion measures such as trade fairs and marketing seminars.

Community food aid to Latin America from 1969 through 1974 amounted to \$22 million. Recipients were Bolivia, Chile, Haiti, Honduras, Peru, and Uruguay.

The Future of EC-Latin American Relations

Another major aspect of Soames' trip was the "fruitful discussion" he held with two key Latin American participants in the "North-South dialogue" -- Venezuela, an oil producing nation, and Brazil, the Community's most important Latin American trading partner.

At a luncheon given in his honor on September 30 by the Brazilian Minister for Foreign Affairs, Soames thus summed up the future orientation of the Community's relationship with Latin America:

"We have to break out of the old preoccupations and preconceptions and recognize the new challenges and the new possibilities that lie before us. In this process, the European Community as such has a major role to play. For the Community has neither a colonial past nor imperialist ambition, but it does do 40 per cent of world trade; it is the biggest importer of raw materials; it is an important supplier of technology, and its members provide a large part of such development aid as is flowing to the poorer countries. There is plenty here in itself to lead us to care about the fundamentals of our relationship."

A Late-Blooming Relationship

Unlike the Community's ties with the countries to its South, its relationship with Latin America has been slow to develop. Soames explained in his September 30 address: "Your ties with Europe came through Portugal and Spain ever since the Seventeenth Century... the relationship between Spain and Portugal and the rest of the Western European family has tended to be distant." Then too, "... our mutual involvement has failed to keep pace with the growth of [Latin America's] relations in every sphere with the United States."

In 1963, 22 Latin American nations (all the Latin American countries but Cuba, Jamaica, Trinidad-Tobago, and Barbados) formed the Latin American Coordinating Committee ("CECLA") to coordinate Latin America's dealings with Europe. But it was only after the CECLA's July 29, 1970, "Declaration of Buenos Aires" that progress was made in EC-Latin American relations. The declaration stressed the need to strengthen ties and to improve relations generally between the Community and the CECLA. In January 1971, the Community replied, emphasizing the need to "institute lasting cooperation" with Latin America and calling for a meeting with CECLA members' ambassadors. The meeting took place on June 18, 1971.

The CECLA ambassadors and Community officials have continued to meet since then, most recently on July 1, 1975. At that meeting, Latin American countries expressed their concern about the closure of the Community market to beef imports, and in October the Community responded by opening quotas for beef imports.

In 1974, EC imports from Latin America amounted to \$8.6 billion. EC exports to Latin America totaled \$9 billion (see Annex 1, expressed in "units of account").

EC-LATIN AMERICAN TRADE
(1974)

(in millions of units of account*)

	Imports	Exports
TOTAL EC TRADE WITH LATIN AMERICA	7099	7481
OF WHICH:		
<u>Central American Common Market</u>		
Costa Rica	113	77
El Salvador	93	73
Guatemala	121	86
Honduras	46	35
Nicaragua	83	76
<u>Andean Group</u>		
Bolivia	94	55
Chile	637	271
Colombia	306	301
Ecuador	114	143
Peru	322	333
Venezuela	730	763
<u>Latin American Free Trade Association</u>		
Argentina	1252	790
Bolivia	See "Andean Group"	
Brazil	2173	2499
Chile	See "Andean Group"	
Colombia	See "Andean Group"	
Ecuador	See "Andean Group"	
Mexico	333	888
Paraguay	78	29
Peru	See "Andean Group"	
Venezuela	See "Andean Group"	

*One unit of account equals \$1.20635