

EUROPEAN PARLIAMENT

# Working Documents

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## Report

drawn up on behalf of the Committee on External Economic Relations

on the outcome of the Third European Community/Latin America

Inter-Parliamentary Conference

(Mexico, 24-27 July 1977)

Rapporteur: Mr R. SANDRI



By letter of 3 October 1977 the President of the European Parliament referred the text of the Final Act of the Third European Community/Latin America Inter-Parliamentary Conference (PE 49.917), adopted in Mexico on 27 July 1977, to the Committee on External Economic Relations as the committee responsible and to the Political Affairs Committee, the Legal Affairs Committee and the Committee on Development and Cooperation for their opinions.

On 18 October 1977 the Committee on External Economic Relations appointed Mr Sandri rapporteur.

It considered the document at its meetings of 23 November 1977, 1 February 1978 and 28 February 1978.

At its meeting of 28 February 1978 the committee adopted the motion for a resolution and explanatory statement unanimously with two abstentions.

Present: Mr Scott-Hopkins, acting chairman; Mr Schmidt and Mr Martinelli, vice-chairmen; Mr Sandri, rapporteur; Mr Baas, Lord Brimlow, Mr Dankert, Mr De Clercq, Mrs Kronwel-Vlan, Mr Luster, Mr Schwörer and Mr Spicer.

The opinions of the Political Affairs Committee, and the Committee on Development and Cooperation are attached. The opinion of the Legal Affairs Committee will be published separately.

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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:

MOTION FOR A RESOLUTION

on the outcome of the Third European Community/Latin America Inter-Parliamentary Conference (Mexico, 24-27 July 1977)

The European Parliament

- recalling its resolutions of 25 November 1969<sup>1</sup>, 20 April 1971<sup>2</sup>, 14 November 1972<sup>3</sup> and 13 February 1976<sup>4</sup> on the state of relations between the Community and Latin America;
  - recalling its resolution of 15 November 1974 on the outcome of the First European Community/Latin America Inter-Parliamentary Conference (Bogota, 15-18 July 1974)<sup>5</sup>;
  - having regard to the outcome of the Second European Community/Latin America Inter-Parliamentary Conference held in Luxembourg from 19 to 21 November 1975 (PE 44.650);
  - having regard to the Final Act of the Third European Community/Latin America Inter-Parliamentary Conference (PE 49.917),
  - having regard to the report of the Committee on External Economic Relations and the opinions of the Political Affairs Committee, the Legal Affairs Committee and the Committee on Development and Cooperation (Doc. 574/77),
1. Notes the outcome of the Third European Community/Latin America Inter-Parliamentary Conference held in Mexico from 24 to 27 July 1977;
  2. Notes that, particularly as a result of the participation of representatives of a number of Latin American parliaments dissolved by extra-constitutional procedures, the Conference was able to highlight the widespread infringements of fundamental human rights in these countries;
  3. Feels however that political stability and expansion in the countries of Latin America cannot be guaranteed while the majority of these countries are unable to observe basic democratic principles and continue to disregard the economic and social rights of broad sectors of their populations;

<sup>1</sup> OJ No. C 160, 18.12.1969 ,p.16  
<sup>2</sup> OJ No. C 45, 10.5.1971 , p.20  
<sup>3</sup> OJ No. C 129, 11.12.1972 , p.20  
<sup>4</sup> OJ No. C 53, 8.3.1976, p.40  
<sup>5</sup> OJ No. C 155, 9.12.1974, p.81

4. Approves in this connection the proposal made by the Mexico Conference that a joint European Parliament/Latin-American Parliament working party should be set up on the safeguarding of human rights with particular concern for members of former parliaments dissolved by unconstitutional means who are the victims of repression;
5. Favours wider economic and financial cooperation between the European Economic Community and the countries of Latin America based on the principle of complementary resources, equality and the mutual interests of both sides;
6. Takes the view that such cooperation will be facilitated by the implementation of a new world economic order more in line with the economic interests of the developing countries, and welcomes the important and positive role played by Mexico and Venezuela in promoting this principle;
7. Notes that the trade balance of the countries of Latin America with the Community is again positive and that the Community system of generalized preferences has made a significant contribution to this development;
8. Requests the competent bodies to reach a speedy decision on the Community aid for non-associated developing countries to be allocated to Latin America, which should be determined in the light of population size, the level of economic development and the relative needs of the various regions concerned;
9. Welcomes, moreover, the Community's decision to abolish, from 1 April 1977, the provisions prohibiting imports of beef and veal into the nine ~~Member~~ States which were seriously prejudicial to the trade of several Latin American states;
10. Feels that financial cooperation between the two sides could be arranged by authorizing the European Investment Bank to operate in the sub-continent in the first stage of a gradual process leading to the formation of a European/Latin-American Bank as requested by the Latin-American delegates;
11. Feels that such cooperation should be translated into projects that will make a real contribution to the development of the countries concerned, will benefit their populations as a whole and will be aimed at strengthening the process of regional and subregional integration in Latin America;

12. Views favourably the direct contacts established between the Community and the Latin-American Economic System (SELA) and the prospects for active participation by the Community in the programme of activities of this organization;
13. Requests the competent authorities to take all action necessary for the appropriate implementation of the provisions contained in the Final Act of the Mexico Conference and stresses the need for proper preparation of the next conference which, as stated in the Final Act, may be held in 1978 in a Community country;
14. Instructs its President to forward this resolution and the report of its committee to the Council and the Commission of the European Communities.

EXPLANATORY STATEMENT

1. The Third European Community/Latin America Inter-Parliamentary Conference held in Mexico from 24 to 27 July 1977 marked a new and important stage in the strengthening of parliamentary relations between the European Community and the Latin American sub-continent. With a rapidly expanding population of more than 300 million, this is a region of stark ethnic, economic and social contrasts and of great economic promise, though unfortunately this is all too often thwarted by the disappointments and failures of underdevelopment.

2. The Mexico Conference followed meetings in Bogota (July 1974) and Luxembourg (November 1975); owing to the large number of delegates<sup>1</sup> and the range of topics discussed, the Conference was able to take stock of a wide range of problems and issues common to both Parliaments.

The debates revealed the potential community of economic and political interests in a number of sectors among the nations on the two sides of the Atlantic. They also highlighted the sectoral and structural differences that continue to divide the two sides, despite a common resolve to help in creating a new world economic order more in line with the interests of the developing countries.

3. In view of the variety of topics raised at the Conference it proved necessary to set up three working committees, one on economic and financial affairs, one on political affairs (including the general problem of defining a new international economic order) and one on social, cultural and legal affairs.

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<sup>1</sup>Eleven Latin-American countries were represented at the Conference: Brazil, Colombia, Costa Rica, El Salvador, Guatemala, Mexico, Netherlands Antilles, Nicaragua, Paraguay, Surinam and Venezuela. Representatives of the dissolved parliaments of Argentina, Bolivia, Chile and Uruguay were also present, as were representatives of a number of international and inter-regional organizations. The European Parliament delegation, under its President, Mr Colombo, totalled 27 members, the biggest delegation hitherto to visit a non-member and non-associated country.

The conclusions reached by each of the specialized committees have been incorporated in the Final Act of the Conference adopted unanimously at the closing plenary sitting (PE 49.917).

4. It is with this Final Act that this report is chiefly concerned. Your rapporteur nevertheless feels that the items discussed were much too diverse for the Committee on External Economic Relations, as the committee responsible for considering the outcome of the Third Inter-Parliamentary Conference as a whole, to produce a comprehensive report, as this would include matters outside the competence of the committee. While unreservedly supporting the document adopted in Mexico in its entirety, your rapporteur prefers to concentrate on matters falling directly within the terms of reference of the Committee on External Economic Relations. In respect of the other themes of the Conference he fully endorses the conclusions submitted in separate documents by the Political Affairs Committee, the Legal Affairs Committee and the Committee on Development and Cooperation, which were asked for their opinions.

5. The overall problem of economic and trade relations between the European Community and Latin-America was dealt with in detail in a report drawn up by Mr Boano on behalf of the Committee on External Economic Relations following the Second Inter-Parliamentary Conference in Luxembourg (Doc. 469/75/rev., 3 February 1976). The description of Latin-American economic structures given in this report is still completely valid, and your rapporteur refers, in this connection to its precise and detailed arguments.

6. The problems of bilateral relations between the European Community and Latin America remain basically the same as in 1976, although some of the conclusions reached by our former colleague, Mr Boano, need to be revised slightly in the light of the events of the last two years.

7. It was evident from the proceedings of the Mexico Conference that, even more so than in 1974 and 1975, the problem of bilateral relations between the European Community and Latin America, could not be isolated from the general discussion between developed and developing countries on the definition of a new world economic order more compatible with the interests of developing countries. Several

Latin-American countries (in particular Mexico and Venezuela) are already well known for their part in international conferences called to formulate detailed rules for a new international system of economic relations between all states based on equal opportunities, respect for sovereignty, interdependence, mutual interests and cooperation, irrespective of economic and social systems. (See the preamble to the 'Charter of Economic Rights and Duties of States' adopted on 12 December 1974 by the General Assembly of the United Nations).

8. The existing economic system is dominated by the developed countries, which are able to determine the prices of most primary products (petroleum having been the most obvious exception since 1973), and consequently by their interests rather than those of the producing countries; at the same time its continuing monetary disorders result in inflation being exported from the rich countries to the developing countries and in the unanimous opinion of the delegates, its continuation would endanger the economic and social equilibrium in a world where the gap between rich countries and developing countries is increasing relentlessly.

9. The Latin-American delegates expressed approval of the Community's efforts in recent months to rectify a situation which is both unjust and dangerous.

In this connection they stressed the need to implement, as soon as possible and in accordance with the conclusions adopted early in 1976 in Nairobi by the Fourth United Nations Conference on Trade and Development (UNCTAD IV) an integrated programme for the negotiation of individual primary product agreements and the setting up of a common fund to coordinate the financing of buffer stocks.

10. The STABEX system introduced by the Community under the Lomé Convention to guarantee the signatory countries stable export incomes from certain basic products was held by all the delegates to be a positive achievement (and one which, in the opinion of the Latin-Americans should be extended to all developing countries) for providing the developing countries with a more stable economic base by eliminating excessive fluctuations in income earned on exports of basic products.

11. This approval of what is an essential and innovatory aspect of the privileged relations established between the Community and the ACP States signatory to the Lomé Convention should be seen as an indication of the success of the Community's development aid policy.

The Community's policy towards the ACP countries had in fact come in for considerable criticism from the Latin-American delegates at the two previous Conferences, with attention being drawn in particular to the Community's desire to maintain a sphere of influence in the former colonial possession of the Member States, and to the injustice of the repercussions on Latin-American exports of the 'two weights, two measures' system operated by the Community, which systematically favours ACP products at the expense of those from Latin-America (in particular coffee and bananas).

12. In Mexico, criticism of the Convention of Lomé was subdued by comparison with previous occasions. While Latin-American countries continue to object in principle to all Community policies in favour of specific geographical areas (ACP, Mediterranean countries), anxiety over competition from these countries has abated.

The implementation of a Community policy of global development aid giving equal weight to Latin-American and Asian countries, the advantages derived by Latin-America from the Community system of generalized preferences (even if this is still considered inadequate by the Latin-American delegates because of its unilateral and limited nature), the fact that certain countries represented in Mexico (Surinam, Netherlands Antilles) benefit from the ACP system and/or aid to overseas countries and territories and the prospect that the accession of Spain and Portugal to the Community could herald a new era in relations with Latin America all help to account for this change in attitude.

13. It is important to note in this connection that the Latin-American members felt strongly that their countries should not be discriminated against in the breakdown of the financial aid the Community is preparing to grant non-associated developing countries.

They felt that the allocation to Latin America should be at least 50% of the total. A decision has of course still to be taken on the breakdown of this aid between Latin America and Asia. Considering the extensive needs of the Asian countries, their population density and economic backwardness compared with most Latin-American countries, to allocate a 50% share to Latin America hardly seems compatible with the relative positions of the two groups, and it would seem fairer to allocate not more than something like a 30% share to Latin America.

14. Be that as it may, your rapporteur feels that too much emphasis has been placed over the last few months on the percentage of aid allocated to the different groups of countries concerned, and that far more attention should be paid to fixing the total amount of the aid to be granted.

15. At a time when a fundamental revision of the established rules of international trade is being called for and all countries are being forced by the economic crisis to make a fundamental reappraisal of their economic activities, there are bound to be difficulties in economic and trade relations between the European Community and Latin America. In general, Latin America still considers its trade position with the Nine unsatisfactory. The sharp rise in the Latin-American trade deficit over the period 1974-1975 and the tendency for Latin-American trade to play an increasingly marginal role in the Community's external trade have come to be regarded as the two main aspects of Latin-American dissatisfaction with the Community, but both problems must be tackled cautiously.

16. The Latin-American countries enjoyed a period of high growth rates from the 60's until 1974 (7.2% in 1973, 7.4% in 1974) although this was unequally distributed. But in 1975 they were hit by the full impact of the economic crisis, and growth in output failed to exceed 2.4%. Their performance has been more encouraging in 1976 and the early part of 1977 however, and a gross domestic product growth of 5% is expected for this period.

17. The deterioration in the Latin-American economic situation in 1974 and especially in 1975 led to an abrupt rise in the trade gap with the Community. Latin America had traditionally enjoyed a positive balance of payments, but the situation was completely reversed in this two-year period, and a huge deficit run up (US\$ 450 million in 1974 and a little over one thousand million in 1975). However, these figures are in fact less alarming than they seem, because in 1976 the position was once again reversed (US\$ 850 million surplus) and in the first eight months of 1977 Latin America recorded a surplus of US\$ 1,000 million in trade with the Community.

The Latin-American trade deficit in 1974 and 1975 should be seen as a quite untypical exception to the general trend in trade relations with the Community over the past 10 to 15 years, when the Latin-American countries generally enjoyed a balance-of-trade surplus.

18. Another traditional criticism of the Community is connected with the fact that Latin America is tending towards an increasingly marginal position in total Community external trade. From 7.4% of total Community imports in 1955, Latin America accounted for only 3.1% in 1974.

19. While there can be no denying these figures they must be related to the fact that over the past 25 years (1950-1975) the share of Latin-American exports in total world exports has fallen from 10.4% to 3.9% and the volume of imports compared with total world imports from 9% to 5.7%.

20. This means that quite apart from any deliberate policy by the Community, the Latin-American economies have been heading towards a marginal position anyway, and this trend is due to certain structural characteristics: the growing influence of the newly independent African and Asian states in the world economy since 1950; an overall growth in trade between industrialized countries as a result of the elimination of tariff and customs barriers; the emergence of new trading patterns following the four-fold rise in petroleum prices after 1973 (Venezuela is the only significant Latin-American petroleum exporter, while Trinidad and Tobago and Ecuador export only small quantities and Mexico is still looking ahead to its future as an oil exporter).

Nonetheless, it should not be forgotten that this trend - incontestable in relative terms - has not led to any reduction in exports from Latin America to the EEC. In fact there has been a substantial and regular increase in exports, the annual value of which more than tripled between 1958 and 1976.

21. All the above must be taken into account before making any appraisal of the conclusions of the Conference concerning the deterioration of the Latin-American balance of trade and action to be taken to provide greater access for Latin-American products to the markets of the Member States of the Community.

22. There would seem in fact to be no good reason why trade between the two groups should not increase, both in volume and range of products. Latin America is still predominantly an exporter of primary products (about 85% of its total exports), while the European Community, together with Japan, constitutes the world's largest primary product importing and processing centre.

The economies of both groups thus have a natural tendency to offset each other, and this alone should stimulate an increase in the volume and scope of trade between them.

23. A number of attempts have been made to explain the relatively low level of trade between the two groups, despite this enormous potential: arguments put forward include the economic and political domination by the United States of the countries south of the Rio Bravo; Europe's relative indifference to Latin America, and its tendency to give priority to the ACP and Mediterranean countries; political and social instability in Latin America; and the restricted markets and primitive level of regional and subregional integration.

But these factors are only part of the reason for the European Community's reluctance to intensify its trade with Latin America. There is nothing inevitable about the existing state of affairs, as the rapid growth in investment by the Federal Republic of Germany in certain countries (e.g. Brazil, Mexico) in recent years has shown.

24. In this connection there can be no question that a financial cooperation system free of all implications of economic domination and treating both sides as equals and advancing their mutual interests would be a fundamental step towards stimulating a growth in trade between the Community and Latin America. At the same time this is a problem which cannot be considered in isolation from the debts of developing countries, something which tends to be a priority item at international conferences concerned with restructuring relations between the developed and the developing world.

25. This is of fundamental importance to some Latin-American countries, which are among the most highly indebted nations in the world. Brazil's debts amounted to \$ 28,000 million at the beginning of 1977, or nearly 20% of gross national product, with debt servicing taking 40% of its export earnings. Mexico's debts to American commercial banks were about \$ 17,800 million at the end of 1976; repayments due to these banks for 1977 amounted to some \$ 5,000 million.

Third world countries' debts are increasingly taking the form of loans from private bodies and on the eurodollar market (loans drawn on the international banking system have increased by 13.7% between 1970-71 and 1974-75), while aid from governments or international organizations has steadily declined.

26. It is therefore understandable that, since the first conference in 1974 Latin-American delegates have repeatedly called for a European and Latin-American bank to be set up as a mechanism to rationalize financial operations between the two sides, with particular regard to:

- financing trade and regional investment projects in collaboration with existing regional and subregional organizations;
- promoting non-traditional exports;
- establishing discount and re-discount system;
- improving terms of trade;
- improving access to eurocurrency markets.

27. Your rapporteur has never made any secret of his reservations about such an undertaking, which seems to him too ambitious and too wide-ranging (and therefore financially impracticable) in relation to the resources of the Community at a time of a full-blown economic crisis and constantly increasing unemployment.

28. It was for these reasons that the working document drawn up by your rapporteur on financial cooperation between the European Community and Latin America for the conference in Mexico (PE 49.423) recommended a less ambitious but at the same time more realistic approach. The European Investment Bank would be authorized to extend its aid facilities to the Latin American countries (in the same way as it has recently been authorized to operate in Yugoslavia). Aid would be allocated according to the nature of each project, either from the Bank's own resources at the normal market rate, or by way of easy-term loans, in which case interest rebates would be borne by the Community budget. The European Investment Bank's activities would be determined jointly, preferably with the regional integration organizations, with priority for interest rebates being given to regional projects and to countries with a representative democracy.

Only projects which effectively contribute to the development of Latin America and benefit the people as a whole, rather than the privileged few, should be approved. In some cases Community funds could also be used to guarantee Community investments and undertakings in Latin America and to finance the expenditure incurred by the Latin-American countries for the transfer of technology from the developed countries.

29. In return for the advantages granted by the Community the Latin-American countries would undertake to deliver to the Community, at guaranteed prices, raw materials whose production had been made possible through the injection of Community capital and, where there were no differences in prices or in the quality of the services tended, to call on the services of undertakings in Community countries.

But the gradual emergence of a European/Latin-American Bank, operating in a manner similar to that envisaged in the Final Act of the Conference, can only be the result of many years of progress.

30. We feel that Community aid, in whatever form, should be organized in such a way as to give priority to regional and subregional cooperation projects. The setting up of the Latin-American Economic System (SELA) is a step in this direction, in spite of the difficulties currently encountered by the organization, and should be a decisive help in enabling the Latin-American countries to improve their economic integration. It is encouraging here that direct contacts were set up in 1977 between the SELA authorities and the Community.

31. Apart from one or two partial successes (the Andean Pact, despite differences of opinion between certain member states and the crisis which led to the withdrawal of Chile under General Pinochet, an advocate of the ultra-liberal approach to foreign investment); the Central American Common Market, now disrupted by the conflict between Honduras and El Salvador), the efforts of Latin-American countries to achieve some level of integration have been disappointing. In the absence of an overall strategy, the Latin-American states tend to maintain bilateral relations with the Community (which has agreements with Brazil, Argentina, Uruguay and Mexico) and have failed to reach agreement on the financing of projects under a Europe/Latin America financial cooperation system. If the Member States of the Community were to become members of the Inter-American Development Bank (BIAD), it could prove easier to implement specific decisions in this sector.

32. We feel however that the fundamental reason for the failure of financial cooperation with Latin America and more generally for the latter's increasingly marginal position in international trade, is primarily the inappropriateness and overwhelming injustice of the economic structures of the various countries. The use of force to maintain archaic structures based on ever-increasing inequality between a tiny privileged minority controlling the bulk of the wealth and organized along the lines of the North American consumer society on the one hand, and an enormous mass of peasants, city-dwellers and workers living in a state of enforced ignorance and poverty and inadequately integrated (if at all) into the society that surrounds them, is at the root of the growing difficulties of most Latin-American countries and the sprouting up of military dictatorships relying on repression and violence.

In the absence of adequate purchasing power among the vast majority of the population, the profitability of investments cannot be guaranteed. Profits can only be assured in certain restricted marginal sectors, many of them parasitic or superfluous, confined to the dominant class. This weakness in domestic purchasing power explains the growing threat to

Community countries in certain sectors (in particular textiles) relying on low salaries, the absence of trade-union freedoms and restricted internal markets. Humanitarian or financial aid from international organizations or governments of industrialized countries is usually diverted from its original purpose and misappropriated by the oligarchy or by multinational undertakings. The case of the embezzlement by the Somoza family of international aid for Nicaragua, following the Managua earthquake, is one well-known but far from unique example.

33. We therefore feel that there is a direct and significant connection between economic growth and the preservation of human rights in Latin America. While the majority of Latin-American countries are ruled by non-representative governments dependent on force or fraud, and while its resources are exploited in the exclusive interests of a tiny minority of the population, Latin America is bound to remain in a marginal position and to be economically dominated. The third Inter-Parliamentary Conference in Mexico, which was devoted primarily to the preservation of human rights and to economic and financial cooperation between the Community and Latin America, succeeded in making it quite clear that each set of problems is bound up with the other, and that any solution will have to cover both. For this reason we believe that that meeting is something of a turning-point in the Community's understanding of the scope and complexity of Latin-American problems and that the European Parliament should consider it as a significant achievement which must be followed up in the years to come.

OPINION OF THE POLITICAL AFFAIRS COMMITTEE

Draftsman: Mr E. KLEPSCH

On 21 October 1977 the Political Affairs Committee appointed Mr KLEPSCH draftsman.

It considered the draft opinion at its meeting of 20 February 1978 and adopted it unanimously.

Present: Mr A. Bertrand, chairman; Mr Johnston and Mr Brugha, Mr Klepsch, draftsman, Mr Amadei, Lord Brimelow, Mr Covelli, Mr Galluzzi (deputizing for Mr Amendola), Mr Mitchell, Mr Sieglerschmidt, Mr Spinelli and Mr Vergeer.

At its meeting of 2/3 February 1978 the Political Affairs Committee held an exchange of views on the Final Act of the Third European Community/Latin America Interparliamentary Conference (Mexico, 24-27 July 1977).

The committee concentrated primarily on those themes that had been dealt with by the Conference's political affairs committee, viz. the need to establish a new international economic order, respect for the principles of parliamentary democracy and the need for a new approach to economic relations at international level.

The committee welcomed the fact that regular parliamentary contacts had now been established between the democratic countries of Europe and Latin America.

The considerable progress made in methods of communication and other exchanges and the increasing influence exercised by Latin America over international events made closer and stronger ties between the free countries of the two continents, essential to the mutual promotion of cooperation in the political, economic and social fields and the exercise of joint responsibility towards peoples subject to oppression.

In this connection, the committee reaffirmed its total commitment to the principles of parliamentary democracy, believing that its institutions were alone capable of safeguarding individual and collective liberties as well as political, economic, social and cultural freedoms.

But these institutions must be able to operate in accordance with genuine democratic principles, i.e. that they should freely express the will of the people and act within a constitutional framework affording the full political and legal guarantees that are fundamental to democracy.

This is the only way to restore all those basic liberties which democratic institutions have a duty to safeguard.

The committee formally calls for the implementation of all possible forms of cooperation, not only in the context of parliamentary relations between Europe and Latin America, but also within all the major political organizations. In this regard, it especially welcomes the Conference's proposal that a joint working party for the defence of human rights should be set up by the European and Latin American Parliaments.

The committee also supports the proposals put forward by its counterpart at the Interparliamentary Conference with regard to the establishment of a new international economic order.