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Contents

Introduction	5
Historical review	6
I. Towards a new international economic order	8
● Trade, not aid: an attractive slogan	8
● The generalized system of preferences (GSP)	9
● Primary commodities: dependence and instability	10
● Humanitarian aid: a lifeline for the poorest	12
II. The 1970s: development cooperation becomes a Community policy	14
● The Paris Declaration	14
● A three-fold approach	15
● Financial and technical cooperation	15
● Co-financing with non-governmental organizations (NGOs)	16
III. The 1980s: the network of agreements and specific forms of cooperation	17
● The framework agreements	17
● A developing process	18
● A new impetus: industrial cooperation	18
IV. Cooperation in practice, region by region	19
● Asia: South Asia, South-East Asia, China	20
● Latin America: South America, Central America	26

Introduction

The special relationship which the European Community has established with the ACP countries and its southern Mediterranean neighbours has inevitably overshadowed its links with the rest of the Third World. This is especially true of its links with the countries of Asia and Latin America. And yet its relationship with them, although not preferential, is perhaps as varied and fruitful.

Asia, Latin America... to design a cooperation policy for countries as different, in terms of their culture and level of economic development, as Brazil, Bangladesh and Singapore—not to mention China, a world of its own—was something of a challenge.

To meet this challenge, a set of instruments were gradually developed for the developing countries with which the European Community had no special links when the Treaty of Rome was drafted.

As a result, Asian and Latin American countries at very different levels of development have been able to take advantage either of facilities offered to all third world countries—the Community's generalized system of preferences (GSP), food aid, etc.—or of EEC aid for 'non-associated' developing countries, more recently, or, of the provisions of specific bilateral, regional or sectoral agreements.

Today, for many of them, the Community and its Member States together represent the leading source of both official development assistance and humanitarian aid; while on the trade front, the 12-nation Community is Latin America's second largest partner, after the United States, and the leading supplier and export market for a large number of countries in South and South-East Asia.

Historical review

The Community's relations with Asia and Latin America have developed in three successive phases, reflecting the gradual extension of its development cooperation policy.

The 1960s witnessed the creation of two Community instruments whose main beneficiaries have been the Asian and Latin American countries: **the generalized system of preferences (GSP) and food aid**. To these must be added the international commodity agreements; the Community and its Member States were actively involved in the negotiations leading to them.

The first attempt to define a **global**, as opposed to a regional, **policy of development cooperation** took place in 1972, on the eve of Britain's entry into the Community. It consisted of: (1) a series of guidelines for joint action in the field of development cooperation; and (2) an undertaking to create a number of specific instruments, each with its own financial resources: financial and technical aid for the **non-associated countries** (see inset); trade promotion and co-financing with voluntary agencies. During this second phase priority was given to helping the poorest developing countries, whose economic situation had deteriorated sharply following successive increases in the price of oil.

The third phase in the Community's relations with Asia and Latin America did not begin until **the 1980s**. It has been marked by the conclusion of a number of cooperation agreements.

Disillusionment with the major North-South negotiations, notably the 1979 session of Unctad in Manila, was partly responsible for the new approach, set out in the European Commission's **1982 'Memorandum on a Community Development Policy'**.

During these years of crisis, 'stability' and 'case-by-case' were the

new watchwords of every policy of development cooperation. The Commission proposed that the Community offer to formalize relations with those developing Asian and Latin American countries that wanted it. Such a move would put these relations on a more stable basis, by ensuring **greater continuity in the actions undertaken jointly by the two sides and more predictability in their trade relations**. This new approach clearly met a need. The fact is that since 1980 11 framework commercial and economic cooperation agreements have been either concluded or renewed with countries, or groups of countries, in Asia and Latin America. The European Commission wanted these agreements to include provisions for financial cooperation also. Having failed to persuade the Council, the Commission has tried to encourage the private sector to undertake activities of mutual interest.

Limited funds, as well as the growing disparities in the level of economic development of the countries in question, has forced the Community to look for imaginative solutions. Thanks to the on-going dialogue with developing countries, arising from aid programmes and agreements, new forms of cooperation have been developed.

A good example of this is **Operation milk flood**, which is already a model of how food aid can be used as an instrument of development. Future programmes of cooperation in such fields as industry, science and energy, or the search for long-term solutions to the debt burden, will perhaps in the future trace their origins to the **projects successfully launched** under the EEC-Asean, EEC-Mexico or EEC-China cooperation agreements.

Developments within the Community itself inevitably influenced the relationship with Asia and Latin America. **Two enlargements** have had a major influence on Commu-

nity policies towards these two continents. Britain's entry spurred the enlarged Community to think in terms of a **policy of development cooperation with regard to the Third World as a whole**. The entry of Spain and Portugal in 1986 strengthened the need to do more for Latin America, while the simultaneous pursuit of closer relations with China confirmed the global nature of the Community's policy of development cooperation.

The non-associates

The term was used for the first time in a Council resolution which established the principle of technical and financial aid for developing countries that were not receiving such aid under an association agreement. It was variously interpreted. Some though it pejorative, others pointed to a link between 'non-associate' and 'non-aligned'. It was 10 years before the term was replaced. In 1986 the acronym NADC gave way to ALA—for Asia and Latin America.

I. Towards a new international economic order

An accident of history led the EEC to link its own destiny to that of the African colonies of its Member States through the Treaty of Rome. But the Treaty left relations with the countries of Asia and Latin America to be dealt with in the

general context of the Community's **external relations**. It contained no provisions, in fact, for a Community policy of development cooperation. The six-nation EEC had no choice but to limit its response to the collective demands of the Third

World to those matters in which it had legal competence: international trade and, by an artificial extension of its powers in the field of agriculture, food aid.

Trade, not aid: an attractive slogan

Geneva, 1964, saw the first session of the United Nations Conference on Trade and Development (Unctad). Sixty-seven developing countries took the opportunity to set up the Group of 77 (whose current membership is 126). They were to talk with one voice, no longer of non-alignment, as at Bandung, but of their economic emancipation. It was a time of Third World solidarity. The main demands of those who wanted a **new international economic order** were for stable, remunerative export prices for primary commodities and the elimination of obstacles to the development of their infant industries, through duty-free entry for Third World exports of manufactured products.

The Community and its Member States took note of the expectations of the Third World. They were aware that the developing world, from Nehru's India to Nasser's Egypt, was looking to them, as the principal export market for the Third World (see inset).

An open market

Just how open the Community market is can be seen from world trade statistics. Since the beginning of the 1960s the developing countries as a group have enjoyed a substantial surplus in their trade with the EEC, as compared to a deficit in their trade with the rest of the world. The Community's imports from the developing countries have grown very rapidly, a good deal faster than its exports to them.

These positive results have been due to a very liberal trade policy and a high level of economic growth in the Community which, until the first oil shock, strongly favoured the developing countries because it strengthened the Community's import capacity.

The generalized system of preferences (GSP)

The European Community took its most important initiative in favour of Asian and Latin American countries on 1 July 1971, when it introduced its generalized system of preferences (GSP). It was the first among the industrialized countries to give concrete expression to a principle which had been accepted during Unctad II in New Delhi in 1968.

The aim was to encourage the industrialization of the Third World, by making it easier for developing countries to export semi-manufactured and manufactured products, including processed agricultural products, to the industrialized countries.

This was to be achieved through preferential, as opposed to most-favoured-nation (MFN), rates of import duty, including zero duty. These tariff concessions could apply to an unlimited, or in some cases limited, quantity of goods.

Each industrialized country was free, however, to introduce tariff preferences in a system of its own choosing. There was an obligation, nevertheless, to generalize the concessions by extending them to all developing countries.

In theory 127 independent developing countries (the 126 members of the Group of 77 and, since 1980, China) and 22 dependent territories (including Hong Kong and Macao) are entitled to GSP benefits under the Community's scheme. In practice, its benefits are shared by 59 Asian and Latin American countries, as the ACP and Mediterranean countries enjoy preferential access to the Community market under preferential agreements they have concluded with the EEC. The most important of these is the Lomé Convention.

Product coverage includes all manufactured products originating in developing countries, including such sensitive ones as textiles (see inset), footwear, steel and petrochemicals. (Other donor countries have excluded these products from their

The Dillon (1960-61), Kennedy (1963-67), Tokyo (1978-82), and Uruguay (1985) Rounds, or the dismantling of Community tariffs in GATT

During the first 12 years of the Community's existence, tariffs proved to be the key element in its trade policy towards developing countries. The latter had expressed the wish, during the Kennedy Round, that tariff reductions on all products of export interest to the developing countries be made in advance of the agreed timetable and in one stage.

The EEC did as requested. On 1 July 1968, it reduced its tariffs on tropical and agricultural products, hides and skins, tropical hardwoods and carpets. Textiles, handicrafts and Indian hides followed, and in 1971 a series of products of particular interest to Latin America: meat, fish and fruit.

The Community's proposal on tropical products, made in the framework of the Uruguay Round in October, 1987, should meet one of the developing countries' long-standing demands which EEC industry has strenuously opposed in the past. Under the terms of this proposal not only customs but also excise duties would be reduced on a number of tropical products in processed form (tea, coffee, cocoa).

schemes, either entirely or in part.) As for agricultural products, the Community has reduced its import duties on nearly 400 products including tinned pineapple, coffee, tobacco, palm oil and coconuts, all of which are of substantial export interest to developing countries.

The Community's GSP scheme is reviewed each year and further improvements made in the light of recent trade flows. In 1988, for example, Third World exports worth an estimated ECU 24 billion were entitled to GSP benefits (as against ECU 10 billion in 1976). This could represent a loss of some ECU 900 million in import duties for the Community, a sum nearly equal to the aid granted annually by the European Development Fund to the 66 ACP countries under Lomé III.

The Community has made a number of important changes to its GSP scheme since its introduction in 1971, with a view to: (1) helping developing countries make the best use of it; and (2) ensuring that the benefits are evenly distributed among them.

The textiles crisis: a negotiated solution

The European Community is a signatory to the Gatt Multifibres Arrangement (MFA), along with other industrialized countries and several Asian and Latin American ones. Under the MFA the Community has concluded self-restraint agreements with the latter, which allow it to restructure its own textile and clothing industries while contributing to the basic aim of the MFA: an orderly and equitable expansion of world trade in textiles and clothing.

The MFA has allowed textile exporting and importing countries to find a negotiated solution to what could well have developed into an explosive situation in both the Community, troubled by high levels of unemployment, and certain developing countries, threatened with the loss of essential outlets. The MFA was renewed for a further four-year period in 1986.

The major changes include:

- (a) **Cumulative rules of origin:** This is a concession in favour of regional groupings, such as Asean. Where a product has been processed in a number of countries in the region, the local content added in each of them can be added together, to ensure that the percentage of local content needed to meet the GSP rules of origin is reached.
- (b) **A policy of differentiation:** GSP quotas and ceilings were initially global: they were used on a first come, first served basis. As a result a dozen industrially advanced countries—Brazil, China, Hong Kong, India, Kuwait, Malaysia, the Philippines, Romania, Singapore, Thailand, Venezuela and South Korea—were responsible for three-quarters of all GSP imports into the Community. This led the EEC to replace these global quotas with individual limits for each beneficiary country.
- (c) **Additional advantages for the least developed countries:** They

include duty-free entry for all agricultural products covered by the GSP and duty-free as well as quota-free entry for manufactured products, including textiles and clothing, once they meet the rules of origin.

GSP results: It is very difficult to measure the effects of the GSP on the industrialization of developing countries. What can be measured, however, are the changes in the share of manufactured products in

the Community's total imports from developing countries. This rose from 14% in 1975 to 27% in 1985. The impact on the EEC's income from customs duties can also be measured. For 1988 the shortfall, as a result of preferential entry under the GSP, has been estimated at ECU 900 million. Even so, experience has shown that the GSP must be reinforced by other measures, such as **trade promotion** (see inset) and industrial cooperation.

Trade promotion: aid for trade

In 1974 the Community concluded that if exporters were to take full advantage of the GSP they needed help with export promotion.

Under its trade promotion programme the Community is helping a large number of Asian and Latin American countries to take part in international trade fairs in its Member States, send their exporters to Community countries on trade missions and invite European importers to their countries on buying missions. The Community is providing training for exporters, and experts for every stage of the exporting process, from product conception to marketing.

Moreover, since 1986 trade promotion has been integrated in every case into an action programme drawn up by the beneficiary country. An earlier modification, made in 1984, was aimed at encouraging trade promotion on a regional basis. Some ECU 700 000 were devoted to regional projects that year. This was in addition to the 3.2 million earmarked for bilateral activities. The sum set aside for trade promotion in 1987 amounted to ECU 14.5 million, of which ECU 7 million was for regional operations.

Primary commodities: dependence and instability

Any inventory of the Community's activities under its trade policy towards developing countries would be incomplete without a reference to primary commodities, and the Community's active participation in the international efforts towards more stability.

Primary commodities are a source of unexpected prosperity when prices are high.

But let prices fall, because of overproduction or a fall in demand, and the result is frustration and misery. Primary commodities invariably are at the root of uncontrolled movements, which are incompatible

with sustained efforts at development.

The Community has been actively associated, since the early 1960s, with the efforts to stabilize commodity prices undertaken in multilateral fora, especially Unctad.

The early agreements and early hopes

Early efforts focused on a small number of major tropical products: coffee, cocoa, tea and, to a lesser extent, tin.

Commodity agreements: the Community and its Member States

The Community's Member States have always contested the Commission's legal competence with regard to commodities as an element of cooperation policy. Their attitude can be explained in terms of the variety of situations between Member States as regards their processing industry, trading interests and their ties with commodity producers in one or other region of the globe. Not surprisingly, some Member States hold that the effects of action taken in this field are not limited to trade policy. This has resulted in the use of the words 'the Community and its Member States' in international organizations dealing with primary commodities.

The Community and its Member States were to take an active part in the numerous negotiating conferences organized by Unctad. **International agreements** for stabilizing commodity prices at levels which were remunerative for producers and equitable for consumers appeared feasible at the time, with coffee producers and consumers leading the way.

A model: the coffee agreement

Coffee is the most valuable commodity in international trade after oil. The first international coffee agreement, which came into force in 1962, seemed to mark a breakthrough. The aim of the agreement was two-fold: (1) to bring about a balance between supply and demand in the short term, through a system of quotas and prices; and (2) to seek a similar balance in the medium and long term through a policy of diversification, backed by an internationally managed fund.

the other consumer countries followed its lead, so that the possible effects of an overall policy, when applied to a given commodity, must remain a subject for conjecture. There was to be a similar lack of consensus as regards the efforts made in the Unctad framework from 1964 to 1976, when the **integrated programme for commodities** was adopted.

Commodity agreements have a poor image

International commodity agreements are no longer suited to correct imbalances in supply and demand, which are magnified by exchange-rate fluctuations. The 1986 cocoa agreement had hardly come into force when its buffer stock operations were blocked, despite a mechanism designed to moderate the impact of fluctuations in the value of the dollar.

As for the coffee agreement, one of the very first, it has gone from one crisis to another. It has been

international agreements.¹ The Community is an active member of these agreements aware that, while necessary, they are not enough in themselves.

The common fund stages a comeback

The Community countries were among the first to ratify the agreement setting up a common fund for commodities. The announcement by the Soviet Union and six other countries at Unctad VII in July, 1987, of their intention to ratify the agreement, should result in the fund, which some had written off, becoming operational. This would make it possible to utilize the more than USD 550 million which have been paid into the fund to help a sector which has seen an unprecedented fall in prices in 1987.

Other instruments

The Community had been unable to introduce the solutions embodied in the Lomé Convention into its cooperation policy for Asia and Latin America. **Extending Stabex to all developing countries** has proved impossible in the absence of an international consensus. However, the Community has set up unilaterally a system based on Stabex, which seeks to safeguard the export earnings of the least-developed countries (LLDCs) in Asia and Latin America.

Latin American dependence on coffee

Fifteen Latin American countries are coffee exporters. For five of them coffee accounts for a large part of their export earnings:

	1983	1984	1985
Colombia	50%	52%	51%
Costa Rica	27	27	34
El Salvador	55	63	73
Guatemala	27	32	41
Nicaragua	37	32	41

For these countries, as for Brazil (10% in 1985), the Dominican Republic (11%), Paraguay (7%), Panama (6%) and Peru (5%), the international coffee agreement is an important factor in stabilizing prices.

Could the world market for coffee be put on a sound basis through the mechanism of an international agreement, based on production controls and measures to increase consumption? The Commission of the European Community still thought so in 1972, as is clear from its 'Memorandum for a Community policy of development cooperation'. But neither the Member States nor

regularly salvaged when upheavals in Brazil's climate have brought misery to the country's producers. The production quotas, which had been suspended in early 1986; were re-established after a good deal of hard bargaining in October, 1987.

But cocoa and coffee are not exceptional. Of the 18 commodities listed in Unctad's integrated programme, only seven are covered by

Stabex for LDCs

Since 1986 eight of these (Bangladesh, Nepal, Bhutan, the Maldives, Yemen, Democratic Yemen, Laos and Haiti) and, since 1988, Burma, have been entitled to compensatory financing for shortfalls in their export earnings from jute, coffee, tea, hides and skins. Some ECU 6.2 million was paid out in the first year of operations.

¹ Cocoa, coffee, natural rubber, jute, olive oil, tropical timber and wheat. Only the first three are stabilizing agreements.

Future challenges

The fall in commodity prices recorded since early 1987, and which the stock market crash of October 1987, only made worse, has revived the

debate over the deterioration in the terms of trade of developing countries. For many of them their dependence on exports of one or two primary products has been rendered even less bearable because of

their debt burden. Commodity problems will almost certainly be at the centre of the North-South debate in the coming years.

Humanitarian aid: a lifeline for the poorest

Humanitarian aid is now provided in three forms: food aid, emergency aid and refugee relief. It accounts for one-fifth of all Community aid to developing countries. The countries of South Asia are among its chief beneficiaries.

Food aid

The oldest form of Community aid, is both substantial (some ECU 500 million were earmarked for it in the 1986 budget, for example) and the subject of a good deal of controversy. It is given in a variety of ways, depending on whether it is to meet an emergency or to be integrated into a strategy of rural development. Its critics have attacked both the principle of food aid (it discourages local production, they maintain) and its practice (it does not always arrive on time).

The origins of food aid go back to 1 July 1968, when the first Food Aid Convention, concluded in the framework of the Kennedy Round, came into force. The Community undertook to provide 1 035 000 tonnes of wheat a year over a three-year period as food aid. It has regularly renewed its original commitment, which had risen to 1 670 000 tonnes under the 1986 Convention.

Today the European Community and its Member States supply some 15% of total food aid and rank second among food donors. Some three-quarters of its aid is in the form of cereals; the balance is made up of dairy products (skimmed-milk powder and butteroil) and such items as sugar, beans and vegetable

oils as well as products bought locally or in other developing countries (see below, triangular operations).

The share of dairy products in Community food aid has fallen sharply in recent years. When they are supplied directly to a developing country, it is almost always in order to help it develop its own dairy industry. **Operation Flood** (see inset), launched by the Indian Government with the help of the World Food Programme, is a good example of this. In January 1988, the Commission decided to make a similar contribution to a Chinese programme, drawn up in collaboration with the World Food Programme and aimed at encouraging the growth of a dairy industry in 14 major cities in China.

Aid programmes of this kind reflect the now widely held belief that food aid must meet the needs of local populations rather than be primarily a means of disposing of surplus agricultural production.

In a similar way 'triangular' and 'alternative' operations represent attempts to dissociate food aid from the disposal of agricultural surpluses.

In **triangular operations** the Community buys foodstuffs in a developing country for delivery, as food aid, to a country facing food shortages. Their introduction in 1983 has given the Community's food-aid programme much greater flexibility, although these operations still account for only a very small part of the total.

The Community has also given financial aid as an **alternative** to

food aid, where there was a danger of depressing prices on the local market, with possible adverse effects on domestic food production. Such aid has been used to buy fertilizers, procure food locally and pay for the construction of storage facilities.

It can be seen that the food-aid programme has undergone a number of changes since the reorganization of the Community's development aid policy in 1982. Their effect has been to allow food aid to be used to support food production in the beneficiary countries.

The Community remains a major source of emergency food aid of course. Together with its Member States it has responded to emergencies quickly and on a substantial scale. In 1985, for example, it undertook to provide an additional 1.2 million tonnes of grain, or its equivalent, to meet the famine in Africa, and made another exceptional effort, for Ethiopia, in 1987-88.

Emergency aid

Emergency aid to Asian and Latin American countries began in a very modest way in 1971, when the sum of ECU 500 000 was set aside, on the initiative of the European Parliament, for helping disaster victims. The first great drought of 1973-74, which devastated the countries of the Sahel, and the multiplication of natural disasters elsewhere, led to a substantial increase in the funds allocated for emergency aid, both for the countries of the Lomé Con-

vention and those in other developing regions.

By 1987 the Community had earmarked ECU 21.5 million for this purpose, to which must be added the ECU 25 million made available by the European Development Fund for the Lomé Convention countries.

While much of the emergency aid has been for Latin America, the principal non-ACP recipient in 1987 was India, which was the victim of

widespread drought. The aim of such aid is to help people whose lives are endangered by natural disasters or similar exceptional circumstances. The aid takes the form of supplies of tents, blankets, food-stuffs and medicines, as well as the dispatch of medical teams.

Refugee relief

Both food and emergency aid are

also used to help the thousands of persons who have fled their countries of origin because of war or famine. In addition, the Community supports the work of such international agencies as the United Nations High Commission for Refugees (UNHCR), the United Nations Works and Relief Agency (UNWRA) and the International Red Cross.

Operation Flood

Operation Flood remains the most ambitious development project to which the Community contributes through its food-aid programme. Some 366 000 tonnes of skimmed-milk powder and 126 700 tonnes of butteroil have been supplied, either directly or indirectly, at the request of the Indian Government.

They have been combined to form liquid milk which has been sold through the Operation Flood network. The funds generated by these sales made it possible to build the infrastructure needed to supply four major Indian cities with milk, during the first phase of the operation, and a large number of dairies and refrigeration and storage plants in rural areas during its second phase.

Operation Flood has proved highly successful, both in economic and social terms. It has shown that food aid supplied in the framework of a well-organized project can be an effective development tool.



II. The 1970s: development cooperation becomes a Community policy

The time has come to define a Community policy

'... At a moment when the Community is starting on the road to economic and monetary union, and at a time when it is preparing for its own enlargement, it is important that the Community should also express its will to link its own progress more closely to that of the developing countries, and to include among its basic aims the systematic pursuit of a better international distribution of prosperity, and the multiplication of opportunities for social fulfilment, offered to ever wider groups of human beings who were previously underprivileged.'

Memorandum on a Community Policy on Development Cooperation, 1972 (p. 17)

The start of the second development decade (1971-80) found the European Community preparing itself for an enlargement that would add to its international responsibilities. The European Commission took the opportunity to issue a 300-page Memorandum in which it denounced the incoherence resulting from the division of competence in the Community's relations with the developing countries. It pointed out that while the Member States had full autonomy in matters of technical and financial cooperation, the Community was responsible for the common commercial policy.

Meanwhile the policy of association with the African and Mala-

gasy States had emerged as a successful example of a comprehensive policy of development cooperation. The effect, of course, was to raise the expectations of the developing countries as a whole, from a Community inadequately equipped to fulfil them.

The Paris declaration

The Heads of State or Government who met in Paris in October 1972, adopted a Declaration which was to mark a turning point in the Community's policy of development cooperation. Its basis was the Commission's 1971 Memorandum, and it was sufficiently broad-based to remove the political and legal obstacles which had confronted the Community until then. The way was now open for a global policy, and the Commission was to use the opportunity to work out the necessary guidelines and instruments.

The Paris Declaration ended the long-running debate between the advocates of a **global** development

policy and those favouring a **regional** one. It required the Community to advance on both fronts simultaneously; to pursue and develop the policy of cooperation in a regional framework, on the one hand, and progressively to implement a **global** policy on the other. In the regional context **Yaoundé** would become **Lomé** and the Mediterranean would be confirmed as a preferential zone. The **global** policy would be aimed at the Third World as a whole but would focus in practice on Asia and Latin America. Within these two continents the poorest would be the object of special attention.

A three-fold approach

The guidelines developed on the basis of the Paris Declaration covered three major areas of activity:

(a) **reinforcement of the policies already pursued by the Community vis-à-vis the Third World as a whole:** improvements to the system of generalized preferences; continued efforts to secure international com-

modity agreements and a greater emphasis on food aid;

(b) **coordination and harmonization of Community and national policies** of development cooperation on such issues as the volume, terms and distribution of aid and greater complementarity between national and Community aid;

(c) **development of new policies and, notably, the creation at Community level of additional instruments of financial and technical cooperation,** specifically designed for developing countries in Latin America and Asia, the only potential recipients except Angola and Mozambique.

Financial and technical cooperation

The creation of Community instruments for financial and technical cooperation with the **non-associated developing countries** (see inset) was an important step towards a Community policy of development cooperation, despite the modest nature of the sums allocated for this purpose.

For one thing it marked a genuine recognition by the Member States of the Community's competence in matters of aid. It was to make possible common initiatives, particularly the adoption in 1974 of the UN Emergency Fund of USD 3 million for the countries hardest hit by the oil crisis.

For another, the very fact that the resources available were so limited, and this at a time when a large number of developing countries suddenly found themselves a good deal poorer because of the rise in the price not only of oil but also of fertilizers and basic foodstuffs, prompted fresh thinking and a fresh approach to development aid. Economic reality made it necessary to distinguish between the various degrees of under-development—between 'the thousand million people bowed down under the weight of nature and disaster upon disaster... and others, tomorrow's rich, the new bourgeois of the Third World... and in between the extremes—the haves and the have-nots—are others to whom nature

has been kinder but who cannot yet find a permanent place among the new haves'.

Under-development is not uniform, and cannot be measured in terms of GNP alone; it should also be measured in terms of dependence and must be tackled in different ways in different regions. This principle appeared for the first time in the 1974 '**Fresco of Community Action**', from which the quotation in the previous paragraph is taken. The Fresco remains as important today for an understanding of the

priorities assigned to the Community's development aid in Asia and Latin America as when it was written.

These priorities are three in number: encouraging food security, regional integration and responding to emergency situations.

In practice, rural development, broadly defined, has mobilized much of the Community's efforts (see inset).

Financial aid to Asia and Latin America

The first programme of technical and financial cooperation with the non-associated developing countries was adopted in 1976 and had a budget of ECU 20 million. Successive annual increases had raised this amount to some ECU 280 million 10 years later. The funds have been used to finance development projects in more than 30 Asian and Latin American countries and to help 14 regional institutions and organizations.

The volume of development aid to Asia and Latin America is decided each year in the framework of the Community budget, unlike aid for the ACP and southern Mediterranean countries.

In theory, the Council's guidelines provide 75% of the aid to be allocated to Asia and 25% to Latin America, which, according to a European Parliament report, worked out at ECU 0.10 per person in Asia and ECU 0.15 per person in Latin America in 1986.

In practice the aid has been shared out between the two continents on the basis of 70% for Asia and 30% for Latin America over the past 10 years. The major Asian beneficiaries are India, Pakistan and Bangladesh. Much of the aid to Latin America goes to five countries: Peru, Bolivia, Guatemala, Nicaragua and Honduras.

All the aid is in grant form. More than 80% of it is used to finance rural development projects.

Co-financing with non-governmental organizations (NGOs)

It was at the initiative of the European Parliament that the Community first undertook, in 1976, to co-finance the development projects and other activities of voluntary agencies or non-governmental organizations (NGOs). Although the NGOs are active throughout the developing world, a large part of the Community funds earmarked for this purpose are used to co-finance projects in Latin America and Asia.

The sums devoted to co-financing have risen from ECU 3 million to ECU 46 million between 1976 and 1986. But demands for co-financing have risen even faster. In 1986, for instance, 614 projects were submitted to the Commission for co-financing, and 293 were accepted.

NGO projects tend to be small and are carried out at grass-roots level with the active participation of European volunteers. Not surprisingly, the experience of the NGOs has influenced Community thinking on development aid to a considerable extent.

Many of the humanitarian operations financed by the Community are entrusted to the NGOs. In 1986 humanitarian aid channelled through them came to: ECU 72 million for food aid; ECU 15.3 million for emergency aid; ECU 17 million for refugee relief; and ECU 2 million in aid to NGOs active in Chile.

III. The 1980s: the network of agreements and specific forms of cooperation

Once it had consolidated its Lomé policy and its relations with the countries of the southern Mediterranean, the Community undertook, in the 1980s, to strengthen its relations with Asian and Latin American developing countries. It either renewed or negotiated commercial and economic cooperation agreements with individual countries or groups of countries.

Up to that point the various Community instruments of which these countries were the benefi-

aries—the GSP, food aid or even technical and financial cooperation—had been autonomous; that is to say, adopted and managed by the Community. They did, however, meet the more important needs of the countries in question, leaving little of substance to be settled under the very few non-preferential trade agreements concluded in the 1970s.

The conclusion of a cooperation agreement with the Asean countries in 1980 marked a turning-point. It

was the first agreement designed to consolidate, economically and politically, a regional grouping.

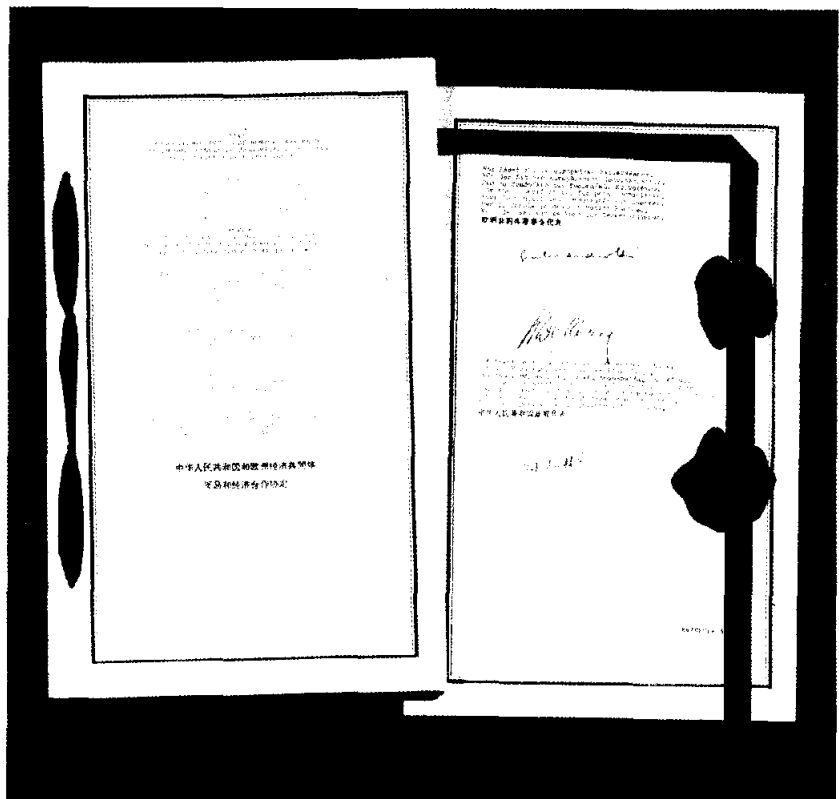
Similar requests from other third countries (Asean was followed by the countries of the Andean Pact and Central America and, more recently, by the members of the Gulf Cooperation Council) were received and have been accepted, in keeping with the Community's natural vocation to encourage regional integration.

The framework agreements

The European Commission's 1982 Memorandum, setting out the path the Community's development policy should follow, had stressed the need to organize stable forms of cooperation with interested developing countries.

In addition to encouraging regional integration, these framework agreements would allow for increased scientific and technical cooperation, industrial cooperation and the consultations required to promote the harmonious development of trade.

With their richer, more varied contractual content the new agreements should lead to more continuity, more substantial joint actions, and more predictable trading arrangements. The EC Council of Ministers refused, however, to include financial cooperation in the agreements; the amount of aid provided will therefore continue to be decided by the Community alone.



No fewer than 11 cooperation agreements have been concluded, either for the first time or to replace earlier trade agreements. An agreement with China was signed in 1985. The most recent one is the agreement with the Gulf Cooperation Council, concluded in 1988.

All these agreements provide a legal framework for a very wide range of activities aimed at reinforcing the economic, commercial and even cultural links between the two sides. The initiative for these activities rests with the Joint Commission set up to manage each agreement.

A developing process

These agreements are non-preferential and contain no provisions for public funding. At the same time, no area of cooperation within the Community's competence is *a priori* excluded.

As a result, some original forms of cooperation have emerged, on the initiative of one or other of the Community's partners. They cover such diverse areas as energy, rural development and the prevention of

opium poppy cultivation. Some of the more significant activities are mentioned in the last part of this chapter (cooperation in practice).

A new impetus: industrial cooperation

In 1987 the European Community had budgetary problems of its own, while numerous developing countries were in debt. Faced with this unpromising situation, the Community decided to stimulate cooperation between economic operators in the private sector. But if they were to succeed, it was necessary that governments, in both the developing countries and the Community's Member States, encourage and coordinate their efforts.

They can do just this by improving the investment climate and ensuring easier access to information and capital, for example. Everyone must contribute to this effort: the economic operators both the public and private sectors; third countries; the Community's Member States and the European Commission.

Industrial cooperation represents the latest addition to the range of instruments which the European Community has devised to further its policy of development cooperation with Asian and Latin American countries. For the industrially more

advanced among them it should play the same role as food strategies for the least-developed countries.

The Cheysson facility

Introduced in 1988, this financing facility, named after the then Commissioner responsible for North-South relations, allows the Commission to give financial encouragement to firms in Europe, Asia and Latin America wishing to invest in joint ventures.

Investment in joint ventures, associated with transfers of technology and expertise, should help to strengthen the private sector, boost productivity and encourage economic cooperation and trade in those Asian and Latin American countries which have signed cooperation agreements with the Community.

The new facility should supplement existing facilities by supporting projects which would not materialize without it. Credit will be provided through existing financial institutions (development banks, investment banks, multilateral organizations).

Support will be provided for three types of operation linked to investment projects: feasibility studies, technical assistance at the pre-project and post-project stages, and purchase of shares in joint ventures.

IV. Cooperation in practice, region by region

As one would expect, Asia and Latin America have benefited from their relations with the EEC in different ways. What is true of the two continents is equally true of their different regions. The countries of Central America will remember the Community's political backing for the Contadora Group and the Arias peace plan. The six-nation Association of South-East Asian Nations (Asean) will come to recognize the catalytic role its relations with the Community have had on its own plans for regional cooperation.

As for the Indian subcontinent, the food aid it received from the Community will be seen one day as having contributed to the elimination of famine from a region which was widely viewed in the 1970s as doomed to poverty.

The development of the Community's relations with each of the major regions of Asia and Latin America is shown chronologically in the following pages, together with the financial resources provided by the Community and some of the more significant results.

Asia

I — South Asia

**India, Bangladesh, Pakistan,
Sri Lanka, Nepal, the Maldives,
Bhutan, Burma**

Chronology

- 1962** — India and Pakistan establish diplomatic relations with the EEC. Sri Lanka was to follow suit in 1971 and Bangladesh in 1973, on becoming independent
- 1964** — The EEC grants the south Asian countries tariff concessions for several of their exports
- 1968** — The EEC launches its food-aid programme, whose main beneficiaries will include India and Bangladesh
- 1971** — All the south Asian countries receive GSP benefits. Bangladesh, Bhutan, the Maldives and Nepal enjoy more favourable treatment as least-developed countries
- 1973** — The commercial cooperation agreement with India is the first to be concluded with an ALA country. Followed by similar agreements with Sri Lanka (1975), Pakistan and Bangladesh (1976)
- 1976** — The EEC launches its programme of technical and financial aid for the 'non-associated' developing countries, with India, Pakistan, Bangladesh and Sri Lanka among its earliest beneficiaries
- 1981** — The EEC signs a new commercial and economic cooperation agreement with India
- 1983** — The seven south Asian nations (Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka) set up a regional organization, which in 1985 becomes the South Asian Association for Regional Cooperation (Saarc). The EEC offers to finance regional sectoral studies, beginning with energy, and provides technical aid
- 1985** — A commercial and economic cooperation agreement is signed with Pakistan
- 1987** — Bangladesh and Nepal are the first to benefit from the EEC's Stabex fund for the least-developed countries (LDCs)
- 1988** — The EEC extends Stabex to Burma.
The EEC-India Joint Commission notes that Community aid to India since 1976 is approaching ECU 1 000 million

Significant activities

- A model development project: India's **Operation Flood**. Both Pakistan and Bangladesh are interested in developing programmes of this kind.
- An **ambitious programme of industrial cooperation** with India is adopted in June 1987. Concrete measures are envisaged in the field of databanks, technical standards, energy, telecommunications and science and technology. The programme implies cooperation between Indian and European economic operators, in order to develop India-EEC trade.
- **Human resources development** is an important facet of Community aid to south Asia.
- In 1987 the EEC contributes ECU 20 million to help India fight **the drought of the century**, and ECU 12 million to Bangladesh, the victim of the worst floods in the country's recent history.
- Under its **trade promotion programme**, the EEC helps Pakistan develop its exports of fruit and vegetables to the Middle East and the Gulf.
- 1983-84: Nepal receives ECU 7.8 million and Bangladesh ECU 7 million under the special programme to fight hunger in the world.

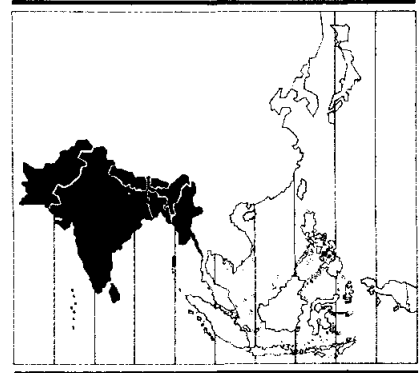
Stabex LDCs

Compensation for loss of export income incurred in 1986:

Bangladesh: ECU 4.4 million for
jute

ECU 1.2 million for
tea

Nepal: ECU 232 000 for **hides**
and **skins**



Ten years of technical and financial aid 1976-86

Commitments, in million ECU

	Normal projects	Projects following disasters
India	405.7	21.9
Pakistan	77.9	6.7
Bangladesh	122.7	—
Sri Lanka	41.7	3.0
Afghanistan	1.0	—
Burma	13.9	—
Bhutan	9.0	—
The Maldives	2.2	—
Nepal	29.1	—

Some recent projects

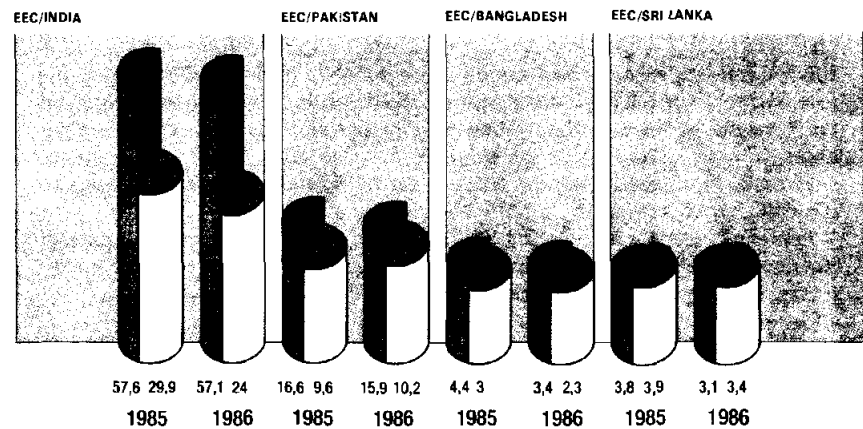
India: — Integrated management of anti-erosion projects;
— cooperatives in the Bihar region;
— Tamil Nadu irrigation scheme
Pakistan: Talli irrigation project

Co-financing of NGO projects

(1976-86)

	Number of projects	EEC contribution (in ECU)
India	331	18 588 755
Pakistan	28	1 137 728
Bangladesh	88	5 154 939
Sri Lanka	48	1 667 411
Afghanistan	3	40 390
Burma	3	19 310
Bhutan	10	234 614
The Maldives	1	320 312
Nepal	17	398 516

Trade (in million ECU)



II — South-East Asia

**Asean: Indonesia, the Philippines
Thailand, Singapore, Malaysia,
Brunei, Viet Nam, Laos,
Democratic Kampuchea**

Chronology

- 1967 — First EEC food aid programme. Indonesia, the Philippines and Thailand have received food aid on several occasions
- 1971 — The EEC introduces its generalized system of preferences. In 1975 it adopts the principle of cumulative origin, for the benefit of regional groupings such as Asean
- 1972 — The Asean coordinating committee opens a dialogue with the Community in Brussels
- 1974 — The EEC offers to conclude a commercial cooperation agreement but Asean seeks a wider agreement
- 1976 — The EEC adopts a programme of technical and financial aid for the 'non-associated' developing countries, extended to regional groupings in 1978
- 1978 — The first EEC-Asean ministerial level meeting. Five such meetings have been held since then
- 1979 — The European Commission opens a delegation in Bangkok
- 1980 — First EEC-Asean economic and commercial cooperation agreement, renewed in 1985 and 1987. A programme of scientific and technical cooperation is adopted for the period 1980-84
- 1981 — Asean invites the EEC to take part in its annual, ministerial-level dialogue with its major industrial partners
- 1983 — The EEC-Asean Business Council holds its first meeting
- 1985 — The EEC-Asean sectoral conference on the agro-food industry, held in Manila, is attended by 60 European and 150 Asian businessmen
- 1987 — A **Joint Committee to promote European investment** in Asean is set up in Bangkok. Similar committees are being set up in each of the other capitals

Growth of EEC-Asean trade

EEC-Asean trade has grown rapidly since 1976. It grew by 62% during the first five years of the 1980 cooperation agreement. It has continued to expand fairly regularly since, without showing any signs of sharp structural imbalances.

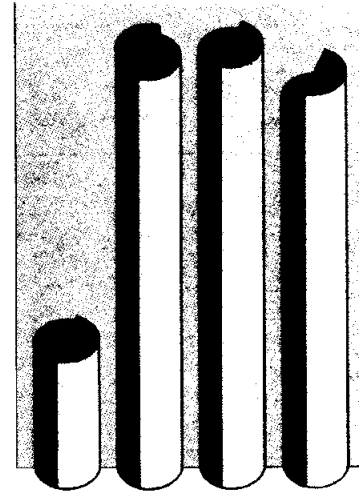
Manufactured products now account for 42% of Asean's total exports to the EEC, as compared to 25% in 1973.

Among Asean's main exports are electrical goods, timber, manioc, natural rubber, textiles and clothing. Community exports consist mainly of machinery, transport equipment and chemicals.

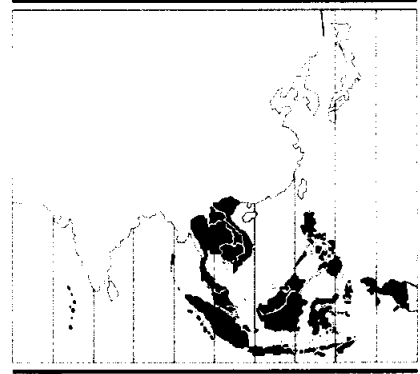
Trade

(in million ECU)

EEC/Asean



17 178 98,9 96,6 98,1 99,7 85 92,1
1973 1984 1985 1986



Bilateral textile agreements

Both the Community and the Asean countries have signed the GATT Multifibres Arrangement (MFA). Bilateral agreements were negotiated under the MFA in 1982, for the period 1983-86. The five agreements were renegotiated and renewed in 1986 for a five-year period.

These agreements reflect the Community's policy of encouraging intra-regional cooperation. All five contain a clause which allows the Asean countries to use each other's unutilized quotas, thus ensuring that all quotas are fully taken up.

Significant activities

- Under the 1980 cooperation agreement, the EEC is helping to develop the region's human resources, through training programmes conducted in European institutes and by strengthening vocational training institutes in the Asean countries. To this end the EEC has financed the publication of 'Advanced Training in the EEC, a guide to selected opportunities'.
- A regional cooperation programme on post-harvest techniques for cereals: the project seeks to increase basic food supplies in the region by reducing losses arising from the handling, treatment and storage of grains.

Ten years of technical and financial aid

In the period from 1976 to 1986 the EEC devoted ECU 304 million to regional projects. This represented some 20% of total EEC project aid to developing Latin American and Asian countries. In 1986 the EEC contributed ECU 12.4 million to three regional programmes (aquaculture, the development of fishery resources and technical standards). It also financed projects in individual Asean countries.

From 1976 to 1986 EEC financial and technical aid was as follows (*in million ECU*):

Indonesia	109.4
Thailand	120.4
Philippines	43.6
Asean	27.9
Vietnam	2.4
Laos	10.3
Mekong Committee	1.15

III — China

Chronology

- 1975 — The accreditation of the first Chinese ambassador to the EEC marks the start of formal diplomatic relations between the Community and China
- 1978 — Signature of a non-preferential commercial agreement between the EEC and China
- 1980 — The EEC extends its generalized system of preferences to China. In 1985 some 23% of China's exports enjoy GSP treatment
- 1981 — The first China business week opens in Brussels. Financed by the EEC, it aimed to give European economic operators an opportunity to develop contacts with China. A second business week was held in 1985 and a third in 1988
- 1983 — The EEC participates in China's modernization programme, by providing experts to prepare modernization programmes for local enterprises
- 1984 — High-level consultations between the European Commission and the Chinese Government are held in Beijing
- 1985 — Signature of a framework agreement for commercial and economic cooperation

Significant activities

Energy Cooperation in this sector, begun in 1981, expanded significantly in 1987, when the energy plan drawn up by European experts, was extended to include a study of Chinese energy requirements to the year 2030.

China will also take part, via the network established by the European Community, in the analysis of world energy requirements for the periods 1990-95 and 2000-25.

An EEC-China centre for the training of inspectors in nuclear safety has been opened in Beijing.

Environment has been extended to include this sector. The activities envisaged include the training and exchange of experts and research into ways of reducing energy-related pollution.

Rural development. This remains an important area of cooperation, to which the EEC contributes some ECU 6 million a year.

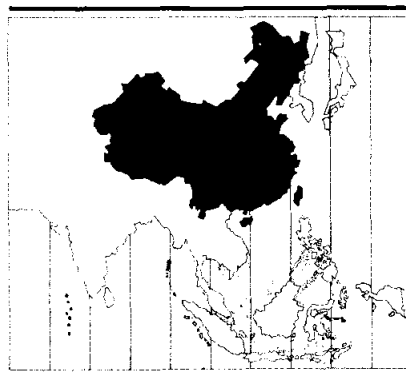
About 10 projects have been undertaken since 1983, in a variety of sectors (fruit preservation, vegetable plant production, cashew nuts, natural rubber, beetroot cultivation, pisciculture, soil protection, water supply and flood control). In October 1987, the European Commission agreed to provide ECU 3 million for an irrigation project in Gansu province.

Since January 1988, the EEC has also been contributing, with the World Food Programme, to the Chinese dairy industry development programme, modelled on India's Operation Flood. An initial allocation of 6 210 tonnes of milk powder and 2 070 tonnes of butteroil should help the Chinese authorities to extend the programme to 20 cities thanks to counterpart funds of approximately ECU 8.5 million.

The 1980 economic and commercial cooperation agreement

No area of cooperation within the Community's competence is excluded *a priori* from the scope of the agreement. Among the areas covered initially are industry, mining, agriculture, science and technology, energy, transport and communication, environment protection and cooperation in third countries. The activities envisaged include joint ventures, exchanges of economic information, contacts between economic operators, seminars, technical assistance and investment promotion.

The agreement, signed on 21 May 1985, for five years, can be automatically extended beyond the initial period.



Textiles

The EEC and China concluded a textile agreement in 1979. It provided a framework for China's textile and clothing exports to the EEC to the end of 1988. In return for increased access to the Community market, China undertook to maintain a balance in its textile trade, guarantee the supply of minimum quantities of certain raw materials required by the European textile industry (raw silk, angora and cashmere wool) and respect a price clause.

China has emerged as the Community's second largest supplier of products covered by the Gatt Multifibres Arrangement (MFA). It is the only external supplier whose exports have increased sharply in terms of both volume and value since 1975.

核能聚变： 二十一世纪的能源

欧洲共同体的现今状况



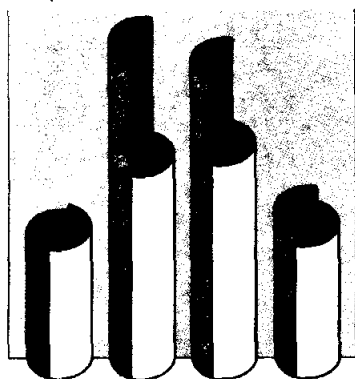
- 主要根据磁力限制的研究
- 现今在证明融合在科学上的可行性阶段
- 欧洲合作环床是领先的融合实验
 - 根据托卡马克原理
 - 从1983年开始运作
 - 已建立了世界的记录
 - 用焦的实验预期在一九九一年
- 在不同的欧洲实验室里的中型装置也对融合的发展作出贡献。

EEC-China trade

(in million ECU)

At the end of 1986 China was the EEC's 20th supplier and its 11th export market, whereas it was 38th and 35th respectively in 1982.

EEC/China



17,3 19,1 71,8 39,3

1980 1985 1986 1987



Latin America

IV — South America

Chronology

- 1961 — Brazil-Euratom cooperation agreement on the peaceful uses of nuclear energy
- 1970 — The EEC establishes relations with the **Andean Pact**, following the signature of the Cartagena Agreement
- 1971 — The EEC introduces its generalized system of preferences, of particular benefit to the industrially advanced South American countries
- 1974 — The EEC signs trade agreements with **Brazil and Uruguay**
- 1980 — Negotiations for an economic and financial cooperation agreement between the EEC and the **Andean Pact** are launched at a ministerial-level meeting. They are suspended following a military *coup d'état* in Bolivia in July
- 1980 — The EEC concludes agreements with Argentina and Uruguay on trade in sheepmeat
- 1982 — The **EEC-Brazil** framework economic and commercial cooperation agreement and the Brazil-ECSC cooperation protocol come into force. The agreement is concluded for five years but provides for automatic renewal
- 1983 — The signature of the **EEC-Andean Pact** framework economic and commercial cooperation agreement on December 17 gives a fresh impetus to regional integration
- 1985 — The EEC welcomes the return to democracy in **Brazil and Uruguay**. The Brussels meeting of the EEC-Uruguay Joint Committee underlines the need to widen the scope of joint activities
- 1987 — The ratification of the **EEC-Andean Pact** agreement is completed. The Joint Committee set up under the Agreement holds its first meeting

Significant activities

Regional integration:

- A programme of studies on food security and strategy, coordinated for the **five Andean Pact countries** by the Junta of the Cartagena Agreement. The EEC provides ECU 7 million.
- A programme to promote the use of wood as an alternative to imported building materials (through information, training and demonstration activities).
- A pre-investment programme focused on industrial development and the movement of goods and persons within the region.
- Support for the Andean system of satellite-based telecommunications (a feasibility study of the Condor project for a regional satellite).

Bolivia: A programme of rural microprojects aimed at relaunching food production among the marginal rural population of the Bolivian Altiplano. This programme, begun in response to a particularly dramatic situation, is innovative as regards both the methods used and the infrastructure it has set up. This new form of development aid (decentralized units, competent and motivated technical aid, a flexible administration, directors with decision-making powers, a clear set of priorities) has proved especially effective.

Brazil: Community financing for the Carajas mining project: USD 600 million will be needed to finance the construction of a railway and a port equipped to handle ores.

Cooperation agreements

The EEC has concluded commercial and economic cooperation agreements with Brazil and Uruguay, on the one hand, and the Andean Pact on the other. All three are non-preferential framework agreements. Each contains three main sections: trade, economic cooperation and development cooperation. A Joint Committee, which meets annually, has been set up under each agreement.

Community aid to the Andean Pact countries 1976-86

The Andean Pact countries have received a total of ECU 275 million in financial and technical aid, food aid, funds for training, trade promotion and energy, aid for regional integration, co-financing with NGOs and emergency aid. Of this total, financial aid accounts for ECU 160 million.

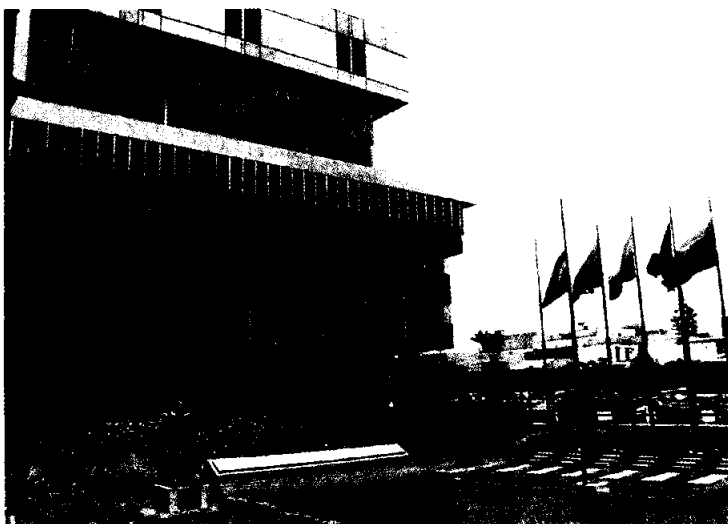
	Normal projects	Projects following disasters
Bolivia	71.6	13.8
Colombia	4.0	3.9
Ecuador	5.9	2.8
Peru	29.6	6.5
Andean Pact	34.6	—



The Andean Pact

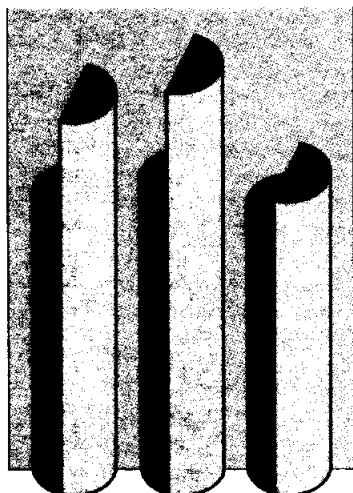
Inaugurated in 1969, with the signature of the Cartagena Agreement, the Andean Pact is a grouping of five countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. Its aim is not simply the free movement of goods among the five but also their economic union.

Its institutional machinery is similar to that of the EEC and includes the Junac (Junta of the Cartagena Agreement), an executive body not unlike the European Commission, which is led by a *Junta* of three members (Commissioners). Decisions are taken by a '*Comisión*', similar to the EEC's Council of ministers. Supervision is exercised by an *Andean Parliament* and legal matters are settled by an *Andean Court of Justice*.



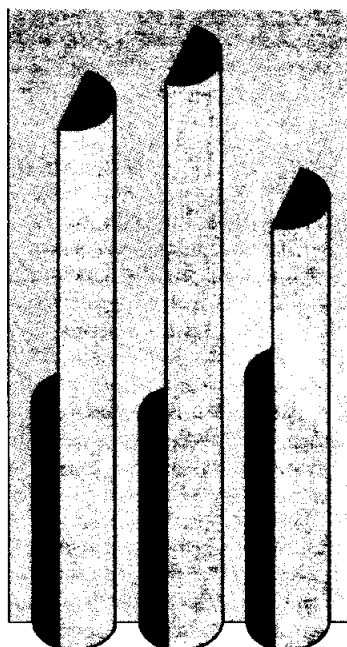
Trade EEC-Andean Pact (in million ECU)

EEC/ANDEAN PACT
(Bolivia, Colombia, Ecuador,
Peru, Venezuela)



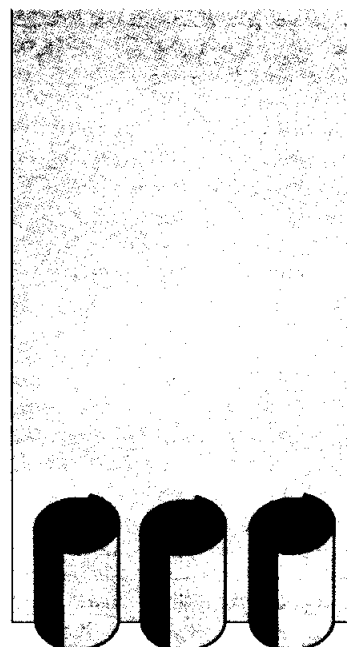
41,7 63,3 44,5 69,6 39,1 46
1984 1985 1986

EEC/BRESIL



29,8 95,5 26,8 104,7 35,1 73,7
1984 1985 1986

EEC/URUGUAY



2 2,9 1,9 2,5 2,2 3
1984 1985 1986

V — Central America

Chronology

- 1960** — The General Treaty on Central American Economic Integration, laying down the foundations of a Central American common market, is signed in Managua. The parties to the Treaty are El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica joined them in 1962
- 1975** — The EEC-Mexico framework economic and commercial cooperation agreement is signed
- 1982** — The EEC provides ECU 30 million of special aid to the **countries of the Central American isthmus**
- 1983** — The **European Council** backs the **Contadora group** (Colombia, Mexico, Panama and Venezuela) in its efforts to find a peaceful solution to the regional conflicts in Central America. It confirmed its support in **1984**, at the ministerial meeting in **San José** (Costa Rica), which brought together the EEC, the European Commission, the **Contadora Group** and the countries of the Central American General Treaty
- 1984** — Conclusion of agreements on trade in textiles with **Mexico, Guatemala and Haiti**
- 1985** — The first agreement between the EEC and Central America (the countries of the General Treaty and Panama) is signed in Luxembourg on 12 November. A second meeting between the participants of the 1984 San José meeting institutionalizes the political dialogue between the EEC, the Contadora Group and the countries of the Central American isthmus
- 1986** — The **EEC and Mexico** finalize a programme of cooperation in science and technology
- 1987** — The Joint Committee set up under the EEC-Central American cooperation agreement holds its first meeting. Cooperation is extended to the area of science and technology
- 1988** — The Community backs the Arias peace plan. At a **Conference in Hamburg** the EEC undertakes to support the **plan for the reconstruction and development of Central America**, presented by the countries of the Central American isthmus

Significant activities

- **EEC-Mexico**

Following the 1985 earthquake, the EEC undertook, as an exceptional measure, to finance a general hospital in Mexico City, to treat the very poor, who have no medical insurance. The activities normally financed by the EEC under the cooperation programme with Mexico include scientific research, energy planning, statistics, trade promotion and business cooperation.

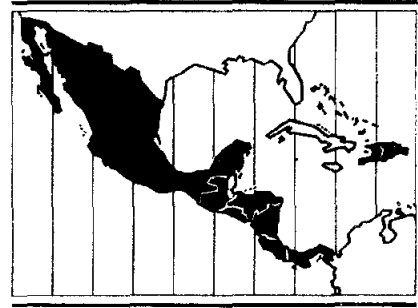
- **Regional projects:**

Some 25% of Community aid was devoted to regional projects between 1982 and 1987. The three major projects underway deal with:

- the reactivation of small and medium-sized industries through a programme of special aid to the banking sector;
- regional cooperation on food security;
- improvements to child health in an area of especially high infant mortality.

- **Co-financing with NGOs**

In 1987 the EEC co-financed 108 development projects with European NGOs, for a total of nearly ECU 7 million. Forty-two of the projects were in Nicaragua and 17 in Haiti.



Ten years of technical and financial aid (1976-86)

(in million ECU)

	Normal projects	Projects following disasters
Mexico	—	5.2
Costa Rica	28	3.6
Guatemala	12	—
Honduras	58	1.6
Nicaragua	33.5	4.1
El Salvador	—	3.3
Central America	22.4	—
Dominican Republic	18	4.8
Haiti	23	9.3

Following an undertaking to substantially increase its aid to the countries of the Central American General Treaty and Panama, the Community increased its aid to ECU 32 million in 1987. This was twice the level of aid in 1984. Total European development assistance to the region (Community plus Member States' aid) came to more than ECU 160 million in 1987.

Political cooperation

The European Community has backed the efforts of the Contadora group to find peaceful solutions to the regional conflicts in Central America from the beginning (declarations by the European Council at Stuttgart in June 1983, and in Dublin in December 1984). Since 1987 the Community has supported the Arias peace plan. It is also helping to consolidate the efforts of the Central American countries to promote the economic and political factors which unite them. It firmly believes that political dialogue and economic cooperation can help reinforce democratic principles and human rights in Central America.

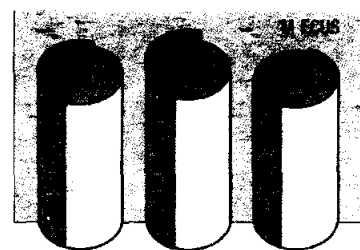
It is in this spirit that the Community decided to make a substantial contribution to the Central American rehabilitation programme, which would require a total expenditure of USD 1 500 million over a three-year period.

Trade EEC-Central America

(in million ECU)

More than 80% of Central American exports (in value) enter the EEC duty-free or are subject to low tariffs. (Bananas: duty-free in several Member States; coffee beans: 4.5% preferential tariff.)

EEC/CENTRAL AMERICA



14,3 14,1 17,4 15,2 13,1 13,7
1984 1985 1986

