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EXECUTIVE SUMMARY

This Regional Strategy Paper (RSP), the second for Mercosur, provides a strategic framework for EC cooperation with Mercosur for the period 2007-2013. The RSP has been prepared following a consultation process involving Mercosur member states and civil society actors. EC-Mercosur relations are based on a Framework Cooperation Agreement signed in 1995, which aims at preparing an interregional association between the EU and Mercosur. This Regional Strategy is focused entirely on supporting regional integration, preparing for the implementation of the future Association Agreement and trade-related assistance. This is in addition to the cooperation funds earmarked to support purely national objectives as set out in the Country Strategy Papers (CSPs) for the four Mercosur countries.

In its 16 years of existence, Mercosur (*'Mercado Común del Sur'*), formed by Argentina, Brazil, Paraguay and Uruguay, has promoted peace and stability, generated a high-level political dialogue and strengthened internal and international cooperation. However, since the last Regional Strategy Paper in 2002, limited progress has been made towards the realisation of a concrete customs union and a structured common market. Although Mercosur still needs to make substantial efforts to reach its original goals, considerable progress has been made with its institutional framework. Today, Mercosur faces 3 major challenges: i) improving its decision-making process and its capacity to implement and enforce common legislation, ii) achieving the common market, and iii) increasing the awareness and involvement of its civil societies in the regional integration project.

According to a recent independent evaluation report, our past cooperation has helped reinforce and facilitate trade within Mercosur and with the EU, providing Mercosur companies with new business opportunities and contributing towards overall growth in the region and market expansion. Projects taking into account Mercosur asymmetries have achieved better results. The report also highlights areas for improvement: an overall low level of ownership of projects and the absence of a centralised Mercosur institution responsible for managing and implementing cooperation with third countries. Moreover, it draws attention to Mercosur's difficulties in finding counterpart funding and the technical complications linked to the requirements of the EC's Financial Regulation.

The EC has also drawn several key conclusions from its own perspective. In the past, our cooperation was entirely project-based, with a multiplicity of projects responding to requests from different stakeholders, thus often lacking an overall strategic vision. Mercosur cooperation has also suffered from a lack of political involvement and changing political priorities, resulting in disparate projects. In order to try to answer these shortcomings, cooperation over 2007-2013 will no longer be based on a conventional list of projects but on an action plan modelled along Mercosur's integration work programme. The action plan will primarily target the completion of Mercosur's Common Market, with the focus on those areas that will facilitate the implementation of the future EU-Mercosur Association Agreement. It will include a limited number of priority objectives agreed with Mercosur and endorsed by the Commission. In order to implement the agreed objectives, the plan will be translated into lists of actions to be taken by each of the four countries. The follow-up and monitoring of its implementation will be the responsibility of a single Mercosur institution, still to be identified. The Commission's delegations will also play an important role in monitoring the plan's execution. The new approach should be 'result-based' and linked to progress towards achieving the targets set in the action plan. In order to increase the flexibility of the system and ensure that EC cooperation better matches changing Mercosur political

priorities, there will be two Regional Indicative Programmes (RIPs): 2007-2010 and 2010-2013.

For the purpose of this RSP, an indicative allocation of €50 million has been earmarked for Mercosur in the period 2007-2013 under the financing instrument for development cooperation (DCI).

From the EUR 50 million earmarked in the 2007-2013 budget for Mercosur, EUR 10 million will be allocated to finance two projects from the 2002-2006 Regional Strategy Paper (education and information society) which could not be finalised in time under the last financial perspective.

The remaining EUR 40 million will be allocated across the three key sectors which have been identified for EC assistance:

- Priority 1: Support for Mercosur institutionalisation (10% of the funds)
- Priority 2: Support for the deepening of Mercosur and implementation of the future EU-Mercosur Association Agreement (70% of the funds)
- Priority 3: Efforts to strengthen civil society participation, knowledge of the regional integration process, mutual understanding and mutual visibility (20% of the funds)

These resources will be supplemented by projects and programmes financed under the Mercosur national Country Strategy Papers and the Latin American regional programmes, as well as from thematic programmes. The cross-cutting issues of social inclusion, good governance and sustainable development will be integrated within the programmes whenever appropriate.

1. ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

The European Union has favoured the strengthening of Mercosur and supported its initiatives since its very inception in 1991. In 1992, less than a year later, the European Commission signed an Interinstitutional Agreement with Mercosur to provide technical and institutional support for its newly created structures.

This strategy proposes to renew our support for Mercosur on the following basis:

- In its **Latin American strategy**, the EU has constantly encouraged a greater degree of economic integration so that full advantage can be taken of the region's potential. Effective regional integration is the key to the development of the area. Further, integration will boost foreign direct investment and give the region a greater capacity to withstand external shocks.
- The **EU-Mercosur relationship** is currently based on the EU-Mercosur Interregional Framework Cooperation Agreement, signed in Madrid on 15 December 1995. The agreement provides for cooperation to support the objectives of Mercosur's integration process.
- At the Rio Summit in 1999, both regions declared their commitment to building a strategic bi-regional association. The two entities are currently **negotiating an Association Agreement** based on three pillars: Political Dialogue, Cooperation and Trade
- Co-operation between the EC and Argentina is currently covered by the Regulation¹ (EC) No 1905/2006 of the European Parliament and of the Council establishing a financing instrument for development cooperation (DCI) and by EC communications on co-operation between the EU and Latin America. The DCI Regulation is designed to support *inter alia* development cooperation, economic, financial, scientific and technical co-operation and all other forms of co-operation with partner countries and regions, and international measures to promote the objectives of the EU's internal policies abroad.

(For more information on EC/EU cooperation objectives and instruments see annex 6.7).

1.1. Analysis of the political situation

1.1.1. Internal situation

Since 2002², the Mercosur leaders have agreed upon the need for a development model in which growth, social justice and people's dignity are linked. They state that "Mercosur is not only a commercial bloc, but is also a catalyst of values, traditions and a shared future", and that "regional integration is a strategic option for strengthening the integration of our countries in the world by increasing their power of negotiation".

¹ Legal basis Art. 179 EC Treaty.

² The year of the first Mercosur Regional Strategy Paper.

Mercosur has been acquiring a stronger political dimension in recent years, a significant development for the bloc.

This new political impetus has relaunched Mercosur integration, as illustrated by significant breakthroughs such as the signing of the Olivos Protocol on 18/2/2002 (creation of arbitration and review tribunals), the creation of a Mercosur political direction body, inspired by the EC's Coreper (*Comisión de Representantes Permanentes, CRPM*) in June 2003, and a series of Mercosur summits³, notably the Brasilia Summit in December 2002 (upgrade of the Administrative Secretariat to a Technical Secretariat), the Iguazú Summit (incorporation of five new associated countries), the Montevideo Summit (adoption of a new schedule for the elimination of Common External Tariff exceptions by 2010), the Ouro Preto Summit of December 2004 (establishment of a Mercosur Fund of Structural Convergence), the Asunción Summit of June 2005 (adoption of a new human rights protocol), the Montevideo Summit of December 2005 (adoption of the Protocol to create a Mercosur Parliament by 31 December 2006) and the Cordoba Summit of July 2006 (adoption of the sixth round of services liberalisation and creation of a high-level group to draft a new Common Customs Code to be adopted by mid-2007).

The above list of incremental steps is impressive. However, the economic integration process is still far from complete and trade disputes are endemic — not to mention the bloc's demographic, geographic, industrial and economic asymmetries. For example, many unilateral trade measures have been adopted by individual members with little prior consultation of the other members, leading to a perceived sense of disillusion within the bloc, despite the affinity among the moderate left-wing parties in power in three of the four Mercosur states.

1.1.2. External situation

Mercosur did not have an international dimension at its inception, but has been acquiring one over time and this internationalisation has accelerated in recent years. Furthermore, Mercosur is extending its geographical scope by associating with other South American countries and preparing for Venezuela's full accession⁴.

Associated Member status is set out in bilateral agreements between Mercosur and the individual states concerned⁵. To become an associated member, a country has to agree a timetable for the creation of a Free Trade Zone with Mercosur. Further, as detailed in

³ Formally, Summits do not adopt Decisions, the Common Market Council being the decision-making body (See Annex 6.4 for details of the Mercosur decision-making process).

⁴ On 7 December 2005 (Decision Mercosur 28/05), the Mercosur countries officially accepted Venezuela's application to join Mercosur. From that date on, Venezuela has enjoyed the status of "active observer" (the right to participate in all formal meetings but without the right to vote).

⁵ Chile became an associate member on 25 June 1996 at the 10th Mercosur Summit in San Luis, Argentina, by signing the *Acuerdo de Complementación Económica Mercosur-Chile*. Bolivia formally joined the bloc at the XI Mercosur Summit on 17 December 1996 in Fortaleza, Brazil, by signing the *Acuerdo de Complementación Económica Mercosur-Bolivia*. In 2003, Peru became an associate member at the 15th Mercosur Summit in Montevideo, Uruguay, (Dec. 39/03) upon signing the *Acuerdo de Complementación Económica Mercosur-Perú*. Venezuela, Ecuador, and Colombia formally joined the bloc as associate members on 17 December 2004 in Ouro Preto, Brazil (Dec. 42/04, 43/04, and 44/04 respectively), signing the *Acuerdo de Complementación Económica Mercosur-Colombia, Ecuador y Venezuela*.

Decision 18/04, to join Mercosur as an associated member, the country should adhere to the Democratic Commitment set out in the “Ushuaia Protocol” (1998) and the “Montevideo Protocol” (2005) and to the “Presidential Declaration concerning Democratic Commitments” (1996). Associated countries participate in the periodical Mercosur meetings as invited members.

On 23 May 2006, the Mercosur countries adopted Venezuela’s Entry Protocol. The twelve-article document establishes the main milestones for the accession process. Through this Protocol, Venezuela adheres to the 1994 Ouro Preto Protocol. After ratification of the Protocol by the four members and its entry into force, Venezuela will become a full member of Mercosur. With this protocol, Venezuela also signed up to the Protocol of Olivios, which establishes a Mercosur dispute settlement mechanism. The mechanism will apply progressively, as Venezuela’s transposition advances. From entry into force, Venezuela will have four years to adopt Mercosur legislation, the Mercosur Customs Code and the Mercosur Common External Tariff. The Protocol sets deadlines for intra-Mercosur trade liberalisation: immediate liberalisation for a list of products, progressive liberalisation by 2013 (Argentina and Brazil vis-à-vis Venezuela: 1 January 2010; Paraguay and Uruguay vis-à-vis Venezuela: 1 January 2013; Venezuela vis-à-vis Argentina, Brazil, Paraguay and Uruguay: 1 January 2012) and liberalisation of sensitive products in 2014.

Mercosur members are making a concerted effort to act as a bloc in international fora. The objective is to make Mercosur and its members a first-level world actor together with China, India and Russia. The construction of a South American bloc united on the international scene was confirmed by the creation of the South American Community of Nations on 8 December 2004.

Coordination in trade negotiations with third countries began some years ago, with CMC Decision 32/2000, committing Mercosur members to common negotiations with third countries. In practice, this has not always been translated into reality. Nowadays, however, Mercosur seems to have found a certain level of consensus and is carrying out common negotiations with a number of countries inside and outside the continent.

In multilateral fora, Mercosur has displayed a varying degree of cohesion, especially in the WTO context. Mercosur countries are now all members of the G20 and showing a certain level of unity on key issues.

The negotiations on the Free Trade Agreement of the Americas were launched in 1998, based on the principles of a "single undertaking" and "nothing to be excluded a priori", and were expected to be concluded on 1 January 2005. Differences of approach between the US and Mercosur appeared from the outset regarding the scope of the agreement, with Mercosur focusing on agriculture market access and the US pushing on other issues such as services, investment and intellectual property rights. Since the Miami Ministerial Meeting of November 2003, negotiations have reached an impasse due to the impossibility to reach a consensus on what would constitute the common set of rights and obligations. Since this impasse, two summits have been held and the parties have agreed to lower the bar for the agreement, but there has been no breakthrough in the negotiations.

1.2. Analysis of the economic situation

Mercosur is the fourth largest economic grouping in the world, with a GDP of US\$1002 billion and a population of 235 million in 2005. Brazil is by far the largest economy with 79% of Mercosur's GDP, followed by Argentina with 18%, Uruguay 2%, and Paraguay 1%.

Following the serious economic and financial crises suffered by Argentina, Uruguay and Paraguay and the financial turmoil experienced by Brazil during 2000-02, the economies of Mercosur have been recovering since mid-2003 (see following table). The recovery has been very impressive in Argentina, with a growth rate of 9.2 percent last year, combined with the restoration of currency and price stability and a gradual return of depositors to the banking system. Similar improvements have taken place in all the Mercosur countries. In Brazil, the prudent economic policies implemented by the Lula da Silva government have managed to rebuild the confidence of the financial markets and prevented negative impacts. The Brazilian real has appreciated from its low in October 2002, yield spreads on Brazilian international bonds have shrunk significantly and the country has regained access to the international capital markets. The three key factors contributing to the recovery of economic activity in the region have been: i) the improvement in competitiveness achieved through the currency depreciations experienced during the crises, ii) the subsequent gain in terms of trade and iii) the increase in the international prices of key export commodities .

The Mercosur countries have also been benefiting from the improved regional and global economic environment.⁶ Although Argentina remains for the moment largely cut off from international capital markets due to its debt default situation, they also have been benefiting from a general improvement in global investor sentiment towards emerging markets, which has led to a significant recovery in portfolio capital inflows.

In 2005, the Mercosur economies grew by 4% (totalling USD\$1002 billion), surpassing the most optimistic forecasts. GDP per capita in the region increased around 8.2%, reaching US\$4269, though with significant national differences: US\$1323 in Paraguay, US\$4800 in Uruguay, US\$4260 in Brazil and US\$4736 in Argentina. Average per capita GDP stands at US\$9568 on a Purchasing Power Parity basis (World Development Indicators, WB).

Annual GDP growth of Mercosur members⁷

	1994-1998	1998-2002	2003	2004	2005	1994-2005
MERCOSUR	2.8%	0.2%	2.4%	5.9%	4.0%	2.2%
<i>Argentina</i>	3.6%	-4.9%	8.8%	9.0%	9.2%	1.8%
<i>Brazil</i>	2.6%	2.1%	0.5%	4.9%	2.3%	2.4%
<i>Paraguay</i>	2.0%	0.1%	2.5%	4.1%	3.0%	1.6%
<i>Uruguay</i>	3.4%	-4.8%	2.2%	11.8%	6.6%	1.2%
Latin America	3.1%	1.1%	2.0%	5.5%	4.3%	2.6%

⁶ In 2004, world economic activity remained on track: global GDP grew by 4.9% (5.3% in 2004), while world trade grew by more than 7%.

⁷ European Commission, autumn forecasts 2006.

It is worth noting that this GDP growth has been achieved together with a significant improvement in the **current account**, which, for the region as a whole, has moved from a deficit to a surplus. Simultaneously, there has been a gradual reactivation of capital flows to the region and the level of **foreign exchange reserves** has risen considerably from the depths reached during the 2001-02 financial turmoil.

In the field of macroeconomic policy, there are two important phenomena to be noted. During the crisis years, relatively prudent **monetary policies** succeeded in limiting the inflationary impact of sharp currency depreciations. As the countries began to recover from the crises, and **inflation** was gradually brought back under control, interest rates fell considerably. More recently, certain central banks have begun tightening monetary policy again, as strong domestic growth coupled with high oil prices has once again put some upward pressure on inflation.

Since 2003, **fiscal consolidation** efforts, coupled with the recovery of economic activity, have significantly improved the fiscal accounts of the Mercosur countries. However, high levels of public debt (more than 50% of GDP in Brazil, almost 90% in Argentina and 70% in Uruguay) continue to hamper investment and leave the economies still vulnerable to external shocks.

All the **stabilisation and reform programmes** implemented by Argentina, Brazil and Uruguay in response to the 2000-02 crises, and those implemented by Paraguay subsequently, have been **supported by IMF financial arrangements**. Brazil's strong economic performance enabled the authorities to allow the Stand-by Arrangement to lapse in March 2005, meaning that, for the first time since 1998, Brazil is not covered by an IMF programme. Brazil, Argentina, and Uruguay have all repaid their outstanding debt to the IMF ahead of schedule, in December 2005, January 2006 and December 2006 respectively. Brazil also fully repaid its debt to the Paris Club in the first half of 2006 and redeemed all its Brady Bonds. Argentina also intends to normalise its financial relations with the Paris Club. Currently, Paraguay is the only country in Mercosur to have an IMF programme. The country signed a 27-month Stand-By Arrangement in May 2006.

However, despite the improvement in the Mercosur economies, they remain vulnerable. In Argentina, insufficient progress with structural reforms (notably in the fiscal, banking and utilities sectors) and the uncertainties over how the authorities will deal with hold-out creditors continue to cast a shadow over the sustainability of the impressive recent economic performance. As for Brazil, despite recent improvements, its debt service profile and balance of payments situation remain fragile. The Uruguayan and Paraguayan economies remain highly dependent on those of their large neighbours and are still suffering from the aftermath of the recent crises (weak fiscal positions and banking systems, fragile economic recoveries). All four countries remain vulnerable to a downward correction in today's high international commodity prices, to a sudden increase in interest rates in the industrialised countries and to a deterioration in the global economic outlook. All four countries need to persevere in the areas of structural reform (in particular, the strengthening of the banking system and, in Argentina, the reform of the public utilities sectors), fiscal consolidation and the reduction of poverty and income inequality to increase the chances that the ongoing economic expansion will be sustained over time.

1.3. Trade Structure

1.3.1. Intra-regional trade

Mercosur's intra-regional trade averaged 15.0% of total trade over the period 2002-2005, a relatively low rate when compared to other regions such as the EU (65.9%) or NAFTA

(45.3%). From 1985 until the end of the 1990s, the share of intra-regional trade showed an upward trend, a development that has been reversed in more recent years due to the economic and financial crises in the region. Since 1999, Brazil's trade structure has been highly oriented towards world markets (trade with other Mercosur members represented a mere 9.4% of Brazil's trade over the period 2002-2005) and this is the main factor behind the relatively modest intra-Mercosur trade levels. On the other hand, Argentina, Uruguay and Paraguay show a stronger trade dependence on their partners in Mercosur, notably 25.8% in the case of Argentina, 37.0% for Uruguay and 55.7% for Paraguay.

As Argentina and Brazil, the two largest economies, represent almost 97.7% (2005) of Mercosur's GDP, their trade patterns merit a closer look. Brazil has seen a consistent decrease in its share of trade (both in exports and imports) with its Mercosur partners over recent years due to the rapid expansion of Brazilian exports to world markets. In absolute terms, Brazil's exports to Argentina have grown significantly (€2.5bn in 2002, €8.0bn in 2005). Argentina, on the other hand, has reduced its exports to other Mercosur countries (both in absolute terms and as a share of total trade) while increasing the share of imports from the rest of Mercosur. As a result, since 2003, and after 8 years of trade surplus, Argentina has recorded a steadily rising negative trade balance with Brazil, standing at €3.75bn in 2005. This deficit is largely explained by record high imports of industrial goods, and a reduction in Argentinean exports of energy, primary goods, cars and processed agricultural products. The increase in Argentinean imports has been driven in part by higher economic growth compared to Brazil and by exchange rate developments. Investment framework conditions and Argentina's energy policy may also have played a role. The Argentinean government has reacted to these developments by moving to 'managed trade' on sensitive products, a policy choice at the origin of many of the current trade disputes.

1.3.2. External trade

Mercosur's participation in world trade represented just 1.05% of total world trade during the 2002-2005 period. The EU is Mercosur's main trading partner, accounting for 24.6% of total trade in 2005, followed by the US, which represents 20.0%. The rest of Latin America accounts for around 13.4% of Mercosur's trade. Trade flows have experienced a healthy growth in the last two years, a trend that is continuing in 2006.

Since 2000, trade between the EU and Mercosur has been showing a gradual and consistent shift from a positive balance of €3.9bn in favour of the EU in 2000 to a trade surplus for Mercosur, standing at around €5.9bn in 2005.

Mercosur, led mainly by Brazil, is trying to diversify trade flows to boost regional and "South-South" trade. This strategy led for instance to the conclusion last year of the Mercosur-Andean Community FTA. However, NAFTA and the EU still account for the lion's share of Mercosur's trade structure, and it is difficult to envisage a dramatic change to this pattern in the near future.

1.4. Social developments in Mercosur

According to the UN's Human Development Index ranking for 2003, Argentina and Uruguay are amongst the highest ranked for Latin American countries, at number 34 and 46, respectively, while Brazil and Paraguay are at number 63 and 88.

1.4.1. Social development

According to the indicators for the Millennium Development Goals (MDG), progress has been made in many areas by almost all the Mercosur members. The mortality rate of children under five years old from 1990 to 2003 fell from 20/1000 to 17/1000 in

Uruguay, from 25/1000 to 18/1000 in Argentina, from 50/1000 to 34/1000 in Brazil and from 30/1000 to 24/1000 in Paraguay, showing a steady improvement in health indicators. These and other data highlight the differences among the four countries: for example, the population without access to an improved water supply varies widely, ranking from 2% in Uruguay to 17% in Paraguay in 2005 (compared, however, with 38% in 1990).

Literacy rates are generally high, above 90% for all countries except Brazil, where the rate is 89%. Again according to the MDG indicators, the net rate of enrolment in primary schools in Brazil rose from 86% in 1990-91 to 93% in 2004.

1.4.2. Demographic pressure

Population growth is around 1.1% on average, with wide differences between individual countries. Paraguay has a yearly growth rate of 2.5%, while Uruguay's population growth is only 0.6%. The urban share of the population is generally high, above 80% for Argentina, Brazil and Uruguay, while Paraguay has an urban population of 55.3%.

1.4.3. Socio-economic development and poverty

Although the programmes aimed at reducing poverty and indigence continued during the three years of crisis, according to ECLAC (Economic Commission for Latin America and the Caribbean), the 1999-2002 crisis caused a dramatic fall in employment rates and an increase in poverty and social exclusion. However, the economic growth rates recorded during 2003-2006 in Brazil, Argentina, and Uruguay may be expected to yield improvements in income and a potential reduction in the poverty level in the near future.

In Argentina and Uruguay, the poverty situation and development are largely linked to the recent labour market changes. Specifically in Argentina, the poverty rate during the economic crisis rose from 32.8% in 2000 to more than 50% in 2002. As a result, a decrease in poverty will necessarily depend on the dynamism in economic activity, the improvement of regular employment and labour relations.

In Brazil and Paraguay, poverty and, above all, extreme poverty often have other causes that are not connected with the economic situation of the labour market, but are more structural and historical in character. This is also reflected in the great wealth concentration in these societies. In Paraguay, the richest 20% of the people have nearly 60% of the total income, while the poorest 20% of the population have access to only 3% of national income. In Brazil in 2002, the poorest 20% received 4.2% of the national income, while the richest 20% accounted for 56.8% of the national income. In Brazil, moreover, significant regional differences may be noted: the latter figure was 53.9% in the South East and 62.6% in the North East.

For more details on each country's social situation, please refer to the respective Country Strategy Papers.

1.5. Environmental issues in Mercosur

1.5.1. Overview of the sub-regional environment

The variety of flora and fauna in the Mercosur area (58% of Latin America) comes in a variety of ecosystems: tropical and sub-tropical woods, temperate meadows, and cold sub-arctic climates. Brazil ranks first — amongst the four countries — in the degree of biodiversity as well as in the number of threatened species, due to large-scale or extensive farming, monocultures and the extensive deforestation of tropical forests.

In Uruguay, intensive agriculture has caused the loss of some ecosystems and endangered others (woods). The recent policy of massive reforestation with exotic wood species (conifer and eucalyptus) has been criticised because of its negative environmental impact.

Paraguay is divided into two regions: the Western (Chaco) region and the Eastern region. Paraguay currently faces problems of changes in land use, excessive deforestation, reduction in biodiversity, soil and water contamination, and weak environmental institutions.

Argentina faces similar problems, which include water management in shared water basins and the management of their associated ecosystems. At local level, Argentina faces problems with the loss of biodiversity and pollution associated with human settlements. These are closely related to the expansion of both the agricultural frontier and the urban frontier

1.5.2. Water resources and the “Guaraní Aquifer” agreement

The Amazon hydrographic basin on the one hand and the Rio de la Plata basin on the other (Paraná and Uruguay rivers) are unique sources of water for human consumption and for hydroelectric energy and navigation, presenting both economic opportunities and threats to these very sensitive marshland eco-systems.

Unfortunately, very few measures have been taken in the Mercosur area to avoid water pollution caused by domestic and industrial waste products. The drainage and recycling of waste waters is still in its infancy. For instance, pollution in the Uruguay River, shared by Argentina and Uruguay, is caused by a thermoelectric power station and by deforestation on the Brazilian side. Until now, it has been impossible for the three countries to find joint solutions.

The recent initiative taken by the four Mercosur countries with the “Foz de Iguazú charter” is therefore a very encouraging signal. This initiative concerns one of the world’s most important water reserves shared by the four countries: the Guaraní Aquifer. The Charter, or declaration of principles in connection with water, is particularly interesting and innovative. The countries have declared the Guaraní Aquifer to be “an environment and social good of the peoples of the countries where it lies”.

For more information on the environmental profiles of each Mercosur member state, please refer to the strategy papers for these countries.

1.5.3. Environment on the Mercosur agenda

Environmental themes have been present on the Mercosur agenda since its foundation, as the Asunción Treaty mentions environmental protection in its preamble.⁸ Very early in the history of Mercosur, the members began to coordinate their positions for the big environmental conferences (e.g. with the Canela declaration of 1992, they coordinated their positions for the Rio conference).

In 1995, a specific working group on the environment (SGT6) was created. Its general objective was to make proposals to guarantee the environmental integrity of the environment in the Mercosur member countries, in the context of the customs union. Its specific objectives are: i) to promote integration in the field of the environment, trade and

⁸ All Mercosur countries have ratified the UN Framework Convention on Climate Change and the Kyoto Protocol.

economic relations; ii) to avoid trade restrictions and distortions; iii) to carry out studies and propose actions and practices to prevent pollution and promote conservation; and iv) to promote measures that are environmentally and economically effective. A number of ad-hoc groups have been set up under SGT6, including a group on biodiversity and one, started recently, on environmental goods and services.

In March 2001, in Florianopolis, Mercosur adopted the Framework Agreement on the Environment (ratified in 2004), in which it reaffirms its commitment to the principles of the Rio Declaration of 1992 and also commits to cooperating on environmental protection and on actions to ensure the sustainable use of natural resources.

In June 2004, the Specialised Meeting of Environment Ministers was established, with the aim of implementing the Florianopolis Agreement and giving political direction to the Mercosur environmental agenda. To date, it has met three times.

In 2004, the Common Market Council adopted Decision 14/04 regarding “the Additional Protocol of the Mercosur Framework Agreement on the Environment in the field of cooperation and assistance in the event of environmental emergencies”. The additional protocol aims to ensure that “... Member States, through their focal points, offer cooperation and assistance to combat emergencies which could have real or potential consequences on the environment or on the population of their own country or another member state”.

In spite of this structure and the political commitment, further effort is required to move environmental issues further up Mercosur’s agenda. In addition, although some environmental issues are best addressed nationally, there are others where a regional approach is necessary.

2. OUTLINE OF MERCOSUR’S POLICY AGENDA

2.1. From the Asunción objectives to the 2004-2006 Work Programme

The Asunción Treaty established a customs union and a common market in the Southern Cone (i.e. the southern part of Latin America), with free circulation of goods, services and factors of production, as well as the coordination of macroeconomic and sectoral policies (for details on Mercosur’s institutional structure and decision-making process, see Annex 6.4). Since then, trade among the members has been liberalised, with the exception of the sugar and automotive sectors, and a Common External Tariff is in force, although with some exceptions due to be phased out over time⁹.

Mercosur’s agenda is not limited to achieving a common market. At the Montevideo summit of December 2003, Mercosur adopted an ambitious work programme for the period 2004-2006. Its main objective was to draft a roadmap towards the completion of the customs union and the common market, but it also included a number of other areas, ranging from macro-economic coordination to home affairs, environment, education, infrastructure, etc. (See Annex 6.5, Mercosur 2004-2006 work programme).

2.2. Current situation

Since 2002¹⁰, Mercosur has progressed towards the completion of its customs union and has put in place some elements of a common market, while reinforcing its institutional framework.

⁹ See Decisions 31 to 34/03.

¹⁰ The year of the first Mercosur Regional Strategy Paper.

2.2.1. Political and institutional developments since 2002

A number of milestones towards Mercosur institutionalisation are worth underlining:

- The upgrade of the Administrative Secretariat to a Technical Secretariat. Born as an administrative secretariat, with a mainly clerical function, it has become a technical advisory body to the Mercosur institutions, staffed by 4 independent experts (2 lawyers and 2 economists). Albeit with extremely limited resources and political margin of manoeuvre, the Technical Secretariat i) acts as legal and economic adviser to the decision-making body and ii) monitors the integration process by issuing biannual reports (CMC N°30/02).
- The creation of a Mercosur political direction body (*Comisión de Representantes Permanentes, CRPM*), inspired by the EC's COREPER, in June 2003 (Decision 11/03). The functions of the CRPM are to i) strengthen economic, social and parliamentary relations in Mercosur, establish links with the Joint Parliamentary Commission and the Economic and Social Advisory Forum, as well as with the Specialised Meetings of Mercosur, and ii) when mandated by the Council, represent Mercosur, through the CRPM's President, in its relations with third countries, groups of countries and international organisations.
- The interinstitutional agreement of October 2003 between the Joint Parliamentary Commission (CPC) and the Common Market Council, providing for the consultation of the CPC on Mercosur rules to be incorporated in legislation by the national parliaments. This should speed up the process of transposing Mercosur rules. However, the agreement is not yet in force as the regulations of the national parliaments have to be adapted accordingly.
- The approval in 2004 of the Rules of Procedure for the Ad-hoc Arbitration Tribunals (i.e. the first instance of the Mercosur dispute settlement procedure established by the 2002 Olivos Protocol) was an essential step for the Olivos tribunal system to start functioning. However, the Ad-hoc Arbitration Tribunal is still not in operation due to a lack of funding.
- The creation in August 2005 of the Permanent Review Tribunal (TPR, the second instance body, the main achievement of the Olivos protocol), although its budget is still to be adopted.
- The establishment of a Mercosur Fund of Structural Convergence in December 2004 to tackle infrastructure needs and "asymmetries". The fund will amount to US\$100 million per year. Brazil is expected to contribute 70%, Argentina 27%, Uruguay 2%, and Paraguay 1%. In terms of distribution, Paraguay would receive 48% of the funds, Uruguay 32%, and Argentina and Brazil 10%. The Fund should be operational at the beginning of 2006.
- A reinforcement of the "Democratic Clause" in the form of a new Human Rights Protocol was adopted at the December 2005 Montevideo Summit. This new protocol opens the possibility of suspending a member state where there is evidence of "systematic and massive" acts of violence.
- The creation of a Mercosur Parliament: the Protocol for setting up and regulating the Mercosur Parliament was also adopted at the December 2005 Montevideo Summit. The Protocol provides for it to be in place by December 2006.

2.2.2. *A major pending issue: the transposition of rules*

Although the rules adopted by Mercosur's decision-making bodies oblige member countries, they do not directly impose rights and obligations on physical and legal persons residing in the Mercosur area. This is because the vast majority of legal acts issued by Mercosur bodies, with the exception of those regulating Mercosur organisations or operations, have to be transposed, or incorporated in each country's national legislation, following the appropriate procedure.

This constitutes a major hindrance to the integration process. Currently, only about 48% of the rules adopted by the bloc's legislative bodies¹¹ are in force. Some sectors face a particularly low level of transposition, such as justice (only 20% incorporated) and the health sector (only 54% incorporated). These percentages clearly illustrate the depth of the problem. Furthermore, it should also be noted that some of the core features of the internal market (customs code, services liberalisation, investment protection, public procurement opening) are laid down in Protocols complementing the Ouro Preto Protocol, but, as yet, only the one on services liberalisation has been fully ratified by the four members.

2.2.3. *Mercosur's custom union and common market*

Progress on the core issues concerning Mercosur's custom union and common market has been limited:

- Decisions adopted in December 2003 established a new schedule for the elimination of Common External Tariff exceptions by 2010 at the latest and regulated the special import regimes (for example, on capital and information technology goods).
- The July 2006 Cordoba Summit set up a high-level group to draft a new Common Customs Code for adoption by mid-2007.
- Progress was also made with Decision 54/04 on the free circulation of goods and the elimination of the double collection of the Common External Tariff on imported goods. However, the decision only applies to goods entering duty-free, and its extension to goods actually subject to duty has been postponed to 2008 and subject to a series of conditions.
- As for the common market in services, six rounds of negotiations have taken place. The Montevideo Protocol, the legal basis for services liberalisation, was ratified by the four Mercosur states only in 2005. The Protocol provides for full liberalisation ten years after its entry into force.
- Adoption in December 2004 of the public procurement implementing regulation. Even here, however, the protocol is pending ratification by the four parliaments.

Despite this progress, there still remain significant issues to be resolved:

- Non-tariff barriers are still hindering intra-Mercosur trade and creating friction among members.
- The customs union is incomplete: there is no common external trade policy and no completely free circulation of imported products.

¹¹ 331 CMC Decisions, 1023 CMG Resolutions, and 140 TC Directives (totalling 1494 rules) were approved, of which approximately 150 have been rescinded.

- The free circulation of factors of production and services is not yet implemented, and the legislation intended to put this in place is still blocked in the national parliaments. The completion of the customs union and the common market should therefore still be considered as the main objective on Mercosur's agenda.

2.2.4. Mercosur's new integration agenda

The 2004-2006 Work Programme also calls for the development of a “new integration agenda”: mutual recognition of diplomas, promotion of industrial integration via strategic alliances, mutual technical assistance and strengthening of industrial policies, and promotion of physical integration projects. This cooperation is carried out by ad-hoc sectoral working groups at various levels, resulting in a strengthening of the integration process mostly via mutual understanding, the sharing of knowledge and the development of a network of officials. For more details on Mercosur policy developments in other areas (justice and home affairs, environment, infrastructure, education, social and labour policy, research and development, science and technology and audiovisual), see Annex 6.6.

2.2.5. Conclusions

Over the last few years, several new institutional developments have taken place in Mercosur. This evolutionary nature of Mercosur is a sign of life and willingness to adapt to the challenges of the 21st century. However, the current institutional set-up does not seem to have found its final balance. The democracy and transparency gap is significant, and will only be partly addressed by the Mercosur Parliament. Mercosur has been successful in increasing the economic integration of the region to a certain extent, though not comparable to the success of the EU and NAFTA. As pointed out earlier, there still is a long way to go to attain the goals set by the Asunción Treaty, towards the creation of a full-fledged Mercosur Common Market.

However, during its 16 years of existence, Mercosur has proved to be successful in promoting peace and democracy in the region. It has generated among its members and with its associated countries a high-level political dialogue and cooperation in a large number of domains, from justice and the fight against terrorism to the environment. It has also proved resilient to the economic and financial turmoil between 1999 and 2002 and to political and economic divergences among its members.

3. OVERVIEW OF PAST AND ONGOING EC COOPERATION

3.1. The 2002-2006 Regional Strategy paper

The main aim of EC-Mercosur cooperation is to reinforce the process of institutional and market integration within the region.

Present cooperation is based on the Memorandum of Understanding signed by both blocs on July 2001 for the period 2002-2006 and the Regional Strategy Paper approved in 2002 with its Regional Indicative Programme. Both reflect the key objective of our cooperation: the strengthening of the Mercosur integration process. (For details on EC/EU cooperation objectives and founding documents, see Annex 6.7).

The 2002-2006 Regional Strategy Paper expressly links cooperation to support for the negotiation process and points out that the creation of the Mercosur Common Market has to be considered a prerequisite for the conclusion of the negotiations and the sustainability of the association between the two regions.

The 2002-2006 Regional Strategy Paper and its Regional Indicative Programme established three priority cooperation areas with Mercosur, with a total budget of €48 million:

- Support for internal market integration and the acceleration of interregional trade flows (€21 million)
- Support for Mercosur institutionalisation (€12.5 million)
- Support for civil society in Mercosur (€14.5 million)

Table 1 in Annex 6.8 “Overview of 2002-2006 cooperation” shows the specific measures to be carried out in each priority sector, the amount assigned and the situation as regards project cycle management.

Cooperation with Mercosur started in 1992 and many actions have already been concluded. Since the inception of Mercosur fourteen years ago, the EC has actively backed up its political support for the regional integration process with a substantial programme of technical cooperation concentrating on three key areas: i) institutional issues, ii) trade-related issues, and iii) economic integration and intraregional cooperation. Total commitments for the period 1992-2002 for the MERCOSUR sub-region were €49.3 million. The funds were allocated primarily to support activities related to trade (44%) and to economic integration and intra-regional co-operation (39%), and to a lesser extent to institutional issues (17%).

Examples of both finalised and ongoing projects and concrete achievements of EC-Mercosur cooperation include:

- Support for the Mercosur Secretariat: this permitted the smooth transition of this Secretariat from an administrative unit to a technical office. Computers, teleconference facilities, office equipment and training were the main components of this project.
- Support for the Arbitration and Dispute Resolution System of Mercosur: this project aimed at improving the functioning of the Mercosur system for dispute resolution.
- Support for the Mercosur Joint Parliamentary Committee (CPC): the CPC received technical assistance (the main achievement being the drafting of the interinstitutional agreement providing for the CPC to give advice on draft Mercosur legislation). The project helped improve the CPC’s effectiveness and enhance its role in forming a Mercosur Parliament. The follow-up project “Support for the installation of the Mercosur Parliament”, which is at the start-up stage, aims to help with the identification and implementation of the political and logistical actions necessary for the installation and functioning of the Parliament.
- Statistics: this project aimed at assisting the Mercosur countries to develop harmonised, timely, comparable and reliable economic and social indicators to support regional integration. Also, currently in the start-up stage, a project on the harmonisation of macroeconomic indicators.
- Standards: the main standardisation bodies of Mercosur have received the necessary equipment and technical assistance in order to launch discussions on mutual recognition agreements within the region.
- Customs harmonisation: particularly relevant for the commercial and economic development of the region and its relations with the European Union, this project aimed at consolidating Mercosur customs integration (modernisation and

harmonisation of customs procedures, anti-fraud measures and customs clearance facilitation). It also provided for the training of personnel and administrative cooperation. The second phase of the project is ongoing.

- Veterinary and phytosanitary standards, first phase: this is a key project in our cooperation with Mercosur given the great importance it has for trade in agricultural goods. This project provided assistance in implementing stringent SPS requirements, including traceability. A second phase is in the start-up stage.
- Support for the social dimension of Mercosur via the strengthening of the Mercosur Economic and Social Forum.
- Biotechnology: currently in the start-up stage, this project aims to promote the development and exploitation of biotechnologies in Mercosur in order to increase the competitiveness of its products in international markets.

3.2. Independent evaluation

An independent evaluation of EC-Mercosur cooperation over the period 1992-2002, carried out in 2004, gave some pointers for future cooperation priorities and their implementation. The main conclusions of the evaluation were:

On the positive side: i) EC assistance strengthened and facilitated trade within Mercosur and with the EU, ii) EC assistance for economic integration indirectly favoured Mercosur companies in providing new business opportunities, growth and market expansion, iii) projects that took into account Mercosur asymmetries (population and GDP differences) achieved better results.

The report also highlighted two major grey areas: i) the excessive ambition of some of the objectives, limited resources, and rigidities in the EC administrative structure and procedures have hampered achievement of the goals expected of certain projects, ii) most projects were also held back by administrative delays and disagreements between Mercosur Members; consequently, many elements of the projects were already obsolete by the time of their implementation.

Among the report's main recommendations, the following are worth highlighting: i) to assist Mercosur in developing a medium/long-term strategic plan, aimed at supporting its integration; ii) to support the creation and diffusion of a "Mercosur culture" through activities aimed at reducing the gap between Mercosur political authorities and civil society; iii) to promote greater responsibilities for Mercosur in determining projects and planning, with the provision of technical assistance to Mercosur structures in order to improve the identification, scheduling, and planning of projects; iv) to promote the creation in Mercosur of a centralised structure legally responsible for Mercosur technical cooperation in order to deal effectively with all the problems linked to assistance.

3.3. The EC's own evaluation

The EC has also drawn several key conclusions from its own perspective:

- Mercosur cooperation has suffered from a low level of ownership and from a lack of political involvement. We need to improve our dialogue with partners and key stakeholders in the identification and formulation phases.
- Regarding the execution phase, projects with Mercosur are likely to require a long phase of internal debate to identify the beneficiary and the implementing body. The beneficiary selection process, along with all the start-up procedures, needs to be improved. Moreover, the implementing body is in general not a Mercosur institution

but rather an agency of one of the four member states. This tends to dilute the Mercosur dimension of the projects.

- Budgetary constraints in the Mercosur member states make it difficult for them to provide counterpart funds. This is a considerable obstacle to project implementation.

3.4. Horizontal programmes

The Mercosur region benefits from the horizontal programmes launched in 1995 for all Latin America (except @LIS, which started in December 2001). The programmes are: @LIS, ALBAN, AL-INVEST, URB-AL ALURE and ALFA. These programmes do not have a special focus on the Mercosur region, but Mercosur member countries are among the most active beneficiaries. This contribution to the creation and strengthening of networks, the organisation of common events and the exchange of practical information among Mercosur member countries and Europe has resulted in closer relations between the two regions.

Nevertheless, future EC-Mercosur cooperation needs to improve the complementarity between these horizontal programmes and the activities aimed at deepening regional integration. Interesting complementarities can already be observed, particularly between the @LIS programme and the new cooperation areas of biotechnology and information and communication technologies, between the ALBAN and ALFA programmes and cooperation in the field of education, and between the AL-INVEST programme and the efforts towards production and development integration among regional chains.

The new Eurosocial programme, aimed at promoting the exchange of experience, technical knowledge and good practices in the social field between Europe and Latin America, could also help Mercosur to consolidate the social dimension of the integration process.

3.5. Thematic budget lines

European cooperation with developing countries includes cooperation under thematic budget lines, such as food aid, support for democracy and human rights, co-financing of NGO projects, the environment, tropical woods, and refugees. Due to the nature of the thematic budget lines, Mercosur participation is limited to two projects: One ongoing co-financed project with a distinct Mercosur dimension is "*Mercosur social y solidario*" with a budget of over €4m. It aims at the integration of civil society in Mercosur through support for a regional network of NGOs. The second ongoing project under the EIHRD line is called "Participación Democrática de los Jóvenes en el Mercosur" and has recently started its activities.

3.6. European Investment Bank

Another key area in which the EC plays a significant, though indirect role is the lending activities of the European Investment Bank (EIB) in Mercosur countries. The EIB is active in Mercosur, having made loans totalling almost EUR 1 billion in the past five years, with EUR 94 million so far in 2005. In early 2006, the EC will bring forward proposals for the new EIB external lending mandates from 2007, including operations in the Mercosur countries.

3.7. Information on programmes of EU Member States and other donors

The coherence and complementarity between EC regional cooperation with Mercosur and the cooperation of other donors is quite limited and sporadic. No other donor has a strategy aimed at fostering and deepening regional integration. In general, official development aid and loans have bilateral characteristics and objectives.

With €48 million, the European Community is by far the largest donor to Mercosur. The Technical Cooperation Committee of Mercosur (*Comité de Cooperación Técnica*, CCT) has the task of coordinating Mercosur's international cooperation. In recent years, it has developed a considerable number of activities with different international organisations other than the EC, among which the most relevant, in terms of objectives and the amounts granted, are the Inter-American Development Bank (IDB) and Germany's technical cooperation body, the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ).

3.7.1. The Inter-American Development Bank

The Inter-American Development Bank's cooperation with Mercosur (total budget of US\$4.05 million.) consists of support for Mercosur institutions, support for statistical institutes in the four countries and the improvement of the legal framework for regional trade.

3.7.2. German cooperation

German technical cooperation involves support for a regional project in the areas of the environment and industry, called "Competitiveness and Environment". It seeks to strengthen coherence between industrial and environmental policies and programmes within the integration process. The general objective is to promote the cooperation of the relevant public and private institutions in the design and implementation of a strategy to increase competitiveness and improve environmental performance, particularly in SMEs, in order to contribute to sustainable development in Mercosur (detailed information on the activities of other donors is provided in Annex 6.9).

3.8. Analysis of the policy mix

3.8.1. Centrepiece of our policy towards Mercosur: the negotiation of an Association Agreement

Apart from the cooperation actions outlined in the previous chapter, EC policy vis-à-vis Mercosur since April 2000 has revolved principally around the negotiation of a three pillar Association Agreement. The EU is aiming for a very deep and comprehensive agreement going well beyond a simple free trade area in goods and services. The future Association Agreement will consist of three main areas:

- A political chapter aimed at enhancing political dialogue through new institutional mechanisms. A substantial cooperation chapter, to assist in i) strengthening institutional capacity to support democracy; ii) promoting sustainable development (social and economic development while protecting the environment) as well as cooperation in the area of freedom, security and justice, and iii) creating new trade and investment opportunities while promoting competitiveness and innovation.
- A trade chapter, which includes not only an FTA (Free Trade Agreement) in goods and services but also covers, among other things, market access and rules on government procurement, investment, intellectual property rights, competition policies, sanitary and phyto-sanitary issues, technical barriers to trade, protection of geographical indications, business facilitation, trade defence instruments, a dispute settlement mechanism, etc. It is to be noted that the Commission has launched a Trade Sustainability Impact Assessment (Trade SIA), to be finalised in 2007, with the aim of assessing how the Association Agreement could affect social, environmental and development issues in the EU and in Mercosur.

On the whole, good progress has been made so far in the negotiation of the political and cooperation chapters of the Agreement. One could consider that the two chapters are practically concluded.

Trade negotiations reached a high point in September 2004 when the two sides exchanged revised offers in all areas of the future agreement. However, offers on both sides did not meet the high level of ambition desired for the EU-Mercosur association. Since then, contacts have continued at all levels and meetings have been held on a regular basis, the most important being the ministerial meeting in Brussels during September 2005.

3.8.2. Other policy objectives

Apart from the conclusion of an Association Agreement between the two regions, the 1995 Interregional Framework Cooperation Agreement also provided for political dialogue and cooperation in other fields. However, due to the delays in the negotiations and especially the drain these have had on resources, the efforts in other policy areas have been hampered. Nonetheless, the EC has undertaken several actions aimed at strengthening the regional integration process from various angles, both for strategic reasons and to contribute to the success of the future Association Agreement:

- Following the rapid progress of the negotiations on the political and cooperation chapters of the Agreement, the Commission has refocused its attention on the political dimension of the relationship and has resumed the political dialogue with Mercosur on a series of themes.
- Macroeconomic policy: the Commission supports macroeconomic stability in the region by participating in the REDIMA II project, coordinated by the Economic Commission for Latin America and the Caribbean of the United Nations (UN). The project aims at increasing dialogue among policy makers dealing with macroeconomic convergence schemes in Latin America, including Mercosur.
- Environment: the EC's environmental policy priorities for Mercosur are to promote the implementation of key multilateral environmental agreements, notably the UN Convention on Climate Change and its related Kyoto Protocol, by assisting the Mercosur countries with their mitigation and adaptation efforts in combating the loss of biodiversity and tackling deforestation. Under the planned EU-Mercosur Association Agreement, a particular priority will be to promote the mutual supportiveness of trade and environment in the region, notably by minimising the negative and maximising the positive environmental impacts of trade flows. This requires, amongst other things, further sustainability impact assessments and appropriate follow-up in order to promote more sustainable production and consumption patterns, for instance by boosting trade in environmental technologies and environmentally friendly goods and by identifying needs related to technical assistance and capacity building.
- Information society: the development of the information society is an important horizontal objective for the EC, one that will have a positive impact on essential development issues. In particular, Information and Communication Technologies (ICT) can play a major role in fostering social cohesion by improving public administration, education, and health services, strengthening democratic governance and consolidating democratic institutions. The cooperation with Mercosur in this field is expected to be pursued in particular as part of the activities under the @LIS

programme and under the Information Society Technologies priority of the Seventh Framework Programme for Research.

- Scientific cooperation: European scientific cooperation with Mercosur countries is articulated through their participation in competitive research proposals submitted in response to open calls for proposals in successive research framework programmes (FP5 – 1998-2002; FP6 – 2002-2006). All countries have successfully participated, with Brazil and Argentina having the lion's share of more than 100 project participations involving teams of the region. Most of such 'north-south' cooperations enable a strong component of 'south-south' cooperation. Moreover, efforts are underway to strengthen intra-regional S&T networking among liaison offices with the new 7th Research Framework Programme (2007-2013), including also associated countries to Mercosur, such as Chile. The four single most important themes in all types of scientific cooperation were: environment, ITC, food and biotechnology and health.

3.8.3. The shortcomings of the current policy mix: the visibility issue

The very successful activities we have developed with Mercosur to support regional institution building or the deepening of regional economic integration have not been publicised outside Uruguay and remain mostly unknown, at least to the general public. Our relationship lately has very much been focused on the negotiation of an Association Agreement going well beyond a simple free trade agreement. However, despite constant efforts, the local press have focused their coverage mostly on the trade aspects of the agreement. The success in negotiating the political and cooperation chapters of the future agreement has not been covered by the media. As a result, public opinion in Mercosur views the EU only as a trade entity. More significantly, the perceived benefits of the negotiations and hence our mutual relationship appear limited to additional agricultural exports. The perception of the EU as a supporter of Mercosur regional integration seems to have been lost since the beginning of the negotiations, and the EU is not viewed as a major political actor on the global scene.

4. THE EUROPEAN COMMISSION'S RESPONSE STRATEGY 2007-2013

Cooperation activities between the European Union and Mercosur are enshrined in the Interregional Framework Cooperation Agreement signed on 15 December 1995 in Madrid, which entered into force in July 1999. European cooperation is aimed at supporting the objectives of Mercosur's integration process. Following this commitment, the EU is by far Mercosur's main donor (over 97% of total aid for the 2002-2006 period). As recognised by the November 2000 Council and Commission Statement on EC development policy, assistance towards regional integration is an area where the EC can offer a unique perspective to partners such as Mercosur. Our core objective is therefore to continue assisting Mercosur in its progress towards a higher degree of political and economic integration. This type of cooperation at regional level is coherent with the EC's bilateral cooperation with individual Mercosur members, which will primarily concern national issues related to social cohesion, education, research and development, and economic competitiveness. Political dialogue is the key to enhancing coordination and complementarity in the overall process.

4.1. Justification of the choice of focal sectors

From the analysis in sections 2.2 and 3.8, one can infer that Mercosur faces three major sets of challenges.

A first set of challenges relates to Mercosur's institutional structure and the need to improve its decision-making process and its capacity for implementing and enforcing common legislation.

A second set relates to trade and economic aspects: the finalisation of its common external tariff, the common and single market, the adoption of common trade defence and competition mechanisms, the abolition of the existing trade promotion systems, the abolition of double tariff collection on imports, progress in the area of technical norms and standards, industrial policy, physical infrastructure, etc.

A third set of challenges relates to the awareness and involvement of Mercosur's civil societies in the regional integration project.

Many of the above-mentioned areas have been identified by Mercosur governments and have been partially addressed in the 2004-2006 Work Programme, while others could be constructively addressed by the European Community's assistance programme.

Implementing the planned future Association Agreement — the first ever between two regions — will be another major challenge. The future agreement will provide the strategic framework for cooperation between the two regions. Hence the need to fully integrate it in our response strategy. Facilitating the negotiation, ratification and smooth implementation of the Association Agreement will be the centrepiece of our policy and will be reflected in the three priority sectors.

European cooperation for the period 2007-2013 aims to address the above challenges through a three-pronged approach:

- i) Priority sector 1: Support for Mercosur institutionalisation,
- ii) Priority sector 2: Support for the deepening of Mercosur and implementation of the future EU-Mercosur Association Agreement
- iii) Priority sector 3: Efforts to strengthen civil society participation, knowledge of the regional integration process, mutual understanding and mutual visibility.

4.2. Priority 1: Support for Mercosur institutionalisation

One of the key challenges identified by the analysis of the Mercosur integration process is the delay in the incorporation of Mercosur rules into national legislations: only 48% of the bloc's rules are in force (see section 2.2 above). The implementation and enforcement of the rules is another issue.

These problems may partly be addressed by reinforcing Mercosur's institutional structure. The objective of European cooperation would be to improve the efficiency and effectiveness of Mercosur institutions, allowing them to fully contribute to the decision-making process. Furthermore, the unique EU experience in the different fields of integration would give a special added value to the process.

European cooperation should invest in selected forms of institutional support, according to Mercosur's plans for institutional development. Support should be given to concrete projects for institutional development and not simply provide operating funds.

4.3. Priority 2: Support for the deepening of Mercosur and the implementation of the future EU-Mercosur Association Agreement

4.3.1. Support for the deepening of Mercosur

This priority will consist in assisting with the deepening of Mercosur in all aspects, especially in the trade and economic fields and with regard to the completion of a

customs union. These are areas where the level of Mercosur integration is patchy, and it may be argued that its economic and trade integration has not reached the necessary critical mass to ensure durability (for example, its common market is incomplete and mostly based on free trade in goods, which benefits only certain countries — see 2.2.3 above). The advantages resulting from a regional market, in the shape of production specialisation and complementarity, still have to be achieved; the advantages and benefits of a fully integrated market are still to be reaped. From the EC's own experience, one can assume that the reforms and adjustments necessary for integration will not be easy, but the rewards make the effort worthwhile. Future EC cooperation should act as a tool in contributing to Mercosur integration plans, especially in the trade and economic fields.

4.3.2. Implementation of the future EU-Mercosur Association Agreement

Among the expected results of the Association Agreement is a push towards further Mercosur integration. The future agreement — the first ever between two regions — states that European cooperation will aim to contribute to the objectives of the agreement and that one of the main purposes of bi-regional cooperation will be to facilitate the implementation of the agreement. The good functioning of the agreement will be at the core of this priority and at the centre of any programme or action selected for this priority. Implementing the future agreement, especially its trade chapter, will present a major challenge and particular attention should be given to the promotion of customs and trade facilitation and the acceptance of international standards such as the WCO Framework of Standards to Secure and Facilitate Global Trade

In order to ensure full coherence with the Country Strategy Papers (CSPs) for Argentina, Brazil, Uruguay and Paraguay, all trade aspects and trade-related assistance (i.e. all trade-related assistance for the implementation of the future trade chapter of the EU-Mercosur Association Agreement and the deepening of the trade aspects of Mercosur as well as support for trade facilitation and other needs for trade related assistance that may emerge) will be dealt with primarily at regional level through priority 2, as outlined above. In so doing, special attention will be paid to the specific features of each individual country. This approach will be defined in cooperation with the Mercosur institutions and member states in order to ensure that both Mercosur integration requirements and specific national requirements are taken into account in future action plans.

4.4. Priority 3: Efforts to strengthen and enhance civil society participation, knowledge of the regional integration process, mutual understanding and mutual visibility.

Awareness of the Mercosur project within Mercosur civil society and citizens is low but rising. Furthermore, the perception of the EU within Mercosur society is that the EU is mostly a trade partner, lavishing high subsidies on its agricultural products, while awareness of the EU as a political entity and knowledge of its integration history and programmes are very low. Regional integration in Mercosur could benefit from an increased understanding of the EU regional integration process. Creating increased awareness amongst future opinion makers and shapers through EU assistance could potentially create aspirations to emulate and imitate the EU successes.

This priority will aim at furthering regional integration beyond institutional and trade issues and at increasing civil society awareness of, and participation in, the integration process. The overall objective of this priority is to increase the legitimacy of the integration process and foster a new impetus by engaging new actors and decision-

shapers and to invest in the long-term development of the awareness of a Mercosur identity. It will also aim at increasing the knowledge and visibility of the EU among the non-specialised public, as a political partner and an example of regional integration.

This priority could be translated into a series of projects in the education and audiovisual sectors (see the list of activities in section 5).

5. REGIONAL INDICATIVE PROGRAMME (RIP)

5.1. Financial instruments and sources of financing

The implementation of operations under the EC/Mercosur RIP for the current regional strategy paper, with an indicative total of EUR 50 million, will be financed under the Regulation (EC) No 1905/2006 of the European Parliament and of the Council establishing a financing instrument for development cooperation.

The final selection of contributions (or projects) will be made, and the respective allocations granted, on the basis of the results of studies carried out beforehand. The financing of the RIP will depend on the availability of funds in the Commission's annual budget.

5.2. Conditions governing implementation, principles governing revision, evaluation, financing, co-financing and implementation

The RIP (2007-2013) presented below was drawn up after preliminary consultation with non-state actors and civil society, on the basis of the analysis set out above and in cooperation with the regional and national authorities, the European Commission Delegations in Uruguay and the other Mercosur countries, and the representations of EU Member States with a permanent mission in the country.

A smooth implementation of assistance under the coming period will depend on clear progress from Mercosur in decision making, programme definition and institutional strengthening:

- (a) Implementation of the strategy (preparation of actions and the follow-up of their implementation) will be the responsibility of a single Mercosur institution still to be identified.
- (b) For the three priority sectors, disbursements will be made on the basis of progress towards achieving the targets and specific/measurable results set out for each programme.
- (c) Programme definition: the proposed RIP (2007-2013), especially priority 2 is based on Mercosur's own integration programme and capacity. To this end, a new more detailed work programme for regional integration for the period 2007-2010 will have to be established by Mercosur. RIP 2 (2011-2013) should take into account future Mercosur work programmes.
- (d) There will be a mid-term review of the RIP involving the same above-mentioned Mercosur institution. On the basis of the results, any changes deemed useful will be made. It is worth pointing out that performance criteria will be used in the mid-term review to assess progress in the implementation of the cooperation programme.
- (e) To increase "ownership" of the regional projects, the counterpart funds should be made available by the Mercosur institution mentioned under (a) who will take on the responsibility for the implementation of the programmes. Each priority set up in the RIP will be implemented by means of one programme composed by a varied set of actions.

5.3. Focal sectors

From the EUR 50 million earmarked in the 2007-2013 budget for Mercosur, EUR 10 million will be allocated to finance two projects from the 2002-2006 Regional Strategy Paper (education and information society) which could not be finalised in time under the last financial perspective.

The remaining EUR 40 million will be allocated across the three key sectors which have been identified for EC assistance “Institutional support”, “Support for the deepening of Mercosur and implementation of the future EU-Mercosur Association Agreement” and “Efforts to strengthen and enhance civil society participation, knowledge of the regional integration process, mutual understanding and mutual visibility”.

It is proposed to concentrate assistance on the priority at the core of our Mercosur cooperation, which provides its rationale and justification as well as the greatest added value for the EC, namely: “Support for the deepening of Mercosur and implementation of the future EU-Mercosur Association Agreement”. This priority will receive up to 70% of assistance under this RSP.

The second area of assistance will be support for the institutionalisation of Mercosur. The third area of assistance will focus on improving knowledge of the regional integration process, in particular its benefits, and enhancing mutual understanding and mutual visibility.

5.4. Cross-cutting issues

Given the proposed concentration of assistance on a limited number of sectors so as to maximise the impact of EC assistance, particular attention will be paid to key cross-cutting issues, in particular the environment and biodiversity, which are unique assets for the development of the region and have already benefited from scientific cooperation likely to be enhanced in the Seventh Research Framework Programme (2007-2013). In the case of Priority 2, socially and environmentally sustainable trade and economic growth should be promoted. Projects should be guided by EC policies on the economy, employment and social cohesion as interdependent elements in combating inequality. Support for decent working conditions and fundamental labour rights is a crucial factor in achieving a high level of social cohesion. Links to other areas of relevance, such as good governance, human rights, the participation of civil society, poverty reduction and gender mainstreaming, should also be taken into account. Synergies to complementary policy areas such as international scientific and technological cooperation policy will be actively promoted.

5.5. Priority 1: Support for Mercosur institutionalisation

Actions

- Support for the Mercosur Parliament
- Support for the Mercosur Permanent Review Tribunal
- Support for the Mercosur Secretariat/FOCEM

General objectives (for the priority as a whole)

To help consolidate the integration process and the institutional strengthening of Mercosur by reinforcing the efficiency and effectiveness of Mercosur institutions, improving their functioning, and deepening their role in order to advance the Mercosur integration process at all levels.

Financial envelope

10% of the total appropriation for the regional strategy will be devoted to cooperation activities in this area.

5.5.1. Support for the Mercosur Parliament

General objective

- To enhance the democratic element in Mercosur's decision-making process.
- To optimise political/parliamentary relations between the two regions.

Specific objectives

- To strengthen the Mercosur Parliament in the regional institutional scheme.
- To improve Mercosur's record with regard to the transposition of protocols and legislation.
- To reinforce the link between the decision-making process and Mercosur citizens, guaranteeing democratic legitimacy and public participation in Mercosur.
- To transfer know-how relating to the Parliament's internal administration and management, the political/parliamentary performance of political groups, and the institutional and inter-institutional communication mechanism and strategy. To prepare for direct elections — the second stage in the Parliament's development.

Expected results

- A permanent seat for the Mercosur Parliament.
- An established Parliament and organised political parties with relevant competences and a clear working plan.
- Improved access for citizens to Mercosur institutions.
- Structured and operational inter-Parliamentary committees.
- Improved transparency and accountability of Mercosur institutions in the integration process.
- Improved coordination between national parliaments and the Mercosur Parliament.

Example of activities

Two main areas of action are foreseen:

1. Political and Institutional Activities

- Assessment of the operational aspects of the parliamentary groups and technical committees.

- Consolidation of institutional links with civil society, national parliaments and all other Mercosur institutions.
- Development of a working programme and a communication strategy.

2. Managerial and Operational Activities

- Technical staff training and development in the different operational areas.
- Development of internal mechanisms for monitoring and evaluation.

Examples of success indicators

- Increase in the access of citizens to the regional institutions in general and to the Mercosur Parliament in particular.
- Regular meetings between national parliaments and the Mercosur Parliament.
- Increased powers conferred on the Parliament.
- Number of public bodies of the Mercosur Parliament.
- Positive results of the parliamentary working groups.
- Increased awareness of the democratic aspects of regional integration.
- Bodies for dialogue with civil society.
- Positive results of EU-Mercosur inter-parliamentary meetings.

5.5.2. Support for the Mercosur Permanent Review Tribunal: consolidation of legal certainty in the Mercosur area

General objective

To strengthen and consolidate the legal aspects and legal certainty of Mercosur — an essential and fundamental step in the process of regional integration.

Specific objectives

To reinforce the operational capacity of the Permanent Review Tribunal, created by the Protocol of Olivos, in order to enhance its performance and ensure uniform and generalised implementation of Mercosur legislation.

Expected results

- Agreed final structure and powers for the Permanent Review Tribunal.
- Tribunal equipped with appropriate human resources and legal infrastructure.
- Operational legal services in close contact with Mercosur institutions and national Supreme Courts.
- Increased quality and public awareness of Mercosur legislation and use of the institutional structure for dispute settlement.

Examples of activities

- Training of Tribunal arbitrators and civil servants
- Transfer of EC experience in the implementation of Community law.
- Support for the tasks and activities of the “Mercosur Centre for Promoting the State of Law”

Examples of success indicators

- Internalisation of the Protocol of Olivos with regard to the jurisdiction of the Tribunal.
- Studies and publications on legislative issues.
- Dissemination of jurisprudence.
- Increase in the use of the Tribunal for dispute settlement between member states.
- Increased access of citizens to the Tribunal.
- Regular meetings among judges and lawyers from all member countries to discuss regional issues.
- Increased research activity on regional legal issues by national research centres.

5.5.3. Support for the Mercosur Secretariat

General objective

To improve the Mercosur integration process and regional cohesion by reinforcing the role of the Mercosur Secretariat, its institutional capacity and organisational structure.

Specific objective

- To strengthen the Secretariat's operational and managerial capabilities in order to transform it in an effective executive body capable of handling new tasks and responsibilities, in particular, the Mercosur Convergence Fund (FOCEM).

Expected results

- Enhanced institutional capacity of the Mercosur Secretariat, with specific roles and responsibilities.
- Improved communication and coordination with other Mercosur institutions and Country Sections.
- Developed managerial and organizational capabilities to implement Mercosur Regional Convergence Fund.
- Developed and implemented Regional Convergence Strategy with relevant objectives and clear rules and regulations governing the use of structural funds.

Examples of activities

- Technical assistance and training in the Mercosur Secretariat to enhance its institutional capacity.

- Technical assistance aimed at transferring best practices for the identification of objectives, structure and organisation of FOCEM.
- Officer training and skills development for the management of funds, including project selection, monitoring, appraisal and evaluation.
- Establishment of internal monitoring and control mechanisms.

Examples of success indicators

- Number of trained officers with managerial skills.
- Initiatives proposed by the Secretariat and supported by other institutions.
- Properly functioning rules and regulations in place.
- Clear strategy with relevant and specific objectives and a well-defined long-term vision for the structural funds.
- Public awareness of the funds and participation of civil organisations.
- Number of regional projects in place and in the pipeline.
- Dissemination of results and new calls for proposals.
- Coordination meetings between the Secretariat and the member countries.

5.6. Priority 2: Support for the deepening of Mercosur and implementation of the future EU-Mercosur Association Agreement

Actions

1. Fostering integration of the Mercosur market and production, including through the lifting of non-tariff barriers
2. Food security/food hygiene
3. Environmental protection.

Examples of activities

For each action, Mercosur will agree on an overall regional objective, which will be implemented at national level via a strategy and an action plan. Each action plan will be defined so as to reflect and tackle the national situation and Mercosur asymmetries. As far as possible, the action plans will assist in implementing those Mercosur norms that have been adopted but not yet fully implemented (see also "Implementation" below).

Financial envelope

Up to 70% of the overall budget for the regional strategy will be devoted to cooperation activities in this area.

5.6.1. Fostering integration of the Mercosur market and production, in particular through the lifting of non-tariff barriers

General objectives

To support the acceleration and completion of the Mercosur integration work programme. To support the smooth implementation of the future EU-Mercosur Association Agreement.

Specific objectives

To develop an action plan aimed at deepening Mercosur, implementing its common market through, among other things, the lifting of non-tariff barriers to trade, with the objective of fostering Mercosur's productive integration within a maximum of three sectors. The action plan should assist in implementing existing Mercosur rules. It should also address the obstacles to the implementation of the future EU-Mercosur agreement.

Expected results

- A better integrated market.
- Identification and lifting of non-tariff barriers.
- Implementation of relevant aspects or sectors of Mercosur common market protocols on, for example, services, government procurement, investment, etc.
- Promotion of interaction between Mercosur business communities in key economic sectors: seminars, workshops, investment gatherings, training.
- Development at Mercosur level of partnerships with key economic policy makers: studies, recommendations on policy, etc.
- Better access to the Mercosur market and regulatory information (intra-Mercosur exporter help desk, intra-Mercosur exporter website etc.).

Examples of activities

To be defined at identification stage.

Examples of success indicators

- An increase in intra-regional trade in goods and services. Increased competitiveness, emergence of Mercosur market leaders, better ability to withstand global competition, greater choice and better value for consumers, more investment in the region.
- Number and percentage of non-tariff barriers lifted.
- Number of interaction activities organised for the Mercosur business community.
- Number of partnerships formed between key economic policymakers.

5.6.2. *Food security, food hygiene, creation of a Mercosur phytosanitary area*

General objectives

To set up a food safety and food hygiene system. To create a Mercosur phytosanitary area.

Specific objectives

To support the establishment of a single Mercosur phytosanitary area, paying particular attention to family agriculture and organic farming.

The action plan should also address obstacles to the implementation of the future EU-Mercosur agreement in this area and cover various aspects: plant health control, hygiene monitoring in qualified institutions, registering of products, control and certification of exported and imported products, etc

Expected results

- The existing Mercosur legislation in this area is implemented.
- Key elements and common policies for food hygiene in Mercosur are in place.
- The competent institutions are strengthened in order to achieve the objectives set in the action plan.
- Mercosur control and alert systems are strengthened and harmonised.
- Mercosur legislation is — where necessary — introduced, revised, unified and updated to take account of international norms.
- Systems for food hygiene control in Mercosur are improved, providing greater guarantees to consumers.

Examples of activities

To be defined at identification stage.

Examples of success indicators

- Number and coverage of items of Mercosur legislation implemented in this area.
- Number of common policies established in key sectors.
- Number and accuracy of food hygiene controls in the region, per sector.

5.6.3. *Environmental protection*

General objectives

To promote sustainable development of the region through enhanced environmental protection and the sustainable management of natural resources. To encourage regional cooperation and the exchange of best practice on environmental issues and promote the

integration of the environment within other Mercosur policies (e.g. trade, transport, energy, industry, agriculture, forestry, etc.).

Specific objectives

- To support the elaboration of a regional environment profile / state of the regional environment notably covering both the Rio de la Plata and Amazon basins.
- To support programmes and actions to implement the Framework Agreement on Environment in Mercosur.
- To support the implementation of the Latin American component of the EU Water Initiative in Mercosur, including support for integrated trans-border water resources management.
- To support climate change awareness-raising, including the integration of climate change considerations within other Mercosur activities and support for climate change mitigation and adaptation activities.
- To support the implementation of the environmental provisions of the future EU-Mercosur Association Agreement
- To foster the exchange of experience on ways and means to assess and mitigate the environmental impacts of other policies, including the development of methodologies for environmental impact assessments and cooperation in border areas.

Expected results

- More sustainable development of the Mercosur region through an increased capacity to reconcile growing economic activity and trade with a high level of environmental protection, including sustainable resource management.
- Deepening and broadening of the integration process, including enhanced cooperation on environmental issues in the region as well as better coordination of action in international fora.

Examples of activities

- Workshops, seminars and other activities aimed at providing expertise and assistance for: strengthening the Mercosur Environmental Information System (SIAM); promoting efforts to harmonise environmental legislation and standards in the region; facilitating the development of joint actions on common ecosystem protection and joint management of shared natural resources; promoting sub-regional cooperation in implementing multilateral environmental agreements.
- Supporting and facilitating sub-regional policy dialogue on the environment and sustainable management of natural resources.
- Facilitating implementation of the EU Water Initiative (EUWI) in the sub-region, for instance through region-to-region or country-to-country exchanges of experience and best practice, feasibility studies for setting up regional cooperation, institution building, and development of management plans under the EUWI.
- Capacity-building to address climate change, for instance through the establishment of a regional facility or network for modelling the economic impacts of climate change on different sectors.

- Design and implementation of appropriate measures aimed at maximising positive and minimising negative environmental impacts arising from increased economic activity and trade flows; commissioning a study to examine these impacts in the Mercosur region.

Examples of success indicators

- Environmental considerations effectively integrated within other policies and programmes (e.g. number of Strategic Environmental Assessments, Environmental Impact Assessments carried out)
- Number of meetings, conferences and other events focusing on cooperation in the field of the environment and natural resource management, and integration of the environment within other policy areas
- Number of feasibility studies in the field of the environment and natural resource management, and integration of the environment within other policy areas
- Number of pieces of legislation and standards harmonised throughout the sub-region — water prices and user charges for sewage treatment / percentage of population with access to safe drinking water and sewage treatment facilities
- Protected areas under joint management as a percentage of total Mercosur area and by type of ecosystem.

5.7. Priority 3: Efforts to strengthen and enhance civil society participation, knowledge of the regional integration process, mutual understanding and mutual visibility

Actions

1. Creation of 10 EU-Mercosur study centres and support for the implementation of the “Plan operativo del sector educativo del Mercosur 2006-2010”
2. Strengthening of the cinematographic and audiovisual sector of Mercosur to promote regional identity.
3. Workshops, seminars and other activities aimed at providing expertise and assistance for all issues relating to regional integration, the EU experience and the transfer of this experience.

Financial envelope

About 20% of the total appropriation for the regional strategy will be devoted to cooperation activities in this area.

5.7.1 Creation of 10 EU-Mercosur study centres and support for the implementation of the “Plan operativo del sector educativo del Mercosur 2006-2010”

General objectives

- To enhance knowledge and consciousness of the regional integration process through the creation of centres of excellence and support for enhanced intra-Mercosur cooperation in the field of education.

Specific objectives

- To support the creation of ten EU-Mercosur study centres in major Mercosur universities.
- To support the implementation of the “Plan operativo del sector educativo del Mercosur 2006-2010”.
- Note: the interventions supported in the area of education will be implemented taking into account the existing Erasmus Mundus and Jean Monnet programmes.

Examples of activities

- Creation of European Union and Mercosur Study Chairs.
- Creation of Masters degrees in EU and Mercosur Studies, undergraduate and postgraduate scholarships and senior research grants.
- Organisation of seminars, lectures and workshops in integration-related fields.
- Organisation of European/Mercosur Documentation Centres.
- Consolidation of local capacities for regional interinstitutional cooperation and the management of mobility, in particular to increase intra-regional mobility among university students and professors through the development of appropriate studies, programmes and projects.

Examples of success indicators

- Ten EU-Mercosur study centres are operating in Mercosur universities: number of activities carried out in connection with those centres.
- Number of research publications on the EU and Mercosur integration processes.
- Number of graduates who have built up their knowledge of the EU and Mercosur through the study centres.
- Increased number of diplomas and courses accredited within Mercosur.
- Increased intra-Mercosur mobility flows in terms of students, trainers and researchers.
- Increased links between institutes of higher education.

5.7.2 Strengthening of Mercosur's cinematographic and audiovisual sector to promote regional integration

General objectives

- To enhance knowledge and consciousness of regional identity and the integration process through support for the cinematographic and audiovisual sector.

Specific objectives

- To support the development, distribution, accessibility and promotion of Mercosur audiovisual work.

Expected results

- Setting up of a Mercosur Media Programme based on the EU MEDIA Programme to provide incentives to encourage cooperation between agents in the sector to foster the joint development of works and their distribution and promotion within Mercosur.

Examples of activities

- Strengthening and/or creation of regional centres for audiovisual production.
- Development of studies, relevant data, common Mercosur standards and policies for audiovisual activities through RECAM (Specialised Meeting for the Cinema and Audiovisual Authorities of Mercosur) and the Mercosur Audiovisual Observatory.
- Development of training activities for professionals in the audiovisual sector.
- Support sector for the development and production of projects with clear a Mercosur content and values.

Examples of success indicators

- The Mercosur Media Programme is up and running.
- Percentage of the target population with access to audiovisual programmes.
- Number of regional centres for audiovisual production created, functioning and producing audiovisual products.
- Market penetration and market share of domestic production within Mercosur.

5.7.3 Workshops, seminars and other activities aimed at providing expertise and assistance for all issues relating to regional integration, the EU experience and the transfer of this experience

General objectives

To transfer EC/EU expertise in a number of domains linked to the completion of the Mercosur single market or the implementation of the future EU-Mercosur Association Agreement.

Specific objectives

To organise workshops, seminars, events and other activities relating to the implementation of priorities 1, 2 or 3 or any other issues relating to the completion of the Mercosur single market or the implementation of the future EU-Mercosur Association Agreement.

Expected results

- Formulation and implementation of recommendations for the completion of the Mercosur single market.
- Formulation of recommendations for the implementation of the future EU-Mercosur Association Agreement
- Improvement of the specific knowledge and skills of people involved in the workshops, seminars or events. Increased awareness of EU and Mercosur realities and experience.

Examples of activities

A list of activities will be agreed jointly between the Commission and Mercosur institutions.

Examples of indicators

- Number of workshops/seminars/events relating to the implementation of priorities 1, 2 or 3 or any other issues relating to the completion of the Mercosur single market or the implementation of the future EU-Mercosur Association Agreement.
- Number of people participating in the events at political and/or technical level.

5.8. Indicative Work Programme

The following tables provide an indicative overview of the implementation schedule for the Work Programme. It is emphasised that the definitive RIP-2 allocation and annual breakdown will be determined taking into consideration the requirements of the future Association Agreement and the implementation performance under RIP-1 as established by monitoring and evaluation reports and the mid-term review of this Strategy.

SCENARIO FOR INDICATIVE PROGRAMMING 2007-2010 (RIP-1)

Sector/contribution	Amount(%)	2007	2008	2009	2010
Remainder from the 2002-2006 RSP - Education	€3m				
Identification/formulation					
Financing decision (FD)					
Financing agreement (FA)					
Implementation					
Sector/contribution	Amount(%)	2007	2008	2009	2010
Remainder from the 2002-2006 RSP – Information society	€7m				
Identification/formulation					
Financing decision (FD)					
Financing agreement (FA)					
Implementation					

Sector/contribution	Amount(%)	2007	2008	2009	2010
Priority 1 - Support for the Mercosur Secretariat	€1m				
Identification/formulation					
Financing decision (FD)					
Financing agreement (FA)					
Implementation					
Priority 1 - Support for the Mercosur Permanent Review Tribunal	€1m				
Identification/formulation					
Financing decision (FD)					
Financing agreement (FA)					
Implementation					
Priority 2 - Support for the deepening of Mercosur and implementation of the future EU-Mercosur Association Agreement (phase 1)	€12m				
Identification/formulation					
Financing decision (FD)					
Financing agreement (FA)					
Implementation					
Priority 3 - Strengthening of Mercosur's cinematographic and audiovisual sector	€2m				
Identification/formulation					
Financing decision (FD)					
Financing agreement (FA)					
Implementation					

Priority 3 - EU-Mercosur study centres, enhanced intra-Mercosur education cooperation¹²	€7m				
	Identification/formulation				
	Financing decision (FD)				
	Financing agreement (FA)				
	Implementation				

SCENARIO FOR INDICATIVE PROGRAMMING (2010)-2011-2013 (RIP-2)

Sector/contribution	Amount (%)	2010	2011	2012	2013
Priority 1 - Support for the Mercosur Parliament	€2m				
	Identification/formulation				
	Financing decision (FD)				
	Financing agreement (FA)				
	Implementation				
Priority 2 - Support for the deepening of Mercosur and implementation of the future EU-Mercosur Association Agreement (phase 2)	€15m				
	Identification/formulation				
	Financing decision (FD)				
	Financing agreement (FA)				
	Implementation				

¹² Including financing of workshops, seminars and other activities aimed at providing expertise and assistance for all issues relating to regional integration, the EU experience and the transfer of this expertise.

6. ANNEXES

6.1. Mercosur at a glance

Population Data

Indicator	Year	Argentina	Uruguay	Brazil	Paraguay	Total
Land area (sq km)		2 791 810	176 220	8 456 510	406 752	11 831 292
Population (million)	1975	26	2.8	108.1	2.7	140
	2002	38	3.4	174.5	5.5	221
	2005	38.7	3.5	186.4	6.2	235
	2015	43.4	3.7	202	7.7	478
Density (Population per sq km)	2005	14	20	22	15	20

Economic Summary

Indicator	Year	Argentina	Uruguay	Brazil	Paraguay	Total
GDP						
Billion US\$	2002	102.0	12.1	452.4	5.5	572
	2004	152.2	13.2	604.6	6.7	777
	2005	183.3	16.8	794.1	8.2	1002
Billion US\$ (PPP WB)	2003	445.2	28	1375.7	26.4	
	2004	510.3	32.4	1507.1	29.0	
Real GDP growth	2000	-0.8	-1.9	3.9	-3.3	
	2001	-4.4	-3.6	1.3	2	
	2002	-10.8	-12.7	1.5	-1.6	
	2003	8.7	3	0.6	3.8	
	2004	9.0	12	4.9	4.0	
	2005	9.2	6.5	2.3	2.7	
Per capita US\$	2004	3 988	3 842	3 284	1 220	
	2005	4 736	4 800	4 260	1 323	4 269
Per capita (PPP WB)	2003	12 106	8 280	7 790	4 684	

	2004	13 298	9 421	8 195	4 813	
Inflation (% CPI)	2003	3.7	10.2	9.3	9.3	
	2004	4.4	9.2	6.6	4.3	
	2005	9.6	4.7	6.9	6.8	
Exports (US\$ million)	2004	34 550	3 025	81 466	2 096	121 137
	2005	38 824	43 291	118 308	2 163	202 586
Imports (US\$ million)	2004	22 445	2 990	62 809	2 395	90 639
	2005	29 915	3 498	75 965	2 472	111 850
Fiscal deficit/surplus (% GDP)	2003	2.3	-3.1	-0.3	0.6	
	2004	2.6	-3.5	...	0.2	
	2005	1.4	-2.3	...	-1.1	

Source: The World Bank Group, Country at a Glance & Country data profile.

Selected Social Indicators

Indicator	Year	Argentina	Uruguay	Brazil	Paraguay
Adult literacy rate, over-15s (%)	1990	95.7	96.5	82.0	90.3
	2002	97.0	97.7	86.4	91.6
	2003	97.2	97.7	88.4	91.6
	2005	97	...	89	-
Primary school enrolment (%)	1990/1991	94	92	86	93
	2001/2002	108	90	97	92
	2002/2003	...	90	97	89
	2004	99	...	93	...
Secondary school enrolment (%)	2002/2003	81	73	75	51
	2004	79	...	76	...
Life expectancy at birth (years)	1970-1975	67.1	68.7	59.5	65.9
	2000-2005	74.2	75.3	68.1	70.9
	2003	74.5	75.4	70.5	71
	2004	74.6	75.6	70.8	71.2
Underweight children <5 (%)	2002	5	5	6	5
	1995/2003	5	5	6	5

	2004	5	5	6	5
<5 mortality rate (per 1000 live births)	2002	19	15	37	30
	2003	20	14	35	29
	2004	18	17	34	24
Maternal mortality rate (per 1000 live births)	2000	82	27	260	170
Infants <1 fully immunised (%)	2002	97	92	93	77
	2003	97	95	99	91
	2004	95	95	99	89
Births supervised by trained personnel (%)	2002	98	99	88	71
	1995/2003	99	100	88	71
	1996/2004	99	100	97	77
Households with access to safe water (%)	1990	94	...	83	63
	2000	...	98	87	78
	2002	...	98	89	83
	2004	96	100	90	86
Human Development Index	1975	0.784	0.759	0.644	0.667
	1990	0.810	0.803	0.714	0.719
	2002	0.853	0.833	0.775	0.751
	2003	0.863	0.840	0.792	0.755
	2004	0.863	0.851	0.792	0.757
Gini Index	2000/2002	52.2	44.6	59.3	57.8
	2003	52.8	44.9	58	...

Source: "Human Development Report", UNDP, 2006

6.2. Trade structure

Mercosur exports and imports

(in million US dollars)

	2003	2004	2005
Intra-bloc exports	12 630	17 192	20 978
Extra-bloc exports	93 466	118 390	142 530
Total Mercosur exports	106 097	135 581	163 508
Intra-bloc imports	12 966	17 448	21 164
Extra-bloc imports	53 176	73 530	88 180
Total Mercosur imports	66 143	90 978	109 343
Balance Extra-bloc	40 290	44 860	54 350

Source: Centro de Economía Internacional of Argentina (Indec, SECEX, Secretaría Administrativa del Mercosur and Banco Central del Uruguay).

Mercosur extra-bloc exports

(in % of total extra-bloc exports)

	1995-1998	1999-2002	2003-2005
ALADI (except Mercosur and Mexico)	11%	11%	11%
Mexico	2%	3%	4%
United States	19%	24%	20%
European Union	32%	29%	25%
Japan	6%	4%	3%
Others	31%	30%	37%
Total	100%	100%	100%

Source: Centro de Economía Internacional of Argentina (Indec, SECEX, Secretaría Administrativa del Mercosur and Banco Central del Uruguay).

Intra-bloc exports in total exports

(in %)

Countries	1985-1990	1991-1994	1995-1998	1999-2002	2003-2005
Argentina	12.3	23.6	34.5	28.0	18.9
Brazil	4.5	11.8	15.8	11.0	9.1
Paraguay	37.6	41.5	55.9	54.4	55.1
Uruguay	30.3	39.7	51.0	41.0	25.9
Mercosur	7.6	16.0	23.4	17.4	12.5

Source: Economic Commission for Latin America and the Caribbean and Centro de Economía Internacional of Argentina (Indec, SECEX, Secretaría Administrativa del Mercosur and Banco Central del Uruguay).

Intra-bloc imports in total imports

(in %)

Countries	1985-1990	1991-1994	1995-1998	1999-2002	2003-2005
Argentina	19.2	24.2	24.6	28.0	37.3
Brazil	8.3	12.2	15.2	13.0	10.3
Paraguay	39.0	36.8	48.5	52.7	53.5
Uruguay	39.8	45.3	44.0	44.2	44.1
Mercosur	12.8	18.7	20.1	18.9	19.4

Source: Economic Commission for Latin America and the Caribbean and Centro de Economía Internacional of Argentina (Indec, SECEX, Secretaría Administrativa del Mercosur and Banco Central del Uruguay).

Evolution of EU trade with Mercosur (€m)

Year	EU imports	Share of total EU imports (%)	EU exports	Share of total EU exports (%)	Balance
2001	28 712	2.92	28 384	3.18	-329
2002	27 894	2.96	21 652	2.40	-6 243
2003	27 890	2.97	17 303	1.97	-10 586
2004	30 466	2.95	20 654	2.14	-9 812
2005	34 349	2.91	23 469	2.21	-10 880

Source: Eurostat

Mercosur's main trading partners (2005, millions of euros)

Rk	Partner	Imports	Exports	Trade	% of total trade
	World	74,512	114,867	189,379	100.0
1	EU	20,312	26,235	46,547	24.6
2	USA	15,351	22,571	37,923	20.0
3	China	6,690	8,422	15,112	8.0
4	Chile	2,146	6,523	8,669	4.6
5	Japan	3,608	3,074	6,682	3.5
6	Mexico	1,398	4,429	5,827	3.1
7	South Korea	2,401	1,817	4,218	2.2
8	Russia	950	2,910	3,860	2.0
9	Nigeria	2,582	870	3,453	1.8
10	Algeria	2,510	598	3,108	1.6
11	COUNTRIES and TERRIT. NOT DET	624	2,455	3,079	1.6
12	Canada	1,053	1,937	2,990	1.6
13	India	1,281	1,404	2,686	1.4
14	Venezuela	441	2,231	2,672	1.4
15	N.det.Intra	682	1,777	2,459	1.3
16	Saudi Arabia	1,192	1,184	2,376	1.3
17	Switzerland	1,436	499	1,934	1.0
18	South Africa	385	1,474	1,860	1.0
19	Bolivia	1,020	777	1,797	0.9
20	Peru	464	1,293	1,758	0.9

6.3. Social developments

Basic indicators, Millennium Goals					
	USD 1 per day	USD 2 per day	Children weighing less than average for their age (< age 5)	Population without access to an improved water supply	1-year-old-children immunised against measles
Argentina	7.0%	23%	5%	4%	95%
Uruguay	2%	5.7%	5%	0%	95%
Brazil	7.5%	21.2%	6%	10%	99%
Paraguay	16.4%	33.2%	5%	14%	89%

Source: "Human Development Report", UNDP, 2006

Basic indicators, Millennium Goals							
	Deliveries attended by specialised personnel, from 1995-2003	Net rate of enrolment in primary education		Children who survive to age 5		Net primary enrolment	
		2002-2003	2004	2001-2002	2004	Female rate	Female rate compared to male rate
Argentina	99%	...	99%	92%	98%	98%	0.99
Uruguay	100%	90%	...	93%	98%
Brazil	97%	97%	93%	/	97%
Paraguay	77%	89%	...	70%	98%

Source: "Human Development Report", UNDP, 2006

6.4. Mercosur's institutional structure and decision-making process

Mercosur was founded in 1991 by the Treaty of Asunción, a short treaty that defines its objectives, principles and instruments and lays down its institutional structure. In 1994, the Ouro Preto Protocol completed the institutional architecture, giving Mercosur its present shape (with some subsequent developments, which will be described below).

Mercosur has three decision-making bodies: the Common Market Council (*Consejo del Mercado Común*, CMC), the Common Market Group (*Grupo Mercado Común*, GMC), both set up under the Treaty of Asunción, and the Mercosur Trade Commission (*Comisión de Comercio de Mercosur*, CCM), established by the Ouro Preto Protocol. On top of these three decision-making bodies — although never officially established — are the "Periodical Presidential Summits", which provide strategic direction to the integration process.

The Common Market Council is both the highest-level and legislative body of Mercosur, with authority to conduct its policy as regards the integration process. It is also responsible for achieving the objectives set out in the Treaty of Asunción and the final creation of a common market. Its "Decisions" have a general scope and legal force; although most of them need to be incorporated into the legislation of the member countries (see below). It is composed of the Ministers for Foreign Affairs and the Ministers of the Economy (or their equivalents) of the Mercosur countries. The Common Market Council has a bi-annual rotating presidency and meets in ordinary session every six months.

The Common Market Group is the executive body of Mercosur. Its basic duties are to ensure compliance with the Treaty of Asunción as well as its Protocols and other agreements approved under the treaty. It can also negotiate agreements — with the participation of all member country representatives and at the express instruction of the Common Market Council — on behalf of Mercosur with non-member states, country groups, or international agencies. The Common Market Group issues its own

Resolutions, which are binding on all Member States, but its main function is to finalise at political level the Decisions prepared at technical level for adoption by the Common Market Council.

The Common Market Group comprises four titular members and four deputies for each member state, in general senior officials from the Ministries of Foreign Affairs.

The Mercosur Trade Commission implements the instruments of common trade policy agreed by the member states and manages the customs union. Additionally, it follows up issues related to common trade policies, intra-Mercosur trade and trade with other countries. The Commission gives its opinion through Directives and Proposals to the Common Market Group. It consists of four titular members and four deputies from each member country, from either the foreign affairs or the trade ministries.

The day-to-day activities and negotiations within Mercosur are carried out by technical subgroups (*subgrupos de trabajo* – SGTs) of the Common Market Group or the Mercosur Trade Commission, and are composed of technical staff from the relevant ministries. The subgroups draft proposals for submission to the higher instances.

Furthermore, the Common Market Council and the Common Market Group have established over the years a number of ministerial and technical sectoral groups (*reuniones especializadas*) with the task of setting up and implementing common sectoral policies. These groups virtually cover the entire spectrum of public policies, but their effectiveness varies widely and is difficult to assess.

It is important to note that all decisions in Mercosur are taken by unanimity and no other voting system is envisaged at the moment.

The Treaty of Asunción also set up the Mercosur Secretariat. Born as an administrative secretariat to the Common Market Group, with a mainly clerical function, it has been gaining importance over the years, being the only Mercosur body comprising independent officials not appointed by national governments. The Secretariat was upgraded in 2002 (Decision 30/02), and became a technical advisory body to the Mercosur institutions, staffed by 4 independent experts (2 lawyers and 2 economists).

The Ouro Preto Protocol also created two advisory bodies: the Social and Economic Advisory Forum (*Foro Consultivo Económico y Social*, FCES) and the Joint Parliamentary Committee (*Comisión Parlamentaria Conjunta*, CPC).

The FCES includes representatives of business and trade unions and other civil society representatives (cooperatives, consumers, NGOs). The Forum is consultative by nature; it expresses its opinion to the Common Market Group through recommendations.

The CPC consists of appointed members of national parliaments. Its functions have been evolving over time, and it is currently in the process of drafting the Protocol establishing the Mercosur Parliament.

The actual effectiveness of these two consultative bodies has been limited. In the case of the FCES, its role today seems to be more of an ex-post communication vehicle rather than the one of an active agent in the creation of the regional agenda. As for the CPC, despite its links with the national Parliaments, it has not been able to facilitate the incorporation of rules into national legislations, a task which hopefully will be passed on to the future Mercosur Parliament.

Finally, the youngest of the Mercosur institutions is the Commission of Permanent Representatives (*Comisión de Representantes Permanentes*, CPRM), a political

representation body created in 2003 (Decision 11/03) and composed of the four members' ambassadors to ALADI¹³ and Mercosur. It was chaired up to very recently by former Argentine President Duhalde. Its functions are to take political initiatives and provide assistance to the CMC. It may in time evolve into a body that provides political direction — although at present it still seems to be searching for its role in the institutional architecture.

¹³ Asociación Latinoamericana de Integración.

Mercosur Institutions

Consejo del Mercado Común

Reuniones de Ministros

Foro de consulta y concertación política

Reunión especializada de la mujer; autoridades de aplicación en materia de drogas prevención de uso indebido y rehabilitación de drogodependientes

Grupo Mercado Común

SGT 1
Comunicaciones

SGT 2
Aspectos
institucionales

SGT 3
Reglamento
técnicos y
evaluación de la
conformidad

SGT 4
Asuntos
financieros

SGT 5
Transportes

SGT 6
Medio
Ambiente

SGT 7
Industria

SGT 8
Agricultura

SGT 9
Energía

SGT 10
Asuntos laborales, empleo
y seguridad social

SGT 11
Salud

SGT 12
Inversiones

SGT 13
Comercio
electrónico

SGT 14
Seguimiento de la
coyuntura
económica y
comercial

SGT 15
Minería

Grupo de
servicios

Comisión
sociolaboral

Reuniones especializadas: ciencia y tecno ;
turismo ; comunicación social ; promoción
comercial ; infraestructura de la integración

Comités :
Cooperación
técnica ;
automotriz

Grupos ad hoc : azucar ; relacionamiento externo ;
compras gubernamentales ; concesiones ; integración
fronteriza ; comercio de cigarrillos

Comisión de Comercio del MERCOSUR

CT 1
Aranceles, nomenclatura
y clasificación de
mercaderías

CT 2
Asuntos
aduaneros

CT 3
Normas
disciplinas

CT 4
Políticas públicas
que distorsionan
la competitividad

CT 5
Defensa de la
competencia

CT 6
Defensa del
consumidor

Comité de defensa
comercial y
salvaguardias

Comisión Parlamentaria Coniunta

Foro Consultivo Económico - Social

Secretaría del MERCOSUR

Administración

Documentación y divulgación

Normativa

Informática

6.5. Mercosur Work Programme for 2004-2006

PROGRAMA PARA LA CONSOLIDACION DE LA UNION ADUANERA Y PARA EL LANZAMIENTO DEL MERCADO COMUN

“OBJETIVO 2006”

PROGRAMA POLÍTICO

Participación de la sociedad civil

Valorizar la actuación del Foro Consultivo Económico y Social (Foro del MERCOSUR, creado por el Protocolo de Ouro Preto que reúne representantes de entidades empresariales, sindicales y de consumidores) en el proceso de discusión de las principales iniciativas a ser tomadas por Brasil y promover eventos de divulgación y discusión orientados hacia organizaciones académicas y no gubernamentales. Dicha valorización deberá ser objeto de propuestas elaboradas por el propio Foro Consultivo, que serán presentadas en la Cumbre de diciembre de este año.

Parlamento MERCOSUR

Construir, con estrecha colaboración de la Comisión Conjunta del MERCOSUR en el Congreso Nacional, la cual es la Sección Nacional de la Comisión Parlamentaria Conjunta del MERCOSUR (CPC), un programa que comience por el fortalecimiento de la CPC, por medio de un mejor acompañamiento de las negociaciones y una mayor interacción con los órganos decisorios del MERCOSUR. El objetivo último debería ser la creación de un Parlamento del MERCOSUR electo por el voto directo. El Parlamento podría ser instalado antes del fines del 2006.

Visibilidad Cultural

Realización de eventos de amplio alcance en los medios, inclusive en el área deportiva, que promuevan la idea del MERCOSUR en los Estados Partes y permitan un mayor conocimiento mutuo de sus sociedades. La Reunión de Ministros de Cultura deberá presentar una propuesta inicial antes de la Cumbre de diciembre de este año.

Instituto Social

Desarrollar una estructura de articulación de los centros de investigación social de los cuatro Estados Partes a efectos de conducir la reflexión sobre los temas sociales en los Estados Partes, el intercambio de experiencias nacionales y el desarrollo de indicadores sociales armonizados que puedan servir de base para el establecimiento de metas para la política social de los países del MERCOSUR.

MERCOSUR ciudadano

Proseguir y profundizar los acuerdos en las áreas de migración, trámites legales, cooperación judicial y otras que pongan al alcance del ciudadano que circule por el MERCOSUR, o tenga intereses en otro país del MERCOSUR, facilidades derivadas de la participación de su país en el proceso de integración.

PROGRAMA DE LA UNION ADUANERA

Tratamiento de las Asimetrías de desarrollo

Propiciar el tratamiento de las asimetrías entre los Estados Partes, para que puedan alcanzar niveles compatibles con la profundización de la integración.

Arancel Externo Común

Completar en el 2006 la eliminación de las perforaciones del Arancel Externo Común. En los casos en que haya acuerdo para mantener por algún tiempo más algunas excepciones, serán definidos formas y plazos para terminarlas y avanzar antes de fines de 2004 en la simplificación y armonización de procedimientos aduaneros intrazona. Importa, en particular, definir antes de finales de 2006 las medidas para la eliminación del doble cobro del AEC.

Regímenes especiales comunes

Negociar antes del 2006 los regímenes comunes especiales de importación (regímenes que permiten importar sin pagar el AEC). Definir, también los regímenes de aplicación nacional que puedan ser aceptados bajo determinadas condiciones después de la finalización del plazo del 31/12/2005, fijado para la eliminación de los regímenes nacionales de aplicación unilateral.

Zonas Francas

Establecer las condiciones de tratamiento para los productos producidos en las zonas francas que cumplan con los requisitos de comprobación de origen.

Negociaciones externas comunes

Garantizar la negociación conjunta de los acuerdos comerciales con terceros países, en el ALCA y en la OMC.

Defensa Comercial Común, inclusive salvaguardias para el comercio extrazona

Adoptar antes de fines de 2004 regímenes comunes de defensa comercial, para que entren en vigencia antes de 2006. En el caso de las salvaguardias extrazona, ya existe un régimen aprobado pero aún no se encuentra vigente.

Definición de los instrumentos aplicables para la eliminación gradual de la aplicación de medidas antidumping y derechos compensatorios en el comercio intrazona.

Negociar hasta fines de 2004 un instrumento en este sentido para que entre en vigor, en las formas de implementación negociadas, antes de 2006.

Política común de defensa de la competencia

Desarrollar gestiones para la ratificación por parte de Argentina y Uruguay del Protocolo de 1996 (que Brasil y Paraguay ya han ratificado) y negociar un instrumento sobre fusiones y adquisiciones antes de fines de 2004, para que entre en vigor en 2006.

Integración productiva

Foros de competitividad

Garantizar el éxito del Foro de Madera y Muebles, que debería producir resultados mensurables de aumento de las exportaciones extrazona antes de fines de 2004. Iniciar en el 2004 otros foros de competitividad a partir de trabajos de diagnóstico a realizar en el segundo semestre de 2003.

Instrumentos de financiamiento

Discutir la implementación de instrumentos de financiamiento a fin de apoyar los proyectos que resulten de los foros de competitividad.

Capacitación y reconocimiento mutuo de sistemas de evaluación de la conformidad

Desarrollar cooperación intrazona, prestada por Brasil, para la capacitación en las áreas de evaluación de la conformidad de productos y reglamentos técnicos y avanzar en el reconocimiento mutuo de los sistemas de evaluación de la conformidad que evitan la duplicación de análisis y procedimientos de certificación.

Disciplinas sobre incentivos

Negociar, antes de fines de 2004, para que entren en vigencia antes del 2006, disciplinas sobre incentivos (subsidios). Las disciplinas tendrían en cuenta las propuestas brasileñas en la OMC, en el sentido de ampliar la libertad de actuación de los países en desarrollo para la aplicación de políticas industriales, pero buscarían límites o compensaciones para las medidas que distorsionan el funcionamiento de la unión aduanera. Las disciplinas se aplicarían a todos los niveles de gobiernos.

Coordinación Macroeconómica

Realizar esfuerzos puntuales antes de fines de 2004 en el área de armonización de indicadores macroeconómicos, establecimiento y seguimiento de metas.

Fortalecimiento institucional

Implementar antes de fines de 2004 las modificaciones introducidas por el Protocolo de Olivos sobre Solución de Controversias y la creación del sector de asesoría técnica de la Secretaría del MERCOSUR. Avanzar en formas de asegurar una rápida vigencia de las normas aprobadas. Implementar, antes de fines de 2006, nuevos perfeccionamientos institucionales, que preparen a la agrupación para el funcionamiento de la Unión Aduanera completa.

PROGRAMA DE BASES PARA EL MERCADO COMÚN

Liberalización de servicios

Ratificar el Protocolo sobre el Comercio de Servicios del MERCOSUR, de 1997, antes de fines de 2003 (en Brasil, fue aprobado en la Cámara y luego encaminado al Senado para su examen a principios de junio). Concluir en el 2003 la IV Ronda de Negociaciones y, antes del 2006, establecer por medio de rondas multisectoriales compromisos de liberalización del comercio de servicios intrazona, teniendo en cuenta las peculiaridades y necesidades de los socios menores. Procurar el desarrollo de un cuadro normativo común para algunos sectores de servicios, a ser definidos antes de julio de 2004.

Mercado regional de capitales

Producir antes de julio de 2004 un relevamiento de las acciones conducentes al desarrollo de un mercado de capitales regional. Con base en ese relevamiento, seleccionar antes de fines de 2004 las medidas que deberán ser adoptadas antes de 2006.

Promoción de Inversiones Regionales

Desarrollar instrumentos de promoción de inversiones regionales dentro de la lógica de la integración de las cadenas productivas.

Bases para la moneda común

Avanzar en las discusiones sobre los prerequisites para el establecimiento de una moneda común.

Compras Gubernamentales

Concluir antes de fines de 2003 el Acuerdo de Compras Gubernamentales del MERCOSUR, teniendo en cuenta las peculiaridades y necesidades de los dos socios menores.

Circulación de mano de obra y promoción de los derechos de los trabajadores

Ratificación del Acuerdo sobre Residencia de Nacionales del MERCOSUR antes de fines de 2004. Aprobación de la Visa MERCOSUR antes del fin del 2003 (agilización de la concesión de visas para profesionales calificados y eliminación de restricciones cuantitativas a la contratación de extranjeros de los países del MERCOSUR). Divulgación de los trabajos de la Comisión Socio-Laboral. Presentación antes de fines de 2004 de un conjunto de iniciativas y normas a ser negociadas para la promoción de los derechos de los trabajadores del MERCOSUR.

PROGRAMA DE NUEVA INTEGRACIÓN

Educación para el MERCOSUR

Avanzar en las negociaciones para el reconocimiento mutuo de diplomas que permitan la circulación de profesionales e iniciar una agenda de programas de cooperación para mejorar los niveles de educación en el MERCOSUR, considerando que es un factor fundamental para la competitividad sistémica y la atracción de las inversiones en el futuro escenario económico internacional.

Programas de Cooperación de Ciencia y Tecnología

Reforzar el papel de la Reunión Especializada de Ciencia y Tecnología con vistas a la integración de los proyectos de desarrollo científico y tecnológico nacionales. Identificar mecanismos para promover la participación de los individuos o centros capacitados de los demás Estados Partes en los programas e instituciones brasileñas.

Integración productiva avanzada

Promover, entre otras iniciativas, alianzas estratégicas entre empresas, asistencia y capacitación técnica intrabloque, fortalecimiento de políticas industriales, políticas de innovación tecnológica, así como mayor participación de las entidades empresariales en dicho esfuerzo.

Integración Física

Desarrollar proyectos específicos de integración física de interés de la región del MERCOSUR.

6.6. Mercosur policy agenda (other areas)

a) Environment

Environmental themes have been present on the agenda of Mercosur since its foundation, as the Asunción Treaty mentioned environmental protection in its preamble. Early in its history, the members began to coordinate positions at the big environmental conferences: in the Canela declaration of 1992, for example, they coordinated positions ahead of the Rio Conference. In 1995, a specific working group on the environment (SGT6) was created. The group produces legislative proposals on a wide range of themes and publishes a work programme every year. One of the results is the Framework Agreement on the Environment, adopted in 2001, in which Mercosur confirms its commitment to the principles of the Rio Declaration of 1992 and commits to cooperating on environment protection and on actions to maintain the sustainable use of natural resources.

All Mercosur countries have ratified the Kyoto Protocol (the last was Brazil in August 2002). Uruguay is also active in selling emission rights to EU countries, notably Spain.

The Foz de Iguazú Act in October 2004 regarding the Guaraní Aquifer resulted in a key declaration in which water was declared a fundamental human right and an inalienable social right.

b) Physical integration

Mercosur policy makers recognise that regional trade, investments, and the free circulation of people are still obstructed by inadequate infrastructure. The issue has a wider scope than the Southern Cone sub-region and has indeed been tackled at South American level under the South American Regional Infrastructure Integration (IIRSA) initiative, launched in 2000 by the South American¹⁴ presidents. IIRSA develops regional projects in transport, energy and telecommunication infrastructure, funded by governments, regional financial institutions and private institutions.

¹⁴ All South American countries are members.

In the Work Programme for 2004-2006, Mercosur recognises the need for improving its infrastructure in order to enhance the bloc's competitiveness and to improve its integration within the international economy. In view of this aim, it suggests:

- giving priority within IIRSA to those projects of interest to Mercosur;
- creating a special fund for infrastructure and stimulating better integration among the member countries;
- drawing up an investment programme for infrastructure.

c) Education

In 2001, the Education Ministers of Mercosur's four member states redefined the mission statement of the Mercosur Education Sector (SEM) as follows: "to contribute to Mercosur's objectives by setting up a common education framework to help stimulate ... integration, internal mobility and exchanges, with the objective of quality education for all, with special regard for the most vulnerable sectors of society, in a development process marked by social justice and respect for the region's cultural diversity".

A Regional Strategic Plan was established, defining objectives and action strategies for basic, technical and higher education throughout Mercosur for the 2001-2005 period, in line with two defining principles:

- free circulation of knowledge, encompassing the production, dissemination, and use of education-related materials,
- free circulation of educators, with the aim of fostering the exchange of cultural and educational experience.

The SEM's Regional Coordination Committee (CCR) is currently working on the preparation of the 2006-2010 Regional Strategic Plan and the evaluation for the 2001-2005 period (both should be completed by June 2006).

d) Social and labour policy

The Asunción Treaty did not include provisions for a common labour or social policy, but in the Montevideo Declaration of 1991, Labour Ministers decided to take the labour aspects of the integration process into account and established a labour working group (now known as SGT10). Meetings of Labour Ministers are also held.

The Social Forum (FCES), established by the Ouro Preto Protocol, aims at promoting a common agenda on social and labour themes.

At the urging of the FCES, the Meeting of Social Development Ministers has adopted a Plan for Social Mercosur 2005-2007, including various activities aimed at coordinating social policies and the fight against poverty and exclusion in the region.

In a recent effort to put social and labour issues at the centre of the Mercosur agenda, the declaration of June 2005 established a high-level group for the study of an employment strategy and instructed it to draft a Social and Labour Protocol for Mercosur. It also called for more cooperation between the FCES and the GMC. The issue is to be monitored.

e) Research and development

Mercosur members cooperate in R&D matters via the RECyT, the Specialised Meeting for Science and Technology, established in 1992 (decision 24/92) to provide a basis for a common policy. The RECyT also represents Mercosur in international cooperation programmes (e.g. the EU's Biotech and SPS programmes). It comprises technical staff from public institutions in the member countries and has a coordination team and two commissions (support for science and technology development and the information society). Its 2004-2005 work programme ranges from courses on the information society to support for entrepreneurship.

f) Audiovisual sector

The Cinema and Audiovisual Specialised Meeting (RECAM – *Reunión Especializada de autoridades cinematográficas y audiovisuales del Mercosur y Estados Asociados*) was created in December 2003 by a resolution of the GMC, with the objective of establishing an institutional instrument to advance the integration of the audiovisual and cinematographic industries in the bloc. RECAM is managed by a Technical Secretariat in Montevideo. The institutions represented on RECAM are: INCAA of Argentina, ANCINE and the Audiovisual Secretariat of the Brazilian Ministry of Culture, the Vice-Ministry of Culture in Paraguay, and INA in Uruguay. RECAM has its own budget and has set up an Audiovisual Observatory (OMA) to collect information on this industry in Mercosur.

g) Justice and internal affairs

Mercosur and its associated members cooperate actively in security matters. Among the numerous agreements and cooperation frameworks, one worth singling out is the Three Frontiers Security Agreement (1998), aimed at strengthening the cooperation among the security forces of the Mercosur countries, Bolivia and Chile. This agreement has since been reinforced by a number of decisions, resolutions and agreements on preventive measures against arms production and trafficking, illegal drug trafficking, and smuggling. To this end, an information and coordination system has been established among the police forces and security forces of the Mercosur countries and the associated countries Chile and Bolivia.

CMC decision 05/03 implements, among other things, several agreements complementing the Regional General Security Plan to combat the theft of goods in transit, piracy and cigar smuggling.

Finally, there have been other advances such as the approval (CMC Decision 15/04) of a memorandum of understanding on the illegal production of and traffic in firearms, munitions, explosives and other related materials among Mercosur countries.

6.7. EU/EC cooperation objectives and instruments

6.7.1. *The EU Treaty objectives for external co-operation*

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development co-operation shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

Furthermore, the Community's development policy should contribute to the general objective of developing and consolidating democracy and the rule of law, and encouraging respect for human rights and fundamental freedoms. Thus, development cooperation is a multidimensional process that covers broad-based equitable growth, capacity- and institution- building, private sector development, social services, environment, good governance and human rights.

The Treaty also requires the Community and the Member States to co-ordinate their policies on development co-operation and to consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policies are taken into account in the formulation and implementation of other policies affecting the developing countries.

6.7.2. *The objectives set out in the applicable Regulation/Agreement governing the co-operation and region-specific co-operation objectives*

Co-operation between the EC and Mercosur is currently covered by the Regulation¹⁵ (EC) No 1905/2006 of the European Parliament and of the Council establishing a financing instrument for development cooperation (DCI) and by EC communications on co-operation between the EU and Latin America. The DCI Regulation is designed to support *inter alia* development cooperation, economic, financial, scientific and technical co-operation and all other forms of co-operation with partner countries and regions, and international measures to promote the objectives of the EU's internal policies abroad.

The Commission's communication on the prospects for strengthening the partnership between the European Union and Latin America 1996-2000 (COM (95) 495) stressed three priority areas for co-operation: institutional support and consolidation of the democratic processes; fight against poverty and social exclusion; support for economic reforms and improved competitiveness. Cross-cutting issues such as support for regional co-operation and integration, education and training and management of North-South interdependencies (environment, energy, drugs) should be taken into account when implementing these priorities.

¹⁵ Legal basis Art. 179 EC Treaty.

The Rio Summit of 1999 (between Heads of State of the EU, Latin America and the Caribbean region) emphasised the importance of Human Rights, information society and reduction of social imbalances. This gave rise to horizontal projects such as @LIS (Information Society) and ALβAN (training of Latin American students in European universities). The Madrid Summit in 2002 issued a very comprehensive political declaration (“the Madrid Commitment”) in which the Heads of State and Government of EU-LAC expressed their support for their common political values (multilateralism, rule of law, human rights, political dialogue, fight against terrorism, illicit drugs, corruption, organised crime, racism, concern about local conflicts); common economic issues (trade and investment, in particular the EU-Mercosur association agreement; Doha work programme, global governance; information society) and other shared topics (cultural diversity, horizontal co-operation programmes, migration, HIV/Aids and access to medicines, preparedness for natural disasters). The Joint Declaration of the 2004 Guadalajara Summit reaffirmed the commitment to multilateralism, highlighted the importance of strengthening social cohesion and of tightening the bi-regional relationship through new Association Agreements. At the May 2006 Vienna Summit the 60 participating countries reaffirmed their shared values and their common interests and their willingness to act as part of a multilateral framework. They also confirmed their commitment to strengthening social cohesion and promoting regional integration.

6.7.3. European Community’s Development Policy

In their statement of 10 November 2000 on the European Community's Development Policy, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution to reducing poverty and for which Community action provides added value. These areas were: linking trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity building, particularly in the area of good governance and the rule of law. The Statement also specifies that, in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), in particular with a view to ensuring equitable access to social services.

In November 2005, the Council, the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission adopted a new joint statement re-defining the development policy of the European Union. The statement provides a common framework of objectives, values and principles that the Union – all 25 Member States and the Commission - supports and promotes as a global player and as a global partner. It reflects the changed circumstances since the 2000 joint statement by the Council and the Commission which are characterised by a stronger consensus on the Millennium Development Goals, the international security context and the increased impact of globalisation. It sets development as a key element of the EU’s external action along with the common foreign and security policy and trade policy and it highlights the need for links with these and other related policy areas, such as migration, environment and employment. In putting poverty eradication at its core, the new EU Development Policy stresses the importance of good governance, human rights, democracy, environment and sustainable management of resources, economic growth and trade development, food security, social cohesion and combating inequalities. It recognises that the EU’s relations with each external partner are unique and require an individual ‘policy mix’ of aid, trade and other policies tailored to the needs of each partnership.

6.7.4. Cooperation at Mercosur level

Cooperation activities between the European Union and Mercosur are enshrined in the Interregional Framework Cooperation Agreement signed on 15 December 1995 in Madrid, which entered into force in July 1999. This Agreement is aimed at strengthening the existing relations between the European Union and Mercosur and preparing the conditions for establishing an Interregional Association. The Agreement consists of three main elements: political dialogue, cooperation and trade issues. European cooperation is aimed at supporting the objectives of the Mercosur integration process. Possible forms of cooperation include: (i) systems for the exchange of information, including support for the establishment of computer networks, (ii) institutional training and support, (iii) planning and implementation of joint projects, and (iv) technical assistance.

On 26 July 2001, the EU and Mercosur signed a Memorandum of Understanding (MOU) in Luxembourg. The total amount of the European contribution for cooperation with Mercosur in 2002-2006 was €48 million. The sectors covered by the MOU were: 1) strengthening of Mercosur institutions, 2) making Mercosur's economic and trade structures more dynamic, and 3) support for civil society in Mercosur.

In September 2002, the Regional Strategy Paper was approved (RSP). This document will be in force until 2006, and covers the priorities approved in the 2001 MOU. It expressly links cooperation and the support for the negotiation process, and points out that the strengthening of the Mercosur Common Market is a prerequisite for the conclusion of the negotiations and the sustainability of the association between the two regions.

The RSP 2002-06 (and its operational implementation, the Regional Indicative Programme) established three priority cooperation areas with Mercosur, with a total budget of €48 million:

- Support for the Mercosur Common Market
- Support for Mercosur institutionalisation
- Support for civil society in Mercosur.

In July 1998, the Commission suggested that the Member States should approve a negotiating mandate for a Bi-regional Association Agreement between the EU and Mercosur. At the Rio Summit in 1999, both regions declared their commitment to building a strategic bi-regional association. The agreement would be based on three pillars: political dialogue, cooperation and trade. Negotiations started in April 2000 in Brussels. The political and cooperation chapters are almost complete, but several outstanding issues still need to be resolved in relation to the trade chapter. The trade chapter has a wide-ranging scope, including: liberalisation and facilitation of trade in goods (tariff dismantling, plus common disciplines for customs, technical regulations, safeguard mechanisms), intellectual property rights, services, investment, government procurement, trade facilitation, and sustainable development. As part of the Agreement, the two regions are also negotiating provisions regarding wines and spirits and on sanitary and phytosanitary measures.

6.8. Overview of 2002-2006 cooperation

Pre-identification phase	ME	Identification	ME	Formulation	ME	Decision	ME	Implementation	ME	Closure	ME
Support for the institutionalisation of Mercosur											
Support for the physical regional integration of Mercosur	2.84							Phase II of the customs cooperation project	5.30	Support for the dispute settlement system (Tribunal of Asunción)	0.31
								Phase II of statistical harmonisation in Mercosur	2.00	Harmonisation of technical norms	4.00
								Support for the establishment of the Mercosur Parliament	0.9	Support for the Mercosur Secretariat	0.9
Support for completion of the internal market											
						Macroeconomic harmonisation of Mercosur	7.10	Biotechnology	6.00		
								Phase II of SPS	6.00		
Support for civil society											
				Information Society	7.00	Education, culture	3.00	Socio-labour dimension of Mercosur	0.98		
Sub-total	2.84		0		7.0		10.1		21.18		5.21
Total: 48.00											

6.9. Donor table

SECTORS	EC	IDB	Germany (GTZ)	France	Japan JICA	Korea	Italy	OEA	Canada (IDRC)
Institutionalisation of Mercosur									
Mercosur Institutions	<ul style="list-style-type: none"> * Mercosur Secretary Phases I* and II (€900 000) (finished) * CPC - Joint Parliamentary Commission I (€0.9 million) *Support for establishing the Mercosur Parliament (€0.9 million) 	<ul style="list-style-type: none"> * Mercosur Secretary (US\$500 000) * CRPM – Permanent Representatives Committee (US\$75 000) 					Training of senior executives (under negotiation)		
Legal Framework	Dispute settlement system - Tribunal of Asunción (€310 000)	Study "Apoyo a la Aplicación de los Reglamentos contra Prácticas Desleales al Comercio, Defensa Comercial y Salvaguardia" (US\$75 000)							

SECTORS	EC	IDB	Germany (GTZ)	France	Japan JICA	Korea	Italy	OEA	Canada (IDRC)
Statistics	Statistical harmonization. Phase 1: 4.135M € (1998-2002). Phase II: 2M€ (2006-2010)	Common Census in Mercosur, with the Statistical Institutes of the Mercosur countries							
Market Integration (and sectors)									
Macro economy	Macroeconomic harmonisation of Mercosur indicators (7.1M€)	"Supervisión Global Consolidada". With SGT 4 (Financial Matters)							
Customs	Customs Phases I* and II with Technical Committee (€0.7 million + €5.3 million)				"Estudo do Transporte de Mercadorias no Mercosul" (under negotiation)				
Physical integration	Support for the physical integration of Mercosur, programmed for the 2nd half of 2005 (€2.84 million)								

SECTORS	EC	IDB	Germany (GTZ)	France	Japan JICA	Korea	Italy	OEA	Canada (IDRC)
Technical Norms	Technical Standardisation Phases I* and II (€3.95 million + €4 million)								
Agriculture and SPS	Agriculture Phases I* and II (veterinary and phytosanitary issues) (€11.2 million + €6 million)				* Quality/cost of bottles and packaging, with the Industrial Technology Institutes of Mercosur (under negotiation) * Agricultural production and environmental sustainability in Mercosur (under negotiation)				
Mining		Financing of the JICA project			Bank for new investments II. Projects in non-metal minerals. With SGT 2 (under negotiation)				

SECTORS	EC	IDB	Germany (GTZ)	France	Japan JICA	Korea	Italy	OEA	Canada (IDRC)
Science and Technology	Biotechnology (€6 million 2005-08) Open to Sixth Framework Programme Bilateral agreements with Argentina and Brazil			Cooperation Agreement on Science & Technology with Mercosur (2003)		Workshop TI: "oportunidades de negocios y Cooperación Técnica" (2002)		*Regional Programme of technology missions for SMEs, with Arg, Bra, and Uru. Management: Min. Education Uruguay *Coop in C&T with Mercosur in 1997 and 1998, Management: MST Brazil	
Mercosur Civil Society									
Labour Relations	Social dimension of Mercosur, integration. With SGT 10 (€950 000)								
Info. society	Virtual School & Electronic Commerce (€7 million, in preparation)								
Education, culture, audiovisual sector	Intra-Mercosur Student Mobility (€3 million, at decision stage)					Mission of Korean journalists to Mercosur			

SECTORS	EC	IDB	Germany (GTZ)	France	Japan JICA	Korea	Italy	OEA	Canada (IDRC)
Economic research		Study "O Ingresso na União Européia dos 10 países candidatos: Conseqüências para Mercosul"						Mercosur Net (finished)	Network of Universities and Institutes RED Mercosur
Sustainable industrial dev.			<ul style="list-style-type: none"> * Clean production processes. With SGT 6 * Sustainable Production, competitiveness and the Environment" (C&MA). * inter-institutional cooperation with the industry working (sub-)group (SGT 7 Industria) as well as with the "Foro de Competitividad Madera-Muebles del MERCOSUR" 					Environment With SGT 3. (finished)	

SECTORS	EC	IDB	Germany (GTZ)	France	Japan JICA	Korea	Italy	OEA	Canada (IDRC)
Tourism		"Conta satelite de Turismo", RET (US\$145 000)			Tourism promotion of Mercosur in Japan. With RE Tourism (under negotiation)				

* Projects previous to the MoU 2002-2006.

6.10. Acronyms

@LIS:	Alliance for the Information Society
AEC:	Common External Tariff (<i>Arancel Externo Común</i>)
ALADI:	Latin American Association for Integration (<i>Asociación Latinoamericana de Integración</i>)
ALFA:	Latin American University Training (<i>América Latina - Formación Académica</i>)
AL-Invest:	European Commission Programme for Business Meetings
ALURE:	Latin America Programme for Energy Cooperation
ALβAN:	European Union Programme of High-Level Scholarships for Latin America
ANCINE:	National Cinema Agency (<i>Agencia Nacional do Cinema</i>)
CCM:	Mercosur Trade Commission (<i>Comisión de Comercio de Mercosur</i>)
CCT:	Technical Cooperation Committee (<i>Comité de Cooperación Técnica</i>)
CMC:	Common Market Council (<i>Consejo del Mercado Común</i>)
COM:	Communication
COREPER:	Permanent Representatives Committee
CPC:	Joint Parliamentary Committee (<i>Comisión Parlamentaria Conjunta</i>)
CRPM:	Commission of Permanent Representatives (<i>Comisión de Representantes Permanentes</i>)
CSP:	Country Strategy Paper
EC:	European Community/ies
ECLAC:	Economic Commission for Latin America and the Caribbean
EIB:	European Investment Bank
EU:	European Union
FCES:	Social and Economic Advisory Forum (<i>Foro Consultivo Económico y Social</i>)
FDI:	Foreign Direct Investment
FTA:	Free Trade Agreement
FTAA/ALCA:	Free Trade Area of the Americas/Área de Libre Comercio de las

	Américas
G20:	Group of 20
GDP:	Gross Domestic Product
GMC:	Common Market Group (<i>Grupo Mercado Común</i>)
ICT:	Information and Communication Technologies
IFIs:	International Financial Institutions
IIRSA:	South American Regional Infrastructure Integration
IMF:	International Monetary Fund
INCAA:	National Institute for Cinematography and Audiovisual Arts (<i>Instituto Nacional del Cine y Artes Audiovisuales</i>)
JICA:	Japanese International Cooperation Agency
LA:	Latin America
MDG:	Millennium Development Goals
MERCOSUR:	Southern Common Market
MOU:	Memorandum of Understanding
NAFTA:	North America Free Trade Agreement
NGO:	Non-Governmental Organisation
NIP:	National Indicative Programme
RECAM:	Specialised Meeting for the Cinema and Audiovisual Authorities of Mercosur (<i>Reunión Especializada de autoridades cinematográficas y audiovisuales del Mercosur y Estados Asociados</i>)
RECyT:	Specialised Meeting for Science and Technology
REDIMA:	Macroeconomic Dialogue Network (<i>Red de Diálogo Macroeconómico</i>)
RSP:	Regional Strategy Paper
S&T:	Science and Technology
SEM:	Mercosur Education Sector
SGT:	Technical Subgroups (<i>Subgrupos de Trabajo</i>)
SMEs:	Small and Medium-Sized Enterprises
SPS:	Sanitary and Phytosanitary Measures
TA:	Technical Assistance
TBT:	Technical Barriers to Trade

TPR:	Permanent Review Tribunal
UN:	United Nations
URB_AL:	Urban Development in Latin America
US\$:	United States dollar
WB:	World Bank
WTO/OMC:	World Trade Organisation/Organización Mundial del Comercio