

LATIN AMERICA AND THE EUROPEAN COMMUNITY

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Relations between the European Communities and all of the countries of Latin America have been the object of ever-increasing attention from the Community, which has put a great deal of effort into improving and deepening these relations.

On 17 April in Caracas, Mr Wilhelm Haferkamp, a Vice-President of the European Commission with special responsibilities for External Relations, will preside over the establishment of the Commission delegation for Latin America, and in the context of this event, the following document contains a brief description of the whole range of these relations.

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LATIN AMERICA AND THE EUROPEAN COMMUNITY

Following the 'Buenos Aires declaration', which enabled those Latin American countries grouped together within the CECLA (The Special Commission for Latin American Coordination) to call for the setting up of a system of cooperation between Europe and Latin America, the Community and its Member States recognized the important place which Latin America deserved in the sphere of the Community's external relations in its joint declaration of 18 June 1971. The Community also made clear its political desire to make a positive response to the ambitions of the Latin American countries, particularly by setting up an institutionalized system of relations for cooperation between the two large entities.

It was thus that the two parties agreed that an 'EEC—Latin America dialogue' should be held regularly at the level of the Ambassadors, and this was intended to provide an initial forum for examining problems of mutual interest which would go beyond the difficulties arising from the differences in approach and structure which the two parties might have.

The Community is most concerned to develop its relations with Latin America as a whole. Consequently, after having built up its contacts with LAFTA, the Latin American Free Trade Association, it is now trying to promote global relations in those areas where tangible and swift results can be expected. In this respect, one could mention by way of an example the fact that the Community has recently intensified its contacts with the Inter-American Development Bank. And along much the same lines, the Community is following with interest the first developments of the LAES, the Latin American Economic System, one of whose many aims is to achieve coordination between its member countries — all of the Latin American countries — in order to draw up joint positions with respect to the rest of the world. The Commission of the European Communities hopes that through fruitful cooperation it will be able to develop the first working contacts which it has already made with this organization, which has been given the special task of examining the ways to 'revitalize' the EEC—Latin America dialogue.

Cooperation between the Community and Latin America is also developing along two other main axes:

- *the bilateral agreements* concluded between the Community and various Latin American States;
- *the general development cooperation policy* pursued by the Community. One of the aspects of this policy is to support attempts to achieve regional or sub-regional economic integration and there are many examples of this in Latin America, within the Central American common market of the Andean Pact, which Europe is following very closely.

1. Bilateral relations between the EEC and the countries of Latin America

The Community has signed bilateral trade agreements with three Latin American countries: *Argentina* (1971),¹ *Brazil*² and *Uruguay* (1973).³

These non-preferential agreements, which are based on the principle of the most-favoured nation treatment, are concluded for a three-year period although they may be extended annually if the two parties agree. Their main aim is to develop trade and economic relations between the partners within an institutional framework. Apart from the advantages linked to trade in certain products (beef and veal in the case of all three, plus cocoa butter and soluble coffee for Brazil) the agreements have given rise to the creation of Joint Committees which meet regularly and make possible very full exchanges of views and information on reciprocal trade and the ways in which this should be developed.

More recently, in 1975, the Community signed an agreement with *Mexico*.⁴ It is also non-preferential and may be extended after its initial period of validity which is five years. This is a new kind of agreement

¹ See Official Journal (OJ) of the European Communities, No L 249, 1971.

² OJ L 102, 1974.

³ OJ L 333, 1973.

⁴ OJ L 247, 1975.

which reflects the development of Community competences in various sectors of the cooperation policy. The means selected for achieving the aims of the agreement, which are in themselves classic, — the development of trade between the partners for their mutual benefit — are basically founded on commercial and economic cooperation, and this should be implemented by the Joint Committee, since it can facilitate contacts and exchanges of information between businessmen on both sides. In addition, the agreement includes a 'structure development' clause, which makes it possible to extend its scope to other fields in accordance with the interests of the two parties.

Other bilateral agreements have been concluded between the European Community and certain Latin American countries, but in more specialized spheres:

- Cooperation agreements concerning the peaceful uses of *nuclear energy* have been signed with Argentina¹ and Brazil,² and these came into force in 1963 and 1965 respectively.
- In the context of the International Arrangement for the *Textiles Trade*, the Community has just concluded agreements with Argentina, Brazil, Colombia, Guatemala, Mexico, Peru and Uruguay. These became applicable *de facto* on 1 January 1978³ and are valid for five years. The agreements most certainly restrict the theoretical export capacities of some of these countries, but they also safeguard the future by guarding against the risks of increased protectionism which might be caused by too drastic developments in the spheres of international trade and European production capacities.
- Finally, export quotas for certain *craft products* have been opened⁴ since 1975 with Uruguay, since 1976 with Bolivia, Chile, Ecuador, Panama and Paraguay, since 1977 with Honduras and Peru and since 1978 with Salvador. In the case of Honduras and Salvador, these quotas also cover silk and cotton fabric woven on handlooms.

2. Latin America's place in the European development cooperation policy

The EEC's development cooperation policy is no longer restricted to its links with its African partners of the Yaoundé Convention and subsequently of the Lomé Convention. Since the beginning of the 70s, all the countries in Latin America have had the chance of taking advantage of all the instruments which the European Community makes available to all developing countries whether they are associated or not. These include generalized preferences, aid for export promotion, aid for regional integration and financial and technical aid.

(a) Generalized preferences

The Community Generalized System of Preferences (GSP) makes it possible for a large number of manufactured or semi-manufactured products from the developing countries to enter the European market duty-free. Of course, this is merely one aspect of a much wider system which was set up at world level by the industrialized countries, but it should not be forgotten that the EEC was the first to bring such a system into operation in 1971, and it has made continued efforts to actively integrate it into its development policy. Over the years, it has made repeated improvements which benefit all the developing countries without discrimination.

Of course the Community preferences are not immune to the general criticisms levelled at the system itself by the developing countries: although they are not reciprocal, non-discriminatory and generalized, they are also — and this is the other side of the coin — not automatically available and are incomplete in so far as they include safeguard mechanisms.

¹ OJ L 186, 1963.

² OJ L 79, 1969.

³ See OJ L 357, 1977.

⁴ See OJ L 307, 1977.

However, within the context of the Community GSP, these faults have been gradually diminished over the years and the Latin American countries, amongst others, have gained from this. Since it was brought into force, the Community GSP has been the subject of continued cooperation with these countries. In the framework of the EEC/Latin America dialogue at ambassadorial level, in particular, the technical functioning of the generalized preferences system has been one of the trade problems jointly examined by the two parties during the course of several sessions.

The Latin American countries have always called for an extension of the Community's offer covering processed agricultural products under its generalized preferences, and so the inclusion in the GSP since 1977 of the offer made by the Community for tropical products in the context of the Tokyo Round has given them some satisfaction, albeit partial, since it covers a category of products which is of interest to a good many of them.

Similarly, the ceilings system has been improved over the years, both as regards the reduction of the number of products involved and the increased use of the so-called 'cut-off' clause, which still leaves open possibilities for the less-developed beneficiary countries. Even in such a diversified region as Latin America, the Community GSP makes it possible to take account of the disparities which exist between the countries and to help to reduce them. On 3 March 1975, the EEC Council of Ministers adopted a resolution on this point which requested that the improvements to the GSP should particularly take account of the interests of the less-favoured countries, in order to make it easier for them to gain preferential access to the Community market.

Experience has shown that Latin America has been able to take good advantage of the Community GSP. According to the figures available for 1975, its share in EEC imports of products covered by the GSP was:

— agricultural products:	± 55%
— industrial products (with the exception of textiles or coal and steel products):	± 25%

But the figures also show that the GSP was used to particular advantage by those Latin American countries which were already the best equipped from the point of view of production, processing and marketing: between them, Brazil, Argentina, Peru, Mexico, Venezuela and Chile accounted for 90% of Latin America's exports to the EEC under the GSP.

These results confirm that the Community is doing the right thing in aiming to give the least-favoured developing countries greater preferential access to its markets. They also show that there is still much to be done by the Community¹ and also by the authorities in the beneficiary countries, to make the businessmen in these countries more aware of the chances which a better use of the GSP will give them.

(b) Export promotion

The same businessmen are now directly approached and helped to sound out the Community market, with a view to developing their sales. This is done through a programme to promote exports to the EEC, and since 1974, the Latin American countries have also been able to take advantage of this scheme.

This is an extremely practical programme and because of the number and variety of measures which it includes, it is possible to satisfy the needs of the majority of Latin American countries, mainly by

¹This year, the European Commission has for the first time published a 'Practical Guide for using the Community Generalized System of Preferences'. This guide, which has also been printed in Spanish, will be updated every year.

making up for their handicaps in the commercial sphere, caused by their great distance from Europe and the considerable differences in consumer trends on either side of the Atlantic. The development of these activities during a period of international economic tension is indicative of the Community's desire to continue its policy of goodwill and cooperation with Latin America. Accordingly, the list of activities in 1977 was as follows:

- about 45 appearances in about 20 trade fairs and specialized exhibitions in Europe,
- the making available of 20 trade promotion experts,
- 9 missions for Latin American exporters to Europe from Argentina, Colombia, Ecuador, Mexico, Paraguay, Peru and various countries in Central America,
- 3 missions for European buyers to Latin America, visiting Argentina, Bolivia, Guatemala, Mexico and various countries in Central America,
- 4 seminars in Europe (craft products, leather, off-the-peg clothes, tourism),
- 2 trade promotion seminars, one held in Asuncion for Argentina, Bolivia, Brazil, Paraguay and Uruguay, and the other in Quito for Ecuador, Colombia and Peru,
- 5 *marketing* seminars held in Mexico City, Quito (for Ecuador and Colombia), Lima (for Peru and Bolivia), Buenos Aires (for Argentina) and Caracas (for Venezuela).

When they are combined, generalized preferences and export promotion make for a particularly effective instrument, which is well adapted to the requirements of Latin America which, as can be seen, has immediately realized the advantages to be gained for the development of its trade and, quite simply, for its own development.

(c) Aid for regional integration

The Community is also pursuing measures aimed at giving aid for regional integration; these measures are mainly directed at Latin America, given the long-standing tradition for regional integration in this region, the large number of organizations involved and the great number of countries affected.

Over a period of more than twenty years, the Community has gained experience and understanding of integration problems, and this has led it to give favourable consideration to efforts made along these lines by other groups of countries, which means that its aid efforts take on an almost sentimental aspect. But the motives behind it are also very realistic. Community experience has shown that a large economic entity has greater trading possibilities and also – particularly lately – is more stable during a crisis period. The Community would like to find the same opportunities and stability which it offers its external partners for its own exports, purchases and investments.

In so far as it can make available the methods and results of European integration, the Community can contribute to the various attempts at integration which are being undertaken in Latin America, and this is why it is more than prepared to do so, in the mutual interests of all concerned.

The Community has already begun fruitful talks with the competent authorities and welcomes efforts aimed at relaunching regional integration in Latin America. It has already been in a position to satisfy a series of requests for aid or technical assistance from:

- LAFTA (Latin American Free Trade Association); in the spheres of regional policy, information, customs union problems (in particular, customs nomenclature) and statistics,
- the Andean group, in the spheres of exports, training of specialists and industrial programming (in the metalwork, mechanical, motor vehicles and petrochemical sectors) and the development of statistics,

- the Central American common market, in the spheres of customs nomenclature, customs laboratories, and customs value (in particular, the training of staff),
- INTAL (the Institute for Latin American Integration), in the spheres of legal data processing, the approximation of undertakings, and small- and medium-sized undertakings.

(d) *Financial and technical aid*

Finally, along with these kinds of indirect or long-term forms of aid, since 1976, the Community has been able to provide direct financial and technical aid in some specific cases. This aid, which is still very limited (45 million EUC in 1977 for all of the non-associated developing countries), was made available to satisfy well-defined priority aims: satisfying food requirements and the promotion of cooperation and regional integration. In this last instance, the aid is not planned to help with the running of integration organizations, but must be used to finance practical regional projects which are conceived as a contribution to development cooperation or integration between the developing countries. With a view to upholding its objective of satisfying food requirements, the Community intends to give priority to agricultural or agri-industrial development projects.

Latin America's share of this direct aid has increased from 10% in 1976 (2 million u.a.) to about 22% in 1977 (10 million). The beneficiary of the first aid operation, in 1976, was Bolivia. In 1977, the aid, which was considerably increased, was granted to regional projects in Central America and the Andean region.

3. Trade between the Community and Latin America

Trade between the Community of the Nine and the countries of Latin America has developed as follows between 1968 and 1976

(in millions of USD):

Year	EEC imports	EEC exports	EEC trade balance
1968	3 450	2 711	– 739
1970	4 395	3 360	– 1 035
1972	4 815	4 615	– 200
1974	8 315	8 474	+ 159
1975	7 934	9 041	+ 1 107
1976	9 164	8 240	– 924

Source: IMF Direction of Trade and (1976) Statistical Office of the European Communities.

Latin America must certainly be concerned about the way its share of the overall Community imports market is falling off. It is true that this share fell from 7.5% in 1968 to a little over 5% in 1974, 1975 and 1976. However, this development is not a result of the preferential agreements which the Community has concluded with other countries in the framework of its Mediterranean policy or the Lomé Convention. During the same period, the ACP countries' share in Community imports also decreased, falling from 7.7% for the whole group to 6.5%. These reductions in relative value are really nothing more than the reflection of a world-wide phenomenon (between 1950 and 1975, the share of Latin American exports in total world exports fell from 10.4% to 3.9%), which is basically the result of the more important place which States like Japan and the oil-producing countries are acquiring in the international economy (in the case of the latter States, their share of world exports almost doubled between 1950 and 1975).

However, there is still much left to be done on both sides to diversify trade patterns, since 85% of Latin America's exports to the whole world and the Community are still made up by raw materials.

Trade with Latin America in terms of groups of products

(in % in 1976)

Products	EEC imports	EEC exports
food products and live animals	45.2	3.2
drinks and tobacco	1.8	1.4
energy products	8.1	0.5
oils and fats	1.5	0.2
other raw materials	23.2	0.8
chemical products	1.7	16.4
manufactured goods	15.8	17.9
machines and transport equipment	1.8	55.1

Source: SOEC

Latin America can congratulate itself on the fact that its trade balance with the Community is generally in its favour. Between 1968 and 1976, there were only two years which proved an exception to the rule. Compared with 1975, the balance in 1976 showed an improvement of nearly 2 000 million dollars; this would seem to indicate that the deficits which the Latin Americans had in 1974 and 1975 do not point to the beginning of a new, less favourable trend.

On the whole, the Community's efforts should make it possible to reply to the fears expressed in certain Latin American circles. Following the multilateral or even its independent trade negotiations, the Community has progressively altered and reduced its common customs tariff to an almost unparalleled extent, particularly in the case of products which are of great importance to Latin America, such as coffee. Added to this is the effect of the generalized preferences, whose aim is to encourage the growth of trade, the industrialization of the beneficiary countries and the diversification of their economies. They have been used to particularly good advantage by countries which are relatively advanced from the economic point of view, particularly those of Latin America.

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