The European Union, Latin America and the Caribbean: a strategic partnership
A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (http://europa.eu.int).

Cataloguing data can be found at the end of this publication.

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Introduction

The European Union, Latin America and the Caribbean share many values relating to human rights and democratic principles, the market economy, the fair distribution of the fruits of globalisation and the benefits of the advent of new technologies. These common values have enabled the Heads of State or Government of both regions, who met for the first time in Rio in 1999, to set up a bi-regional strategic partnership, laying down certain priorities to ensure coordinated action in the political, social and economic spheres.

The European Union (EU), and Latin America and the Caribbean (LAC) must now continue to consolidate their partnership.

The third EU-LAC summit in Guadalajara (Mexico) in May 2004 is a unique opportunity to review the various initiatives, the dialogue and the negotiations between the two regions since 1999.

This brochure gives a brief, factual presentation of the richness of the partnership between the European Union, Latin America and the Caribbean, its background and recent developments. It consists of thematic fact sheets focusing on the main aspects of the strategic partnership and how it has developed, and describes the political, trade and cooperation relations between the EU and each sub-region, as well as humanitarian aid.
The EU has developed and maintained strong links with Latin America and the Caribbean since the 1960s.

The institutional structure and implementation of cooperation with these two areas have, however, been managed under different agreements. Relations between the EU and Latin American countries come under the ALA-DC regulation (Asia, Latin America and developing countries), while the Caribbean countries form part of the ACP group (Africa, Caribbean and Pacific countries) and are therefore bound, with the exception of Cuba, by the Cotonou Agreement signed in 2000 (see chronology and lexicon).

The strategic partnership between the EU on the one hand and Latin America and the Caribbean on the other, which started with the first summit of Heads of State or Government of both regions in Rio in 1999, was pursued and strengthened at the Madrid summit in 2002. The key aspects of the EU–LAC strategic partnership include political dialogue and economic, scientific and cultural cooperation. The strengthening of trade links and the harmonious integration of the partners into the world economy are also key objectives of this partnership.

Continuing with the action plans adopted at the two previous summits, the Guadalajara summit in May 2004 will consolidate the strategic partnership between the two regions. It provides an opportunity to take up a major challenge: to continue increasing the wealth generated by the economy and to share the fruits of growth on a fairer basis, in the context of increasing economic liberalisation and market integration.
Chronology of EU/Latin American
and EU/Caribbean relations

1952 Establishment of the European Coal and Steel Community resulting in the integration process which was to lead to the European Union in 1992.
1976 Initial cooperation activities between the EU and Latin America, including certain Caribbean countries which were not members of the ACP at this date.
1983 Signing of the first cooperation agreement between the EU and the Andean Pact.
1984 Launching of the San José Dialogue between the EU and the Central American countries.
1985 Signing of the EU–Central American cooperation agreement.
1990 Rome Declaration establishing political dialogue between the EU and the Rio Group.
1990 Lomé IV (EU–ACP), accession by Hâti and the Dominican Republic.
1992 Establishment of Cariforum.
1994 Signing of the Ouro Preto Protocol consolidating and institutionalising the Mercosur process.
1994 Fourth ministerial meeting between the EU and the Rio Group in Sao Paulo: adoption of a declaration on ‘partnership’.
1996 First meeting of the high-level dialogue between the EU and the Andean Community on combating drugs following the signing in 1995 of the agreements on ‘precursors’.
1997 Signing of the agreement on an economic and political partnership and cooperation with Mexico.
1999 Launching of negotiations for an association agreement between the EU and Mercosur.
2000 Signing of Cotonou Agreements between the EU (15 countries) and the ACP countries (77 countries).
2000  Cuba enters the ACP group.
2000-2001  Gradual entry into force of the free trade agreement with Mexico.
2002  Signing of the EU–Chile association agreement.
2002  Signing of the memorandum of understanding by the European Commission and the Inter-American Development Bank (IDB).
2003  Entry into force of the Cotonou Agreement.
2003  Entry into force of the provisional trade measures in the EU–Chile association agreement.
2003  Signing of the agreement on political dialogue and cooperation between the EU and the Andean Community.
2003  Signing of the agreement on political dialogue and cooperation between the EU and Central America.
2004  Launching of the negotiations on economic partnership agreements (EPA) with the Caribbean.

Regional and institutional groups in the Latin American and Caribbean area

<table>
<thead>
<tr>
<th>Latin America (geographic)</th>
<th>Caribbean (geographic)</th>
</tr>
</thead>
<tbody>
<tr>
<td>México</td>
<td></td>
</tr>
<tr>
<td>Guatemala</td>
<td>Belize</td>
</tr>
<tr>
<td>El Salvador</td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td></td>
</tr>
<tr>
<td>Nicaragua</td>
<td></td>
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<tr>
<td>Costa Rica</td>
<td></td>
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<tr>
<td>Panamá</td>
<td></td>
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<tr>
<td>Venezuela</td>
<td></td>
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<tr>
<td>Colombia</td>
<td></td>
</tr>
<tr>
<td>Ecuador</td>
<td></td>
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<tr>
<td>Peru</td>
<td></td>
</tr>
<tr>
<td>Bolivia</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td></td>
</tr>
<tr>
<td>Brasil</td>
<td></td>
</tr>
<tr>
<td>Paraguay</td>
<td></td>
</tr>
<tr>
<td>Uruguay</td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td></td>
</tr>
<tr>
<td>Caribbean (geographic)</td>
<td></td>
</tr>
<tr>
<td>Haiti - Bahamas</td>
<td></td>
</tr>
<tr>
<td>Jamaica - Barbados</td>
<td></td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td></td>
</tr>
<tr>
<td>Suriname</td>
<td></td>
</tr>
<tr>
<td>Antigua and Barbuda</td>
<td></td>
</tr>
<tr>
<td>Dominica</td>
<td></td>
</tr>
<tr>
<td>Grenada</td>
<td></td>
</tr>
<tr>
<td>Monserrat (*)</td>
<td></td>
</tr>
<tr>
<td>St Kits and Nevis</td>
<td></td>
</tr>
<tr>
<td>St Lucia</td>
<td></td>
</tr>
<tr>
<td>St Vincent and the Grenadines</td>
<td></td>
</tr>
</tbody>
</table>

Countries taking part in the Madrid summit
Member of the Rio Group (at 3/3/2002)
Central American country
Andean Community member country
Mercosur member country
Cariforum member country
OECS member country
Carcim member country
(1) 2003: with the exception of Montserrat, which is an overseas territory, the Community is an association of sovereign States
Lexicon

ACP: Africa, Caribbean, Pacific. The ACP group was established following the signing of the first Lomé Convention with the European Union in 1975. There were 79 members in 2003.

ALA developing countries regulation: regulation of the European Parliament and Council governing Community cooperation with the countries of Asia and Latin America.

ALFA: Latin American academic training. A bi-regional cooperation programme on higher education.

AL-Invest: bi-regional cooperation programme for cooperation between European SMEs and Latin American undertakings.

@LIS: Alliance for the Information Society. Bi-regional cooperation programme aimed at promoting the information society and combating the digital divide.

CAN: Andean Community of Nations.

Caricom: Caribbean Community and Common Market, the main objective of which is to promote regional economic integration.

Cariforum: Discussion forum to promote the regional integration of the Caribbean countries that are members of the ACP.

Cotonou Agreement: new ACP–EU partnership agreement concluded in February 2000 for a 20-year period (2000–20). This agreement and its financial protocol will be reviewed every five years.

Dipecho: ECHO programme for preparing for natural disasters.

EC: European Community (see EU).


EDF: European Development Fund. The EDF finances projects and programmes in the ACP countries and in overseas countries and territories. The ninth EDF covering the first five years of the Cotonou Agreement, represents an amount of EUR 13.5 million.

EIB: European Investment Bank.

EPA: European partnership agreements. Trade agreements between the EU and the ACP regions. These agreements, which are compatible with WTO rules, are intended to gradually remove barriers to trade and to strengthen cooperation in every domain relating to trade.

EU: European Union. From May 2004, 25 members: Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. The EU was established on the foundations of the EEC (former EC), the ECSC (European Coal and Steel Community) and Euratom (European Atomic Energy Community).

FDI: foreign direct investment

Flex: this system is used to compensate for financial imbalances in ACP countries caused by significant losses of export revenue.

GSP: generalised system of preferences. A system consisting of granting, unilaterally and according to a principle of non-reciprocity, preferential tariffs which are unlimited in terms of quantity, to 180 developing countries, economies undergoing transition and dependent territories. Tariff preferences are modulated according to the classification of imports (sensitive/non-sensitive).

Interreg III: The Interreg III Community programme (2000–06) has an operational framework
aimed at promoting harmonious and balanced development as well as regional integration in the areas concerned.

**LAC**: Latin America, Caribbean.

**Lomé Convention**: The first Lomé Convention, signed in 1975, involved the nine EU Member States of the time and 46 ACP countries. This Convention was renewed four times between 1975 and 2000, before being replaced by the Cotonou Agreement in 2000.

**Memoranda of understanding (MoU)**: Bilateral agreements between the European Community and its partners, which lay down the priorities and indicative budgets for development cooperation for a certain period (in this brochure: from 2000 to 2006).

**Mercosur**: Common Market of the South. Regional integration organisation.

**OECS**: Organisation of Eastern Caribbean States.

**PRRAC**: Regional programme for the reconstruction of Central America.

**Rio Group**: political consultation mechanism dealing with subjects of common interest to Latin America and the Caribbean.

**SFA**: special framework of assistance for traditional ACP banana suppliers. The aim is to improve competitiveness in the banana sector and/or to underpin diversification.

**Stabex**: used up until the ninth EDF, Stabex compensated ACP countries for losses of export revenue due to fluctuations in prices or in demand for agricultural products.

**Sysmin**: used up until the ninth EDF, Sysmin alleviated the effect of the fluctuations of revenue from the production and sale of mining products.

**URB-AL**: bilateral EU-Latin American cooperation programme aimed at developing links between European and Latin American local authorities by pooling best practices relating to urban policies.

**WTO**: World Trade Organisation.
2. Current figures

2.1. The European Union, Latin America and the Caribbean today

Population

Overview of the indicators for both regions

Latin America and the Caribbean: per capita GDP

<table>
<thead>
<tr>
<th>Area (thousands km²)</th>
<th>Population 2001 (millions)</th>
<th>GDP 2001 (euro billions)</th>
<th>Per capita GDP 2001 (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>1 958.20</td>
<td>99.4</td>
<td>492.054</td>
</tr>
<tr>
<td>Chile</td>
<td>756.63</td>
<td>15.4</td>
<td>94.067</td>
</tr>
<tr>
<td>Mercosur</td>
<td>11 910.77</td>
<td>218.6</td>
<td>1 074.078</td>
</tr>
<tr>
<td>Andean Community</td>
<td>4 718.32</td>
<td>115.4</td>
<td>272.878</td>
</tr>
<tr>
<td>Central America</td>
<td>498.64</td>
<td>36.6</td>
<td>63.567</td>
</tr>
<tr>
<td>Latin America</td>
<td>19 842.56</td>
<td>485.4</td>
<td>1 996.643</td>
</tr>
<tr>
<td>Cariforum</td>
<td>621.87</td>
<td>34.3</td>
<td>88.980</td>
</tr>
<tr>
<td>LAC</td>
<td>20 464.43</td>
<td>519.8</td>
<td>2 085.623</td>
</tr>
<tr>
<td>EU-15</td>
<td>3 781.47</td>
<td>378.2</td>
<td>8 865.400</td>
</tr>
<tr>
<td>EU-25</td>
<td>4 599.01</td>
<td>45.3</td>
<td>9 283.647</td>
</tr>
</tbody>
</table>


HDI per region in 2001

<table>
<thead>
<tr>
<th>HDI per region in 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.000</td>
</tr>
<tr>
<td>United States (0.937)</td>
</tr>
<tr>
<td>Japan (0.932)</td>
</tr>
<tr>
<td>0.900</td>
</tr>
<tr>
<td>European Union (0.893)</td>
</tr>
<tr>
<td>0.800</td>
</tr>
<tr>
<td>Central and eastern Europe and CIS (0.787)</td>
</tr>
<tr>
<td>Latin America and the Caribbean (0.777)</td>
</tr>
<tr>
<td>East Asia and the Pacific (0.722)</td>
</tr>
<tr>
<td>China (0.721)</td>
</tr>
<tr>
<td>0.700</td>
</tr>
<tr>
<td>Arab States (0.662)</td>
</tr>
<tr>
<td>Developing countries (0.655)</td>
</tr>
<tr>
<td>0.600</td>
</tr>
<tr>
<td>South Asia (0.582)</td>
</tr>
<tr>
<td>0.500</td>
</tr>
<tr>
<td>Sub-Saharan Africa (0.468)</td>
</tr>
<tr>
<td>Least developed countries (0.448)</td>
</tr>
<tr>
<td>0.400</td>
</tr>
</tbody>
</table>

N.B.: The human development indicator measures, in a country, the level reached in terms of life expectancy, access to education and real adjusted income.
Source: Human Development Report 2003, UNDP.

Per capita GDP at 1995 constant prices, 1991-2001

<table>
<thead>
<tr>
<th>Per capita GDP at 1995 constant prices, 1991-2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>(euro)</td>
</tr>
<tr>
<td>25,000</td>
</tr>
<tr>
<td>20,000</td>
</tr>
<tr>
<td>15,000</td>
</tr>
<tr>
<td>10,000</td>
</tr>
<tr>
<td>5,000</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>LAC</td>
</tr>
</tbody>
</table>

Source: Eurostat, ECLAC.
2.2. EU-LAC trade and investment figures

The EU is Latin America’s second trading partner. The EU has gradually strengthened its economic and trade links with Latin America and the Caribbean, resulting in trade figures that more than doubled between 1990 and 2002.

Latin America and the Caribbean’s trade with the EU has remarkably increased since 1980, although the bulk of the rise took place during the last decade. In 2002, EU imports from Latin America and the Caribbean accounted for EUR 53,700 billion, and exports to the region amounted to EUR 57,500 billion.

If we examine more closely the trend followed by trade figures during the last five years, we will see that EU imports from Latin America and the Caribbean have increased faster than EU exports to the region. As a consequence, Latin America and the Caribbean is steadily reducing its trade deficit with the EU.

The main merchandises exported from Latin America and the Caribbean to the EU are agricultural products, transport material and energy. The EU has a trade deficit with Latin America and the Caribbean in agricultural products and energy, and a trade surplus in the rest of the sectors.

The structure of Latin America and the Caribbean exports to the EU is not very diversified yet, and remains dominated by agricultural products. EU exports to Latin America and the Caribbean are more varied, the main sectors being machinery, transport material and chemical products.

The EU has traditionally been the first investor in the region. European foreign direct investment inflows peaked in 2000 and have since reduced. However, the stock of European investment in Latin America and the Caribbean continues to increase and, in 2002, accounted for more than EUR 200 billion.
### EU merchandise trade with LAC

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>18.1</td>
<td>14.7</td>
<td>-3.3</td>
</tr>
<tr>
<td>1990</td>
<td>26.8</td>
<td>17.1</td>
<td>-9.7</td>
</tr>
<tr>
<td>2002</td>
<td>53.7</td>
<td>57.5</td>
<td>3.8</td>
</tr>
</tbody>
</table>

### EU merchandise trade with Latin America and the Caribbean by product, 2002

- **Agricultural products**: Imports -18.2, Exports 3.6, Balance -14.6
- **Energy**: Imports 4.8, Exports 0.7, Balance 4.1
- **Machinery**: Imports 15.3, Exports 3.8, Balance 11.5
- **Transport material**: Imports 4.9, Exports 9.4, Balance -4.5
- **Chemical products**: Imports 9.5, Exports 7.7, Balance 1.8
- **Textiles and clothing**: Imports 0.6, Exports 1.3, Balance -0.7
The Pan-American road network

EU foreign direct investment with LAC (flows)

EU foreign direct investment with LAC (stocks)
Loans

The level of collaboration between the Commission and the major international institutions in the field of development cooperation is particularly high in Latin America. These institutions are additional partners for European cooperation policy and, as such, they contribute to such things as financing projects of mutual interest, combating poverty and strengthening democracy.

The EIB in Latin America

Under the current mandate (ALA III) of EUR 2 480 million for the period from 1 February 2000 to 31 January 2007, EIB funds are utilised to finance investment projects of mutual interest to the countries of the EU and Latin America in 17 countries in the region. There are no amounts per country.

Sectors assisted: The EIB supports viable public and private sector projects in infrastructure, industry, agro-industry, mining and services. Special emphasis is given to the improvement or protection of the environment.

Amount: Between 2000 and 2003, the EIB financed projects in Latin America to the tune of EUR 1 104 million.

The EIB in the Caribbean

Under the successive Lomé conventions, the EIB has played a significant part in financing projects in the Caribbean.

Sectors assisted: Financial support for SMEs (through local financial intermediaries), infrastructures, electricity and energy. Under the Cotonou Agreement’s investment facility, funds will be provided for private sector support, in particular small and medium-sized enterprises, supporting the local savings’ markets as well as facilitating foreign direct investment.

Amount: Between 1978 and 2003, the EIB financed projects in the Caribbean to the tune of EUR 1 154 million.
2.3. EU-LAC cooperation in figures

The European Union is the main donor to Latin America and the Caribbean, providing aid in the form of grants and loans (European Investment Bank).

Grants

In addition to the European Union Member States’ contributions, over EUR 500 million have been allocated to Latin America under the European Community budget every year since 1996.

Furthermore, through the European Development Fund, the Member States finance cooperation projects in the Caribbean for an average value of EUR 81 million per year (EUR 2 041 million between 1976 and 2001).

<table>
<thead>
<tr>
<th>Latin America and the Caribbean</th>
<th>All beneficiaries</th>
<th>% total grants (1)</th>
<th>% own grants (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1 489</td>
<td>9 743</td>
<td>25</td>
</tr>
<tr>
<td>Japan</td>
<td>738</td>
<td>7 482</td>
<td>12</td>
</tr>
<tr>
<td>Spain</td>
<td>694</td>
<td>1 164</td>
<td>11</td>
</tr>
<tr>
<td>EC</td>
<td>582</td>
<td>8 200</td>
<td>10</td>
</tr>
<tr>
<td>Germany</td>
<td>334</td>
<td>3 098</td>
<td>6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>315</td>
<td>2 321</td>
<td>5</td>
</tr>
<tr>
<td>IDB Special Fund</td>
<td>277</td>
<td>277</td>
<td>5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>176</td>
<td>2 708</td>
<td>3</td>
</tr>
<tr>
<td>UN Others</td>
<td>142</td>
<td>569</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>1 023</td>
<td>17 713</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>6 044</td>
<td>58 238</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Latin America and the Caribbean</th>
<th>All beneficiaries</th>
<th>% total grants (1)</th>
<th>% own grants (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CarDB</td>
<td>31</td>
<td>31</td>
<td>100</td>
</tr>
<tr>
<td>IDB Special Fund</td>
<td>277</td>
<td>277</td>
<td>100</td>
</tr>
<tr>
<td>Spain</td>
<td>694</td>
<td>1 164</td>
<td>60</td>
</tr>
<tr>
<td>UN Others</td>
<td>142</td>
<td>569</td>
<td>25</td>
</tr>
<tr>
<td>GEF</td>
<td>24</td>
<td>139</td>
<td>17</td>
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<tr>
<td>Nordic Dev. Fund</td>
<td>5</td>
<td>32</td>
<td>16</td>
</tr>
<tr>
<td>United States</td>
<td>1 489</td>
<td>9 743</td>
<td>15</td>
</tr>
<tr>
<td>Austria</td>
<td>74</td>
<td>503</td>
<td>15</td>
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<td>AATNU</td>
<td>58</td>
<td>422</td>
<td>14</td>
</tr>
<tr>
<td>Netherlands</td>
<td>315</td>
<td>2 321</td>
<td>14</td>
</tr>
<tr>
<td>Others</td>
<td>2 936</td>
<td>433 037</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>6 044</td>
<td>58 238</td>
<td>10</td>
</tr>
</tbody>
</table>

(1) Grants by each donor to the Latin American and Caribbean countries as a percentage of total grants by all donors to these countries

(2) Grants by each donor to Latin American and Caribbean countries as a percentage of own grants to all beneficiaries (1 489/6 044=25%; 31/6 044=1%).
Table 2: The 10 main beneficiaries in Latin America and the Caribbean in 2001

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>USD Millions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nicaragua</td>
<td>928</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>Bolivia</td>
<td>729</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Honduras</td>
<td>678</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>Peru</td>
<td>451</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>Colombia</td>
<td>380</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
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<td>7</td>
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<td>Ecuador</td>
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</tr>
<tr>
<td>10</td>
<td>Haiti</td>
<td>166</td>
<td>3</td>
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<tr>
<td></td>
<td>Latin America and the Caribbean, others</td>
<td>1,733</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5,044</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3: Aid per sector in Latin America and the Caribbean in 2001

Aid for Latin American and Caribbean countries is concentrated in the following sectors in particular: social (41%), infrastructure (18%), education and health (17%), multisectoral aid (14%) and, lastly, manufacturing (10%).

All beneficiaries

- Education, health and population: 41%
- Other infrastructure and social services: 17%
- Infrastructure and economic services: 30%
- Manufacturing: 10%
- Multi-sectoral aid: 14%

N.B.: Inside circle: Latin America and the Caribbean; Outside circle: all beneficiaries of aid.
3. The strategic partnership

3.1. The Madrid May 2002 summit

The first summit of Heads of State or Government of Latin America, the Caribbean and the European Union was held in Rio de Janeiro on 28 and 29 June 1999. The objective was to strengthen the political, economic and cultural ties between the two regions in order to develop a strategic partnership.

In Madrid in 2002, the Heads of State welcomed the practical progress achieved by the strategic partnership between the two regions since the 1999 Rio summit. The summit enabled the ‘common values and positions’ professed by both regions to be reasserted, and gave new impetus to the partnership through the ‘political statement’ adopted by the representatives of the 33 Latin American and Caribbean countries and the 15 European Union countries.

The Madrid summit was also the occasion for concluding negotiations on the association agreement between the European Union and Chile, which establishes a political dialogue, cooperation and the gradual introduction of a free trade area.

The European Commission took advantage of the occasion to launch two major new bi-regional programmes in the key sectors of education and the information society: the ALßAN programme, which provides scholarships to Latin American postgraduate students wishing to study in Europe, and the @LIS programme aimed at promoting the use of information and communication technologies. The ALßAN and @LIS programmes are also open to the Caribbean countries, which can take part in them by availing of national indicative programme resources.

EU-LAC summit, Madrid, 17 and 18 May 2002
Lastly, the summit expressed renewed support for the coordination and cooperation mechanism adopted by the EU and LAC in 1999 to combat drugs, entitled the Panama action plan. This mechanism is based on the principle of shared responsibility. It aims to promote inter- and intra-regional cooperation on drugs issues (and related crimes). It also seeks to improve the regular pooling of ideas and experiences by the political and technical authorities of both regions.

For further information on the Madrid summit:
http://europa.eu.int/comm/world/lac/

The Madrid summit declaration

The Madrid declaration essentially focuses on the strengthening of democratic institutions, sustainable development, the eradication of poverty, cultural diversity, justice and social fairness, plus the continuation of the regional integration process.

In relation to political matters, the Heads of State emphasised the need to act in unison within international bodies, in the fight against terrorism and organised crime, and against all forms of discrimination.

In relation to economic matters, they expressed their will to increase the flow of trade and investment between both regions, in line with the conditions governing sustainable development. They also stated that they would work together to improve the international financial system.

In relation to cooperation, the representatives of both regions reaffirmed their common commitment to respect cultural diversity in the world. This commitment is reflected in an active cooperation agreement concerning the information society, education and culture.

3.2. From Madrid to Guadalajara: the achievements

3.2.1. Strengthening ties

Signing of two EU-Central America and EU-Andean Community political and cooperation agreements in Rome on 15 December 2003

The Heads of State had agreed in Madrid to launch negotiations between the European Union and the countries of Central America (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama) on the one hand, and the Andean Community and its Member States on the other (Venezuela, Colombia, Ecuador, Peru and Bolivia). Conducted simultaneously, these negotiations were concluded virtually at the same time and the two political and cooperation agreements were signed in Rome on 15 December 2003 (see also details in the sections of the brochure dealing with EU relations with each one of these two regions).

Implementation of the EU-Chile association agreement concluded at the Madrid summit

The application of the association agreement between Chile and the European Union produced the expected results. Chilean exports to the EU rose by 11.4% during the first six months of entry into force of the commercial component of the agreement (February-August 2003) compared with the same period the previous year. Imports from the EU increased by 23.1% compared with the same period in 2002.

Progress in negotiations for an association agreement between the EU and Mercosur

The EU and Mercosur announced in Madrid in May 2002 that the negotiations on two components, the political dialogue and cooperation, were virtually complete. The trade component remains to be negotiated. Strengthened by the results and hence the success of the multilateral trade negotiations launched in Doha, the negotiations between the EU and Mercosur continued to progress at the same pace as the multilateral negotiations. The parties held six negotiation sessions between the Madrid and the Guadalajara summits.

Analysis of the migration between Europe and Latin America and the Caribbean

In Madrid, the EU-LAC Heads of State or Government agreed: ‘To carry out an integrated analysis of the different issues of migration between our regions, which has brought and continues to bring great benefits to both, to implement solutions and to guarantee the full respect of the fundamental rights of migrant workers and their families, in accordance with international law and national legislation’ (point 31 of the political declaration).

At the initiative of Ecuador, representatives from the EU and LAC met for a two-day experts-level seminar on migration in Quito (4 and 5 March 2004). The seminar allowed for a fruitful exchange on a broad range of issues, such as an assessment of the migration flows, causes of migration, the impact
on receiving countries and the countries of origin as well as policy responses in Latin America and the Caribbean and the European Union.

3.2.2. Developing regional cooperation

**Definition**

The Madrid summit adopted a clear definition of ‘bi-regional’ cooperation between the EU and Latin America and the Caribbean: Evaluation report adopted in Madrid, point 12: ‘The bi-regional nature of the actions is by definition flexible in order to determine how to build links between our regions. Bi-regional activities in the framework of the EU–LAC summit are understood to be those originating in one or various EU Member States or in the European Commission or in one or various LAC countries or in one of their integration organisations involving the participation of various countries (more than one country) of both regions. These activities shall contribute to the strengthening of the bi-regional strategic partnership. The actions that need to be promoted are essentially those that have a multiplier effect in other regions or sub-regions.’

**Website for pooling bi-regional cooperation projects: a new tool for bi-regional cooperation**

The EU–Latin America–Caribbean partners adopted a new tool for bi-regional cooperation in 2003. The cooperation directors in each one of the partner countries met in December 2002 and agreed to establish a mechanism for pooling bi-regional cooperation project profiles. This mechanism operates via the Internet. A forum, with access reserved for cooperation officials in each EU–LAC country, permits cooperation projects to be proposed to counterparts in government structures in other countries. Any partner countries that are interested can communicate online their wish to become involved in implementing a new bi-regional project.

The website for pooling bi-regional cooperation projects has been in operation since October 2003. A seminar on ‘bi-regional cooperation,’ organised at the initiative of Costa Rica, was held in San José on 18 and 19 March 2004, permitting online communications and effective pooling of ideas for bi-regional cooperation projects.
3.2.3. Implementing bi-regional cooperation

The European Commission started to devise and develop horizontal programmes for all of Latin America back in 1993 (with the AL-Invest programme). Bi-regional cooperation between the EU and Latin America, financed by the Community budget, complements that implemented by the European Commission at national and sub-regional levels. The EU has, over time, created a series of programmes in different sectors, in which civil society organisations in Latin America and Europe are the main actors.

Higher education and research:

- **The ALßAN programme**, launched in May 2002, provides postgraduate scholarships to enable students and professionals in Latin America to study in the European Union. It makes possible education projects for postgraduate students (at master's and doctoral level) and for professionals or future decision-makers (for specialised high-level training) in high-level EU institutions.

  The first financial aid under the ALßAN programme was granted for postgraduate studies (masters' and doctoral degrees) and for high-level specialised training during the 2003-04 academic year. The first group selected comprised 251 applications from Latin American students, which were accepted. The education and training periods last between six months and three years. The most popular destinations were Spain and England, with these two countries receiving 193 students, hence 77 % of the applications selected.

  For further information: http://www.europa.eu.int/comm/europeaid/projects/alban/index_fr.htm  
  http://www.programalban.org (ALßAN portal)

- **The ALFA programme** (Latin American academic training), the aim is to promote cooperation between higher education establishments in both regions.

  The second phase of the ALFA programme (2000-05), or ALFA II, consists of two components: (i) participative and academic management, and (ii) scientific and technical cooperation (mobility).

  The budget approved by the European Community for the projects amounts to EUR 42 million.

  For further information: http://europa.eu.int/comm/europeaid/projects/alfa/index_fr.htm

- **OREAL** (Observatorio de las Relaciones UE-AL), approved by the European Union Member States on 18 September 2003, seeks to identify and develop all opportunities for partnership between the two regions. This programme, based on the expertise available in the networks of European and Latin American institutes, aims to achieve better understanding of regional and sectoral issues affecting policy-making.

  Objectives of the Observatory include contributing to the debate on the common challenges facing both regions and on the issues arising from their relationship, strengthening relations between European and Latin American institutes willing to pool their research, information, prospective and strategic analysis capacities, and promoting the spread, in Europe and Latin America, of relevant information relating to relations between these two world regions, based on a strategic vision of these relations.

Economic cooperation:

- **The AL-Invest programme**, launched in 1993, underpins the globalisation of undertakings in both regions by encouraging European SMEs to invest in technological modernisation and management of any Latin American undertakings interested in this. The aim is also to strengthen inter-regional relations through transfers of technology and of European technical know-how to Latin America, and to maintain sustainable cooperation of mutual interest between the undertakings in both regions, confining public intervention to the role of catalyst. To this end, sectoral meetings are organised between undertakings in the same sector on either side of the Atlantic.

  The results have been very positive. Over 30 000 undertakings took part in the AL-Invest programme, accounting for over 200 million investment and trade agreements.

  In December 2003, a contract was signed between the European Commission and a consortium of institutions representing the private sector in Europe and Latin America which will henceforth be responsible for implementing Phase III (2004–07). The amount set aside for the Community contribution is EUR 42 million.


The information society

- **The @LIS programme** (Alliance for the Information Society) aims to reduce the digital divide by promoting the use of information and
communication technologies. The objective of the programme is to meet the needs of local communities, stimulate dialogue on policies and regulation, and increase the interconnection capacity between research circles in both regions.

Based on an evaluation in January 2003, 19 projects were selected to demonstrate the benefits of information and communication technologies in four key areas: local governance, education and cultural diversity, public health and social inclusion. Some 212 organisations from both regions (LA and EU) are taking part in these projects: 103 European organisations and 109 Latin American ones.

For further information: http://www.europa.eu.int/comm/europeaid/projects/alis/index_en.htm

**Energy**

- **The ALURE programme** encourages optimal, rational use of energy by (public, mixed and private) energy supply actors in the EU and Latin America.

The programme ended in 2002. Twenty-five projects were implemented between 1996 and 2001 involving some 100 actors in the gas and electricity sectors.

The results are positive: ALURE supported the efforts by Latin American countries to find greater quantities of better quality energy supplies, while promoting access to this service for the most underprivileged section of the population and ensuring a minimum environmental impact.

The projects generated considerable added value for the beneficiaries, mainly through the transfer of concepts, procedures and instruments tested by the European energy sector, and their adaptation to the Latin American context.

For further information: http://www.europa.eu.int/comm/europeaid/projects/alure/index_en.htm

**Urban development**

- **The URB-AL programme** seeks to establish direct, solid links between European and Latin American towns by disseminating, acquiring and applying 'best practices' in the area of urban policies.

After seven years in operation, the URB-AL programme comprises over 12,000 local authorities in Latin America and the EU representing some 2,000 cases of participation.

Following an initial phase (1996–2000) with a budget of EUR 14 million, the URB-AL programme is now in its second phase (2001–06).

With a budget of EUR 50 million, five new themes have been introduced in this phase: local finance and participative budgets, the fight against
urban poverty, promoting the role of women in local decision-making bodies, towns and the information society, and citizens’ safety in towns.

For further information:

Social cohesion

The Social Initiative is a new programme aimed at developing the capacities of authorities in all Latin American countries to devise coherent policies to fight against social inequalities by identifying the populations most concerned. The eradication of poverty and quest to achieve social equity were the key objectives mentioned at the second summit of Heads of State or Government of the European Union, Latin America and the Caribbean, held in Madrid in May 2002.

To be implemented in 2004, this project complies with the 13th commitment in the Madrid summit political declaration: ‘...to combat poverty through, inter alia, the strengthening of our democratic institutions, macroeconomic stability, the closing of the technological gap, wider access to, and better quality of, education, healthcare and social protection. In this respect we will cooperate in areas such as improving the effectiveness of public institutions ...’.

3.3. The challenges and objectives of the Guadalajara summit

3.3.1. Discussion topics

The preparations for the summit of Heads of State or Government to be held in Guadalajara started at the end of 2002 with the following goals:

• to evaluate the progress achieved by the partnership since the previous summit in Madrid (May 2002);

• to propose to the Heads of State or Government political strategies and an action plan to be adopted to ensure progress in the strategic partnership in Guadalajara in May 2004.

During the preparations, a consensus has gradually emerged on the key themes to be discussed at the summit:

• social cohesion; and

• multilateralism.

This discussion agenda provides an opportunity to propose progress in areas where action has already been started in the context of the strategic partnership. It will also permit a challenge to be laid down for both regions, that of dealing with a problem at
the roots: the lack of social equity and equal access to collective goods and services, despite economic growth. This is the challenge of social cohesion.

Website on social cohesion:
http://europa.eu.int/comm/external_relations/la/index.htm

3.3.2. Participation of all actors in the bi-regional partnership: events in the margins of the Guadalajara summit

Of the events and initiatives in the margins of the Guadalajara summit, social cohesion stands out as one of the central topics in the EU–LAC partnership. The European Commission is co-financing many of these events. Most of the events planned for the margins of the summit relate to a considerable extent to certain dimensions of the problem, such as:

- access to justice;
- the contribution of civil society and the search for good governance;
- the role of taxation and foreign debt;
- the international community and the fight against poverty, inequality and exclusion;
- social groups;
- education and employment;
- immigration.

**List of events in the margins of the Guadalajara summit, co-financed or co-organised by the European Commission**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Place</th>
<th>Organiser</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004 15-16 January</td>
<td>Regional integration and social cohesion in Latin America and the Caribbean: a contribution by members of parliament to the 3rd EU-LAC summit</td>
<td>Chile</td>
<td>CELARE (Centro Latinoamericano para las Relaciones con Europa)</td>
</tr>
<tr>
<td>2004 4-5 March</td>
<td>EU-LAC seminar on immigration</td>
<td>Quito (Ecuador)</td>
<td>Government of Ecuador</td>
</tr>
<tr>
<td>2004 18-19 M arch</td>
<td>Regional cooperation seminar</td>
<td>San José (Costa Rica)</td>
<td>Government of Costa Rica</td>
</tr>
<tr>
<td>2004 21-23 M arch</td>
<td>Conference of local partnerships EU-LAC (URB-AL)</td>
<td>Valparaíso (Chile)</td>
<td>Valparaíso municipal authorities Barcelona</td>
</tr>
<tr>
<td>2004 13-15 April</td>
<td>3rd Meeting of Organised Civil Society U E-ALC (CESE)</td>
<td>Mexico (Mexico)</td>
<td>European Economic and Social Committee (EESC)</td>
</tr>
<tr>
<td>2004 19-21 April and June</td>
<td>EU-LAC seminar on access to justice</td>
<td>Costa Rica / Brussels</td>
<td>IIDH – Inter-American Institute for Human Rights</td>
</tr>
<tr>
<td>2004 19-21 April and End of May</td>
<td>Launching of the PRODDAL report on democracy in Latin America</td>
<td>Lima (Peru) Guadalajara (Mexico)</td>
<td>UNDP</td>
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</table>
4. Thematic challenges

4.1. Social cohesion

‘The tremendous efforts that Latin American nations in the past two decades have put into modernising their economies and stabilising democratic rule and respect for human rights yielded considerable dividends in terms of growth, trade and investment. But this has not been translated into widespread improvements in living conditions, filtering through to all levels of society. Despite the strides made to improve living conditions and to increase and safeguard public social expenditure, we have witnessed a worrying increase in the number of poor people during the last decade.’

Christopher Patten, EU–Rio Group ministerial meeting, Vouliagmeni, 28 March 2003.

Growth is not enough!
The wealth generated by an economy is not enough to ensure the fair distribution of the fruits of growth, even though the latter is a necessary condition for the sustainable development of a country. The LAC region, which generates a relatively high level of income compared with other world regions, is nevertheless recognised at the moment as being one of the least egalitarian.

A real debate must be conducted on social cohesion to find solutions that would help reduce poverty, inequalities and social exclusion in the region.

N.B. The Gini coefficient measures inequality in income distribution. High coefficient = high level of inequality.
Source: Inter-American Development Bank (IADB).
The State and its responsibilities

The role of the State is essential to ensure a satisfactory level of social cohesion. Bearing in mind the need for stability in terms of the macro-economy and public finance, the State can, for instance, take action in relation to the tax system to make it fairer and more progressive. The search for greater cohesion thus requires a continuation of democratisation efforts through participative governance.

Latin America and the Caribbean: social cohesion as a new challenge

There is a broad consensus that recognises that the Latin American and Caribbean countries will not be able to achieve sustainable growth unless they deal with the problem of social exclusion at the source. The socioeconomic indicators of the LAC countries have drawn significantly closer to those defined in the context of the millennium development goals, for instance in relation to access for all to primary education and to healthcare. However, efforts must be made to halt the self-perpetuating processes of economic, social and political exclusion.

The European experience

The European Union is also facing growing problems to maintain its social cohesion levels. The EU Heads of State or Government defined a global strategy to combat social exclusion and poverty at the European Council in Lisbon in March.

Website: http://www.europa.eu.int/comm/external_relations/la/index.htm

The European Union's regional policy, in existence since the 1970s, is also intended to ensure greater economic and social cohesion between its Member States' regions. Website: http://europa.eu.int/comm/regional_policy/index_fr.htm

Exchanges of experience between the EU and Latin America and the Caribbean: one solution for achieving progress in social cohesion

The EU's experience in promoting social cohesion could be used as a basis for its cooperation with Latin American and Caribbean countries. It should also allow LAC countries to find their own ways of combating inequalities, exclusion and poverty.

Initial phases of coordinated action

The biggest lender (the IADB) and the biggest donor (the European Commission) in Latin America work in tandem to draw the European, Latin American and Caribbean partners together in an association and in specific actions to improve social cohesion.

The memorandum of understanding signed by the two institutions on 16 May 2002 acknowledges that social equity and the reduction of poverty are the key themes for coordinated intervention. A joint seminar on social cohesion in Latin America and the Caribbean was organised in Brussels on 5 and 6 June 2003. This provided an opportunity to pinpoint the main problems specific to this matter and to suggest actions to governments and to the international community.

For further information, consult the website on social cohesion and the documents from the seminar: http://europa.eu.int/comm/external_relations/la/index.htm

Social initiative: an initial proposal for action

In the Community's financial package for regional cooperation with Latin America, the European Commission has provided for a EUR 30 million bi-regional programme in 2004 to finance actions in this area. Under this programme, a dialogue and the pooling of experiences will be organised with a view to defining and introducing policies with an impact on the reduction of social inequalities.

The initiative for highly indebted poor countries (HIPC)

The main objective of the HIPC initiative is to help lower foreign debts to a sustainable level. This can allow some room for manoeuvre in budgetary terms in order to launch structural reforms that will help reduce inequalities. Moreover, this initiative will also combat poverty by defining a strategic frame-
work: the poverty reduction strategy papers (PRSP). In the Latin American and Caribbean region, the following countries already benefit from this initiative: Bolivia, Honduras, Guyana and Nicaragua; and Haiti will benefit shortly.

A key theme for the EU-LAC summit in Guadalajara in May 2004

The European Union and Latin America and the Caribbean promoted social cohesion as a key theme at the EU-LAC summit in May 2004 in Guadalajara (Mexico). Both parties are clearly determined to turn this common concern into concrete commitments to effectively combat poverty, inequality and exclusion.

For further information on the Guadalajara summit: http://europa.eu.int/comm/world/lac-guadal/00_index.htm

4.2. Respect for human rights, democracy and the rule of law: shared values

Approached by the Contadora Group, the European Community decided in 1984 to support a peace and development initiative in Central America based on the definition of a political and economic platform negotiated by and with the countries in this sub-region. This was the beginning of the San José dialogue, which paved the way for a specific identity for European cooperation in the region: ‘democracy, peace and development’ combined with the guarantee of long-term partnership.

Since then, the protection of democracy and human rights has remained an essential component in cooperation between the European Union and the countries of Latin America and the Caribbean. The Lomé conventions, devised from the outset as agreements on political, economic and social partnership between the EC and the ACP countries, have given political aspects (respect for democracy, human rights and the rule of law) an increasingly pre-eminent role in the 1990s. Respect for democracy, human rights and the rule of law has now become an essential condition in every new partnership agreement concluded between the European Union and third countries. Thus the cooperation framework agreements between the EU and each one of the Latin American sub-regions, followed by the political and cooperation agreements, and finally the association agreements with some countries, all contain this clause enabling either one of the parties to terminate cooperation if it considers that there has been a serious, repeated infringement of the principles of democracy, the rule of law or human rights.
In the context of the EU–Latin American and Caribbean strategic partnership started in 1999 at the first summit of EU–LAC Heads of State in Rio Janeiro, the safeguarding of human rights, democracy and the rule of law was instantly adopted as a top priority. The Madrid summit confirmed this, using it to head the document it adopted on 'common values and positions'.

The European Union cooperates with Latin American and Caribbean countries on the safeguarding of human rights, democracy and the rule of law by financing bi-regional, regional and national cooperation programmes or through the European Initiative for Democracy and Human Rights (EIDHR). The EU supports the efforts by the LAC countries to ensure the stabilisation of democracy by financing election observer missions. A number of cooperation projects are also carried out locally, depending on the needs identified among local communities. The European Union has, for instance, supported the peace process in Colombia by setting up peace laboratories, the aim of which is to make available a forum for Colombians to listen to and understand each other.

For further information:

4.3. Promoting multilateralism

The EU–LAC partnership reflects the will of both parties to promote an international system based on the principles of multilateralism, governed by consensual, universally applied rules and multilateral surveillance mechanisms.

One of the priorities in the EU–LAC partnership is to develop mechanisms for consultations between the two regions within international institutions and multilateral bodies. The two regions are convinced that multilateralism is the only valid method for dealing with international relations today.

The European Union, Latin America and the Caribbean have adopted converging positions on a number of matters of international interest, such as the Kyoto Protocol, the International Criminal Court, etc. This convergence was possible mainly because certain values are shared. These values were listed in the document on common values and positions adopted by the Heads of State or Government of the two regions at the Madrid summit in May 2002.

The EU is determined to strengthen multilateralism by working as closely as possible with the competent international organisations on cooperation.
with the countries of Latin America and the Caribbean:

- with the **United Nations**

  It must be remembered that the EU budget allocates some EUR 300 million per year to United Nations agencies. When Member States’ contributions are added to this, this makes the EU the main donor of United Nations operations. Of the UN agencies, the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Development Programme (UNDP) are obviously special components in the EU–LAC partnership given their expertise in economic, social and environmental issues;

- with the **Inter-American Development Bank (IDB)** which constitutes a solid partner in this domain since it is the main non-refundable lending and technical assistance body in the LAC region. The memorandum of understanding, signed on 16 May 2002 between the European Commission and the IDB, has permitted the development of joint initiatives, for instance on social cohesion, consultations with civil society, natural disasters, support for regional economic integration, etc.;

- with the **World Bank**, in particular as regards the coordination of strategies to reduce poverty in the poorest countries (in Latin America: Nicaragua, Honduras and Bolivia);

- with the **International Monetary Fund**, for instance through the programme for highly indebted poor countries (HIPC).

### 4.4. Regional integration

The European Union has always supported the regional integration process in Latin America and the Caribbean. Because of its history and its own integration process, support for regional integration is an area in which the EU has real added value to contribute. The EU is ready to share this unique experience with other world regional groupings. It also hopes to help them draw on the substantial gains made in the regional integration process. It therefore encourages other countries in the world to forge ever stronger links with their neighbours and to organise themselves within institutionalised regional organisations.

Latin American countries have already decisively embarked on the path to regional integration. M e-
cosur (‘Mercado del sur’), the SICA (Central America integration system) and the Andean Community are the three main regional integration processes in Latin America.

The priority accorded to regional integration was confirmed by the signing on 15 December 2003 of two new political dialogue and cooperation agreements between the European Union and Central America, on the one hand, and the Andean Community, on the other.

The EU supports the efforts made by the Caricom and Cariforum Member States in the Caribbean region by means of several regional integration initiatives.

- The ‘regional integration and development strategy of Cariforum’ (RIDS), adopted in April 2002, has the economic goal of preparing the Cariforum economies to overcome the problems arising from their integration into the world economy.

- EU support is also focused on the major efforts by Member States and regional institutions to stimulate economic integration through the creation of the single Caricom market and economy (CSME).

- The Community also supports the regional integration process through the economic partnership agreements (see lexicon).

- In terms of institutional strengthening, the EU supports the region in its strategy to integrate into the world economy bilaterally, multilaterally and regionally. It underpins the Caribbean region in particular in its involvement in negotiations at the WTO and in the establishment of the FTAA (free trade area of the Americas).

Support for the stepping up of regional integration is the main focal sector in the Caribbean regional indicative programme under the ninth EDF. It will thus be granted between 75 and 90 % of the regional budget of EUR 57 million.

For further information:
http://europa.eu.int/comm/development/body/region/caribbean_fr.htm
4.5. Enlargement of the European Union: an opportunity for its Latin America and Caribbean partners

The 15 countries which formed the European Union since 1995 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom) will be joined by 10 new countries on 1 May 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. This is the biggest enlargement which the Union has ever experienced, in terms of both size and diversity.

- The European Union of 25 countries will have a population of almost half a billion people, and a GDP of over EUR 9 200 billion.
- Already the biggest trade partner in the world with its 15 countries, the EU with 25 members will account for one fifth of world trade, and close to 50 % of foreign direct investment, and it will receive in its territory 30 % of the world’s foreign direct investment.
- With 25 members, the EU will continue to be the biggest donor of development and humanitarian aid, as it was with 15 Member States.
- Enlargement is a source of enrichment of European cultural diversity, and of the extent of its historic, cultural and political experience. This places the European Union in a position to better understand other peoples and their political, economic and historical situations.
- Enlargement extends the area of peace, stability and prosperity in Europe and strengthens the security of all its peoples.

Enlargement strengthens the role and position of the Union in the world, in external relations, security, trade and in other domains relating to world governance.
From a strictly commercial point of view, the EU's partner countries benefit from its enlargement because of:

- the extension of the common market: the application of a set of common trade rules, identical customs tariffs and harmonised administrative procedures on the territory of 25 countries;
- simplified and greater access to the markets of the new countries: with the application of the EU tariff by these countries, customs duties will be significantly reduced for goods entering their territories the tariffs on agricultural products will drop from an average of 18.7 to 16.2 %, while for industrial products they will fall from 4.8 to 3.6 % with the application of the European common external customs tariff.

In political terms, by adding to the power, cohesion and influence of the Union on the international arena, enlargement strengthens the Union's hand when it comes to globalisation and underpins and defends the European social model.

On the international stage, the influence of an enlarged EU benefits partners such as Latin America and the Caribbean when it comes to defending together their common values and the importance of multilateralism.
5. Bi regional relations

5.1. The EU and Mercosur

Mercosur is a dynamic process of regional integration between Argentina, Brazil, Paraguay and Uruguay.

Mercosur is the 4th largest economic group in the world, with a total GDP of EUR 606 billion and a population of 217 million. There are strong historical, political, social, economic and geopolitical links between the EU and Mercosur. The EU fully supports Mercosur’s integration project and objectives.

The EU has supported Mercosur integration from its beginning/inception in 1991, and continues to do so with a view to create a close and comprehensive association between the two parties. The EU believes that a strengthened Mercosur will be the key to the development of the region. The EU welcomes the progress achieved so far in these negotiations and reiterates its commitment to continue to make further progress in view of an early and satisfactory conclusion of the association agreement.

The objective of the Ministerial meeting in Mexico is to take stock of results achieved so far and give further political guidance to the negotiating process. The EU looks forward to substantially strengthening its relations with Mercosur during the summit and in the years to come.

Paving the way for an association agreement

A regular EU-Mercosur political dialogue takes place at the level of heads of state and at ministerial and senior officials’ level.

In 1995 the EU and Mercosur signed an Inter-regional Framework Cooperation Agreement in order to strengthen existing relations between the parties and to prepare the conditions enabling an
interregional association to be created’. At the EU-LAC Rio de Janeiro summit in June 1999, EU-Mercosur authorities decided to launch association negotiations, covering the liberalisation of all trade in goods and services, an enhanced form of cooperation and a strengthened political dialogue. This is the first time that two trade blocs have ever negotiated an association agreement.

From April 2000 to January 2004, eleven rounds of negotiations have already taken place (either in Brussels or in the capitals of the pro tempore Presidency Mercosur countries).

On 12 November 2003, a meeting of negotiators at ministerial level took place in Brussels. During this meeting, Commissioners Patten and Lamy together with their Mercosur counterparts agreed upon an ambitious roadmap for the final phase of the negotiations.

In 2004, as part of this programme, four negotiating rounds and two Trade Negotiators Meetings at ministerial level (one in May during the EU-LAC summit and another one in Brussels in October) take place, with a view to conclude the association agreement between EU and Mercosur during 2004, if conditions are met.

The leading donor of aid to Mercosur...

At present, the EU is the leading donor of aid to Mercosur. EC financing during 2000-06 for regional and bilateral cooperation with Mercosur totals nearly EUR 250 million:

<table>
<thead>
<tr>
<th>Country</th>
<th>Financing (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mercosur</td>
<td>48 million</td>
</tr>
<tr>
<td>Argentina</td>
<td>65.7 million</td>
</tr>
<tr>
<td>Brazil</td>
<td>64 million</td>
</tr>
<tr>
<td>Paraguay</td>
<td>51.7 million</td>
</tr>
<tr>
<td>Uruguay</td>
<td>18.6 million</td>
</tr>
</tbody>
</table>

Mercosur also benefits from other horizontal EC programmes in Latin America (e.g. Al-Invest, URB-AL, ALFA, @LIS).
During 2001 the EU and Mercosur signed several bilateral and regional Memoranda of Understanding on cooperation. Priorities in the period up to 2006 will be:

**Mercosur:**
Support to enhancing the institutionalisation of Mercosur, completion of internal market and civil society participation

**Argentina:**
Institutional reform, trade & economic promotion, information society, investment promotion, consumer policy

**Brazil:**
Economic reform, public administration, social development, science & technology, the environment

**Paraguay:**
Modernising the State, trade & investment promotion, sustainable development, fight against poverty

**Uruguay:**
Economic reform, modernising the State, regional integration, social development, the environment, science & technology

**On the way towards a free trade area...**
The EU is Mercosur’s main trading partner, accounting for almost 23% of Mercosur’s trade. The EU is also Mercosur’s biggest investor.

**EU-Mercosur: some trade figures**

<table>
<thead>
<tr>
<th>Year</th>
<th>Import</th>
<th>Export</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>27.0</td>
<td>20.9</td>
<td>-6.0</td>
</tr>
<tr>
<td>1990</td>
<td>24.7</td>
<td>36.2</td>
<td>11.4</td>
</tr>
<tr>
<td>2002</td>
<td>68.4</td>
<td>93.8</td>
<td>25.4</td>
</tr>
</tbody>
</table>

The association negotiations are aimed at creating a free trade area between both regions by liberalising trade in goods and services in conformity with WTO rules. In addition, the comprehensive agreement will also cover inter alia market access/rules on government procurement, investment, intellectual property rights, competition policies, SPS (sanitary and phyto-sanitary issues), TBT (technical barrier to trade), wine and spirit, business facilitation, trade defence instruments, a dispute settlement mechanism, etc.

Significant progress has been achieved, with the tabling of improved tariff offers in May 2003. At this stage, Mercosur offer covers 83.5% of EU exports to Mercosur and EU offer covers more than 91% of Mercosur exports. Initial offers on services and investment were exchanged in May 2003 and both sides also exchanged their respective tariff offers and requests for improvements during the same period.
Progress has also been achieved in the other trade areas of the negotiation, i.e. non-tariff measures (incl. antidumping, customs and related matters, TBT, SPS and Wines and Spirits agreements), trade in services and establishment, government procurement, current payments and capital movements, IPR, competition and dispute settlement.

**EU Merchandise trade with Mercosur**

(billion euro)

- **Import**
- **Export**
- **Balance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Import</th>
<th>Export</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>24.1</td>
<td>18.2</td>
<td>-5.9</td>
</tr>
<tr>
<td>1990</td>
<td>14.2</td>
<td>5.7</td>
<td>-8.6</td>
</tr>
<tr>
<td>1980</td>
<td>7.7</td>
<td>6.0</td>
<td>-1.8</td>
</tr>
</tbody>
</table>

**EU imports from Mercosur, 2002**

- Textiles and clothing: 6.8%
- Agricultural products: 54.9%
- Other: 28.4%
- Chemical products: 3.8%
- Machinery: 3.8%
- Transport material: 6.8%
- Energy: 1.4%

© Christophe Masson (Brazil)
EU exports to Mercosur, 2002

- Textiles and clothing: 20.7%
- Agricultural products: 3.5%
- Energy: 1.3%
- Machinery: 29.6%
- Transport material: 23.2%
- Chemical products: 20.5%
- Other: 20.7%

EU foreign direct investment with Mercosur (stocks)

- 2000: 118.0 billion euro (Inward stocks), 3.6 billion euro (Outward stocks)
- 2001: 127.3 billion euro (Inward stocks), 3.0 billion euro (Outward stocks)
- 2002: 132.9 billion euro (Inward stocks), 3.7 billion euro (Outward stocks)

Source: Eurostat.

EU foreign direct investment with Mercosur (flows)

- Inflows: 26.5 billion euro, 16.5 billion euro, 5.6 billion euro
- Outflows: 25.9 billion euro, 16.0 billion euro, 4.9 billion euro
- Balance: 0.6 billion euro, 0.5 billion euro, 0.7 billion euro

5.2. The EU and the Andean Community

Relations between the European Union (EU) and the Andean Community (Comunidad Andina de Naciones or CAN) stretch back over more than 30 years. The two regions have consistently sought to strengthen these relations. This process is based today on a range of instruments reflecting their mutual interests in the spheres of politics, cooperation and trade.

Growing confidence in the political dialogue

The EU has supported the Andean process of regional integration since its very beginning with the Cartagena Agreement of 1969. This agreement established the ‘Andean Pact’. Later, through the Trujillo Protocol of 1996, this pact was transformed into the ‘Andean Community’, comprising Colombia, Peru, Venezuela, Ecuador and Bolivia.

The EU and the Andean Community share the same democratic values and principles. In 1996, the Rome Declaration initiated a political dialogue between the two regions and, since then, ad hoc presidential and ministerial meetings have taken place at regular intervals.

The first Latin American region receiving financial assistance from the European Union

The Andean region was the first region in Latin America with which the European Union concluded a regional cooperation agreement (in 1983). Its scope was extended and follow-up mechanisms, such as joint institutions, were defined in a second framework cooperation agreement concluded in 1993 (and superseding the one of 1983). Innovative, in particular, was the inclusion of the ‘human rights’ clause.

The EU is the leading donor of official development aid to the Andean region. In terms of financial, technical and economic cooperation, the European Community assists the countries of the region with EUR 420 million through its country and regional strategies for the period 2002–06. For the respective countries, indicative allocations are EUR 126 mil-

<table>
<thead>
<tr>
<th></th>
<th>Bolivia</th>
<th>Columbia</th>
<th>Ecuador</th>
<th>Peru</th>
<th>Venezuela</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-2002</td>
<td>84.813</td>
<td>61.965</td>
<td>37.480</td>
<td>71.634</td>
<td>68.981</td>
</tr>
<tr>
<td>Financial and technical cooperation (EUR million)</td>
<td>115.040</td>
<td>95.078</td>
<td>41.700</td>
<td>128.488</td>
<td>43.655</td>
</tr>
<tr>
<td>Horizontal budget lines (EUR million)</td>
<td>199.853</td>
<td>157.043</td>
<td>79.180</td>
<td>200.122</td>
<td>112.636</td>
</tr>
<tr>
<td>Total (EUR million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
lion for Bolivia, EUR 86 million for Peru, EUR 38.5 million for Venezuela, EUR 92 million for Ecuador and EUR 105 million for Colombia. For regional programmes, the indicative allocation over this period amounts to EUR 29 million.

However, these figures do not present the full picture because further very substantial assistance is provided through so-called ‘horizontal budget lines’. These budget lines cover specific themes such as democracy and human rights, humanitarian aid, drugs, refugees, etc. Projects under these budget lines may address either cross-national/regional issues such as the fight against drugs (a regional project on drug precursors has started in 2003) or bilateral matters, such as support to enhancing political dialogue in Venezuela (also started in 2003). Colombia is a good example in order to illustrate how such budget lines may have an impact on the final amount of EC assistance. In fact, due to the specific circumstances in Colombia it was granted an extra allocation of approximately EUR 95 million, compared to EUR 62 million for financial, technical and economic cooperation, in the period 1996–2002. These extra funds were covering, to a large extent, humanitarian aid.

Examples of bilateral projects under the country strategies are the peace laboratories in Colombia, the alternative development projects in Bolivia, a vocational training project in Peru, an environmental project in Ecuador and a very substantial flood prevention and rehabilitation project in Venezuela (for which the horizontal budget line ‘rehabilitation’ provided an extra EUR 25 million).

As regards ‘regional programmes’, the European Community is the only donor consistently dedicating a substantial aid effort to the consolidation of the Andean Community as such. Such ‘bi-regional’ pro-
Projects aim in particular at strengthening regional stability (for example, through a project in the field of conflict prevention) and at stimulating further regional integration (for example, through trade-related technical assistance).

**A very favourable trade regime**

The EU is a major trading partner for the Andean Community. Trade between the EU and the Andean countries has almost doubled over the last 10 years and increased by 12% over the last five years, amounting to approximately EUR 15.5 billion in 2002. The increase was mutual with more exports from the EU to the Andean Community and more exports from the Andean Community to the EU, illustrating a significant improvement in the export competitiveness of the Andean countries.

The Andean Community’s overall exports to the EU are predominantly raw materials (agriculture, agro-industry and mining), while manufactured products (mainly machinery and chemical products) represent the majority of EU imports into the Andean Community.

The EU is the Andean Community’s second largest trading partner. The EU represents 12.3% of the Andean Community’s total trade. The Andean Community, on the other hand, ranks 29th among the EU’s main trade partners (0.8% of the EU’s world trade).

Trade relations between the two regions are currently based on the generalised system of preferences, which includes a special ‘drugs’ scheme. This, combined with the most favoured nations clause (WTO), allows 90% of Andean exports to enter the EU without being subject to customs duties. The objective of this system is promoting sustainable development in the beneficiary countries and supporting their efforts to combat drug production and trafficking. The current regime has been extended to 2005 and has incorporated regional cumulation between the Andean and Central American region.

The EU is traditionally the leading investor in the Andean Community counting for more than a quarter of total foreign direct investment in the region. The EU’s investments in the Andean region mostly take the form of participation in the privatisation...
process of certain services and public undertakings, in the financial system and manufacturing, mining and oil activities.

**Ever stronger relations**

In December 2003, a political dialogue and cooperation agreement was signed in Rome, strengthening and deepening both political and cooperation relations. Once ratified, this agreement will institutionalise the political dialogue and expand its scope to include matters such as conflict prevention, good governance, migration, money-laundering, the fight against organised crime and counter-terrorism. The cooperation part of the agreement will also see these and other new areas added to its scope so as to encompass an ever-larger spectrum of cooperation fields.

The negotiations for this political dialogue and cooperation agreement were launched following the declarations made by Heads of State or Government in the 2002 Madrid EU–LAC summit. The agreement represents an important step in the strengthening of the EU–Andean Community’s bi-regional relations and it demonstrates the shared will of both sides to move the relationship between both regions onto a different level. It emphasises the importance of regional integration as instrumental for regional stability and social and economic development and it aims at creating the conditions allowing for a possible more comprehensive agreement in the future.
There are few regions in the world where the European Union’s strong commitment has been as clear and decisive as in Central America. This is borne out by the highly successful political dialogue that has contributed to the promotion of democracy and respect for human rights, the very high levels of cooperation including significant amounts of emergency and reconstruction relief in response to natural disasters, and a favourable trade regime granted by the EU.

The cornerstone of the European Union's relations with Central America is the San José Dialogue, essentially a forum for political discussion, which was initiated in 1984 and was originally aimed at supporting conflict resolution, democratisation and development in Central America. The notable success of this dialogue has permitted its renewal in Florence in 1996 and in Madrid in 2002, broadening its scope to include questions of regional integration, regional security, environment and natural disasters, bi-regional relations and political concertation on international issues of common interest. The EU–Central American political dialogue chapter under the new political dialogue and cooperation agreement (signed in December 2003) will retain the ‘San José Dialogue’ title.

The first cooperation agreement between the EU and Central America was signed in Luxembourg in 1985 and was superseded in 1993 by the current framework cooperation agreement signed in San José.
Salvador. In line with the Madrid Declaration made by the EU and Latin American and Caribbean Heads of State or Government in May 2002, a new political dialogue and cooperation agreement was negotiated in 2003, and signed by both parties on 15 December 2003 in Rome. Once ratified by all parties, this new agreement will institutionalise the San José Dialogue and broaden existing cooperation to include new areas such as human rights, migration and counter-terrorism.

‘The new political dialogue and cooperation agreement marks a significant transition in our relations, underlining the importance of regional integration and opening the way for a more comprehensive future agreement. Regional integration can contribute to the stability of the region and foster democracy and respect for human rights and is the best route to increased economic and social development. The Commission considers the realisation of the Central American Customs Union as an important step in the process of regional integration.’

Eneko Landaburu, Director-General for External Relations, Brussels, 2 October 2003, Conclusion of the negotiations.

A broad range of cooperation focused on the region’s needs

Since the initiation of EU cooperation with Central America, significant support programmes have been directed towards the promotion of human rights and democracy, the development of small and medium-sized enterprises and poverty reduction measures, environmental conservation and food security, rural development, decentralisation, debt relief and humanitarian aid. Following Hurricane Mitch in October 1998, the Commission deployed emergency relief for the affected population and subsequently developed a wide-ranging regional programme for the reconstruction of Central America with a financial commitment of EUR 250 million. This programme aims to rebuild the necessary infrastructure for social development and focuses mainly on education, public health, water supply, sanitation and housing.

The indicative programmes and allocations per country and for the regional programme for the period 2002–06 are as follows:
The main areas of cooperation for these programmes include:

- support for the regional integration process including the participation of civil society primarily under the regional programme (EUR 40 million);
- support for the prevention of natural disasters and environmental management (EUR 20 million);
- more than EUR 150 million will go to support for good governance including aspects of decentralisation and municipal development;
- EUR 110 million to poverty and social sector programmes, including a specific attention to the situation of indigenous peoples;
- local and rural development (primarily in Nicaragua) will absorb some EUR 110 million;
- sustainable management of natural resources (primarily in Honduras) will be allocated some EUR 60 million;
- in 2003, the Commission approved its first sector-wide financing programme in the region, a EUR 52.5 million education sector programme in Nicaragua in the form of budget support.

Additional cooperation is provided under ‘thematic budget lines’ covering areas such as humanitarian aid through the European Commission Humanitarian Office (ECHO), food security as well as the promotion of human rights and democracy. The EU has continued to support democratic processes in the region through the fielding of electoral observation missions, namely in Nicaragua in 2002 and Guatemala in 2003.
EU merchandise trade with Central America
(billion ECU/EUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Import</th>
<th>Export</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>1.3</td>
<td>1.4</td>
<td>0.1</td>
</tr>
<tr>
<td>1990</td>
<td>3.0</td>
<td>3.0</td>
<td>0.1</td>
</tr>
<tr>
<td>2002</td>
<td>3.7</td>
<td>3.7</td>
<td>-0.04</td>
</tr>
</tbody>
</table>

EU imports from Central America, 2002

- Chemical products: 0.7%
- Textiles and clothing: 1.1%
- Other: 2.4%
- Agricultural products: 49.1%
- Transport material: 6.3%
- Machinery: 40.2%
- Energy: 0.3%

EU exports to Central America, 2002

- Agricultural products: 19.8%
- Other: 6.6%
- Energy: 3.4%
- Machinery: 22.6%
- Textiles and clothing: 2.1%
- Chemical products: 18.6%
- Transport material: 26.9%

EU foreign direct investment in Central America (flows)

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflows</th>
<th>Outflows</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>8.1</td>
<td>7.3</td>
<td>-0.9</td>
</tr>
<tr>
<td>2000</td>
<td>9.2</td>
<td>9.2</td>
<td>0.0</td>
</tr>
<tr>
<td>2001</td>
<td>14.4</td>
<td>6.1</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Source: Eurostat.

For further information:
http://www.europa.eu.int/comm/external_relations/ca/index.htm
The Commission’s cooperation with Central America represents the highest level of cooperation in the Latin American region, both in absolute and per capita terms. For the period 2002–06, the EU will disburse more than EUR 600 million in support of the countries of the Central American sub-region.

**Trade relations**

The EU is the second most important trade partner (10 % of total trade) for the Central American region after the United States (43 % of total trade). Trade (exports and imports) between Central America and the EU represent some 0.4 % of total EU external trade, with exports from Central America being mainly agricultural goods and imports from the EU predominantly industrialised goods.

Commercial relations between the EU and Central America are dominated by the special drugs regime of the generalised system of preferences (GSP) aimed at combating drug production and trafficking, under which the bulk of Central American exports enter the EU either duty free or with preferential tariffs. The current regime, which has been extended to 2005, has incorporated regional cumulation between the Central American and Andean regions.

5.4. The EU and the Caribbean

The EU and the Caribbean have a long-lasting relationship based on the legacy of history, common values, economic and trade cooperation and a continued increase in the volume of trade exchange.

Since 1975, the EC has been the largest grant donor to the Caribbean region. Overall, EC–Cariforum cooperation aims towards the development of an enabling environment to facilitate integration into the world economy, sustainable socioeconomic development, and the observance of the principles of democracy, human rights, good governance and the rule of law.
Successive EU-ACP conventions have given the Caribbean an enhanced framework of reference for political dialogue, trade and development cooperation. Political dialogue with the Caribbean takes place mainly in the context of the joint ACP-EU institutions, in particular the Council of Ministers and the Joint ACP-EU Assembly. At the regional level, the annual regional dialogue at ministerial level between Cariforum and the European Commission provides an opportunity for discussing a wide range of issues of mutual interest.

A broad spectrum of cooperation

EC aid to the Caribbean continues to cover a broad range of sectors and is financed through a variety of instruments. The EC’s principal instruments employed in cooperation with the Caribbean include national indicative programmes, regional indicative programmes and successive EDFs. Furthermore, a variety of other instruments such as Sysmin, Stabex, Flex, SFA and Interreg III focus on specific areas of cooperation (see lexicon). As illustrated below, current programmes at the regional level cover a spectrum of sectors, focussing on essential development needs in the Caribbean.

For the period 2002-07, in the framework of the ninth EDF, EUR 690 million has been allocated for country programmes, while an initial amount of EUR 57 million has been set aside for regional programmes.

For more information see:
http://europa.eu.int/comm/development/body/region/rb_fr.htm

A strong trading relationship

In 2002, the EU imported merchandise of a value of EUR 3.5 billion from the Caribbean countries and exported goods worth EUR 4.4 billion to the region. The main EU imports were agricultural products, whereas the structure of exports is dominated by industrial products. The EU shows a trade deficit with Caribbean countries, mainly in the agricultural and energy sectors.

Caribbean ACPs benefit from the preferential trade agreements set out in the Cotonou Agreement, which provides for tariff- and quota-free imports of a wide range of products (including all industrial goods).

The EU’s banana trade regime has long been a significant issue in trade relations. The tariff and quota system is due to be replaced by a tariff-only system, at the latest on 1 January 2006. In order to help the ACP traditional banana suppliers to adapt to the new market conditions, in 1999 the Commission established a special framework of assistance, providing them with technical and financial support aimed at enhancing their competitiveness and/or promoting diversification.

Many Caribbean countries benefit from the Sugar Protocol, which provides for specific quantities of sugar to be imported into the EU at a guaranteed price. Following on from commitments made in the ACP-EU agreement, a rice-specific programme of EUR 24 million has been set up to help Caribbean
rice exporters, designed to enhance the efficiency and competitiveness of the sector. Unrestricted, duty-free access for ACP rum, whose production and export is important for a number of Caribbean countries, is also foreseen under the ACP–EU agreement. Given the wider liberalisation in the sector, the EC has launched a rum-specific programme of EUR 70 million for the Caribbean, designed to encourage the industry to modernise, develop its marketing and diminish its environmental impact.

For the future, as foreseen in the Cotonou Agreement, the EU and the Caribbean ACP countries will negotiate an economic partnership agreement (EPA), progressively removing barriers to trade between them and enhancing cooperation in all areas relevant to trade. The EPA is, above all, an instrument for Caribbean development aimed at fostering their smooth and gradual integration into the world economy. It will be a stable and predictable WTO-compatible trade regime that builds on and strengthens Caribbean regional integration.

By combining trade relations with very substantial economic and development cooperation support, the EU is seeking to help the Caribbean ACP partners to seize the opportunities of the new global challenges, with all the requisite back-up measures, and addressing transitional costs as appropriate.

For more information see: http://europa.eu.int/comm/trade/miti/devel/index_en.htm

The European Investment Bank (EIB) and the Centre for the Development of Enterprise (CDE), two key partners for development

Under the Cotonou Agreement, and financed by the European Development Fund (EDF), the EIB has EUR 2.2 billion for investment in projects in ACP countries under the investment facility, and EUR 1.7 billion from its own resources. These amounts are to be deployed between 2001 and 2005. The investment facility is a revolving fund, intended to support primarily private sector development in ACP countries through loans, capital risk and guarantee operations. Whilst it is difficult to predict how much lending will occur in the Caribbean region under the investment facility, the figure is likely to be in the realm of EUR 50 to 70 million per year.

In 2003, EUR 48 million was lent by the EIB in the Caribbean, whilst in 2002, the Dominican Republic, Jamaica and Trinidad and Tobago received financing for a total of EUR 81 million. The main focus of EIB operations has been financial support for small and medium-sized enterprises (SMEs), through local financial intermediaries.

The CDE, which was established to provide assistance to the private sector in ACP countries, has also been very active in the Caribbean. In the five year period 1998–2002, the CDE assisted a total of 301 enterprises with 458 interventions for a sum amounting to EUR 5.8 million. Over the same period, EUR 5.6 million was lent to a total of 217 enterprises, and 361 non-financial interventions were undertaken.

The CDE is financed from EU structural funds, and is also helping to expand the capacity of private sector development organisations. Over the period 1997–2002, the CDE supported an additional 123 enterprises through its own resources.

For more information see: http://europa.eu.int/comm/trade/miti/devel/index_en.htm
period, a total of 136 actions in support of SME development were undertaken at a cost of EUR 3 million. Such actions include sector surveys, partnership meetings and assistance to private sector support organisations.

For more information see:
www.eib.org
www.cde.int

A constructive agreement and dialogue with Cuba

Cuba is the only Caribbean country which has not concluded a cooperation agreement with the EU.

Cuba was admitted into the ACP group in 2000, although did not sign the Cotonou agreement. Since October 2001, Cuba has been a member of Cariforum and has signed a ‘partial scope’ free trade zone agreement with Caricom.

The EU Council adopted a common position on Cuba in 1996 which continues to define EU–Cuba relations, and is reviewed periodically. On the basis of this common position, the EU favours constructive engagement and dialogue with Cuba. The EU’s policy works towards encouraging a peaceful transition to democratic pluralism, the promotion of human rights and other fundamental freedoms, combined with economic recovery and improved living standards for the Cuban people.

In 2000, the Commission decided to refocus its financing in cooperation with Cuba towards projects promoting economic reform and encouraging the development of civil society. From 1997 to 2002, the total amount of financial support to Cuba through the all-budget lines reached EUR 88.2 million. Cuba also participates in the bilateral cooperation programmes ALFA, URB-AL, AL-Invest and @LIS.

Finally, in terms of trade, the EU is Cuba’s largest trading partner, receiving 37 % of Cuban exports worldwide (EUR 567 million) and providing 42.3 % of Cuban imports worldwide in 2002 (EUR 1 278 million).

For more information see:
http://europa.eu.int/comm/development/body/country/country_home_en.cfm?cid=cu&lng=en&status=old
6. Bilateral relations

6.1. The EU and Mexico

The first Latin American country to have signed a privileged partnership

Mexico was the first country in Latin America with which the EU negotiated a privileged partnership based on common interests and values of democracy and human rights, enshrined in the economic partnership, political coordination and cooperation agreement, which was signed in 1997.

The agreement provides for regular high-level political dialogue on bilateral and international issues. The Joint Council, at ministerial level, meets once a year, and its work is prepared by a joint committee comprising European and Mexican civil servants. A dialogue with Mexican and European civil society is also being developed: a first forum took place in 2002 and a second event is scheduled to take place in Mexico in 2004.

Meeting between Vicente Fox, President of Mexico and Romano Prodi, President of the European Commission
A many-faceted cooperation strategy

The rule of law, social development and economic cooperation are the main priorities in the EU cooperation strategy with Mexico for 2002–06, with a financial package of EUR 56 million. Additionally, Mexican organisations are active participants in various EU–Latin America regional programmes. For example, some 3 700 Mexican companies have participated in events organised by the AL-Invest programme, which promotes alliances between companies in the EU and Latin America.

The EU welcomed the emphasis given to human rights issues by the Government of President Fox, and this commitment on the part of the Mexican Government inspired the EU to include Mexico as one of three priority countries in Latin America for the 2002–04 European initiative on democracy and human rights. Various projects are supported under this initiative, including a project to strengthen human rights ombudsmen in Mexico, and an innovative project using radio to promote the human rights of women.

In February 2004, Mexico and the EU signed an agreement on scientific and technological cooperation, promoting the establishment of long-term institutional alliances between research centres and facilitating the participation of Mexican research institutes in the EC’s framework programme for research and technological development.

Growing economic relations

In the three years following the entry into force of the free trade agreement (FTA) between the EU and Mexico in 2000, trade between the two parties grew by 25.5%. Investment flows have also increased, with over 5 600 companies with EU capital now doing business in Mexico and a growing number of Mexican companies investing in the European Union. The FTA provides for asymmetrical trade liberalisation, whereby the EU reduces tariffs on imports from Mexico exports faster than Mexico reduces tariffs on imports from the EU. Ever since 1 January 2003, Mexican exports of industrial goods (which represent 92% of all Mexican exports to the EU) can enter the EU duty-free, while Mexico has until 2007 to complete a similar liberalisation for EU products. The enlargement of the EU is expected to provide further trade and investment opportunities to both parties. Industrial products represent about 95% of Mexican exports to the EU.

EU and Mexico, some figures

The EU is the second most important trade partner (7% of total trade) for Mexico, after the United States which account for as much as 77% of Mexican external trade. Trade relations (exports and imports) between Mexico and the EU represent 1% of total EU external trade, with exports from Mexico being mainly machinery, energy and transport material, and imports from the EU consisting basically of machinery, transport material and chemical products.

EU foreign direct investment flows to Mexico have sharply increased during the last five years, accounting in 2001 for almost EUR 6 billion. As a consequence, EU foreign direct investment stocks in the country have risen from EUR 11 billion in 1999 to EUR 24 billion in 2001, more than two-fold in only two years.
Mexico's merchandise trade with the world

EU merchandise trade with Mexico

EU imports from Mexico, 2001

EU exports to Mexico, 2001

EU foreign direct investment in Mexico (flows)

EU foreign direct investment in Mexico (stocks)

For more information:
6.2. The EU and Chile

The EU and Chile signed an association agreement on 18 November 2002. The bulk of its provisions have been applied provisionally since 1 February 2003. At its plenary session of 12 February, the European Parliament unanimously gave its assent to the agreement.

The association agreement has three main components: political dialogue, cooperation and trade.

**Political dialogue**

The provisions of the political part foresee the strengthening of the political dialogue between the EU and Chile through increased coordination of positions and joint initiatives in international fora. They will also cooperate in the fight against terrorism. Their dialogue will be enhanced by an increased consultation and involvement of the EU and Chilean civil societies and by the regular contribution of an association parliamentary committee.

**Cooperation for a sustainable development**

In the field of cooperation, the European Union and Chile seek to promote a sustainable development including its social, economic and environmental aspects. Importance is given to dialogue with civil society; the representatives of the EU–Chile civil societies will meet at regular intervals so as to exchange views on the cooperation strategy and to supervise the implementation of cooperation projects. Finally, the cooperation chapter foresees that the participation of the EU and Chile as associated partners in each other’s cooperation programmes shall be promoted.

The European Commission adopted, in 2002, the country strategy paper on the EU and Chile, which provides a five-year cooperation strategy (2002–06) with an indicative amount of EUR 34.4 million.

This cooperation strategy concentrates on the following three priority sectors:

- economic cooperation and technological innovation (59% of the indicative budget);
- capacity building to promote, among others, social equity (32.5% of the indicative budget);
- protection of the environment and natural resources (8.5% of the indicative budget).

During 2003, the Commission made a great effort in the implementation of this cooperation strategy.
Two important projects have been approved, counting for nearly 65% of the total indicative budget:

- the project Empresas Innovadoras (EUR 17.2 million), aiming to improve the commercial capacity of Chilean small and medium-sized undertakings;
- the project Fondo de Aplicación del Acuerdo de Asociación (EUR 5 million), aiming to support the implementation of the EU-Chile association agreement.

A science and technology agreement between the EU and Chile was also signed on 23 September 2002. It aims at opening a bilateral policy dialogue on research and technological development issues, improving scientific and technological cooperation between the two parties and increasing the investments in human and institutional capital, using the resources available in various European Commission programmes.

**Implementing the free trade area...**

The trade part of the association agreement covers a wide range of areas. Chile and the EU have reached a very ambitious and innovative agreement that goes well beyond their respective WTO commitments. It establishes, for example, a free trade area in goods covering the progressive and reciprocal liberalisation of trade in goods over a maximum transitional period of 10 years reaching a full liberalisation for 97.1% of bilateral trade. It also establishes a free trade area in services, provides for the liberalisation of investment and includes rules to facilitate trade in wines and spirits. It provides for the reciprocal opening of government procurement markets and for the adequate and effective protection of intellectual property rights. Implementation of the trade provisions of the agreement has been smooth. The extension of the trade provisions of the agreement to the 10 new Member States should provide further trade and investment opportunities.

La Silla, situated at 2 450 m altitude in the Andes near La Serena (Chile) is the place chosen by ESO (European Southern Observatory) for building its first observatory.
EU–Chile, some trade figures ...

The EU is Chile's main trading partner, as well as the main foreign investor in Chile. These links will be further strengthened by the free trade agreement already in place. The parties are beginning to witness the first signs of an increasing dynamism in bilateral trade.

7. EU humanitarian aid to Latin America and the Caribbean: the work of ECHO

ECHO is the Humanitarian Aid Office of the European Union. It was created in 1992 and its mandate is to provide emergency assistance and relief to the victims of natural disasters or armed conflict outside the European Union. The aid is intended to go directly to those in distress, irrespective of race, religion or political convictions.

7.1. Displaced peoples: Colombia and Mexico

Colombia has one of the world’s largest displaced populations, with around three million people forcibly displaced since 1985 and around 180,000 newly displaced in 2003. Since 1997, the Commission has provided a total of EUR 51.2 million in humanitarian aid to internally displaced people (IDPs) and other vulnerable groups affected by the civil conflict. It is estimated that approximately 150,000 people per year benefit from this assistance. ECHO’s main partner in Colombia is the International Committee of the Red Cross (ICRC), which provides emergency assistance to newly displaced people all over the country. ECHO also works with UN agencies and European NGOs.

ECHO’s strategy is:
- to ensure basic relief assistance to IDPs in all the regions of the country immediately following displacement (through ICRC);
to improve the living conditions, to restore a minimum level of self-reliance and promote the social integration of IDPs in rural areas in the regions most affected by displacement (through European NGOs and European national Red Cross societies);

- to increase the exchange of information among humanitarian organisations in order to improve the coordination and quality of humanitarian assistance (through OCHA).

ECHO actively coordinates with other services of the Commission and with the EC delegation in Bogotá, in order to enhance the links between relief, rehabilitation and development.

In Mexico, ECHO has been present supporting the displaced population of the Chiapas conflict with a programme worth EUR 6 400 000 since 1998. The operations have been aimed at improving medical coverage, nutritional levels of the population in the short term, productive capacity and housing conditions. In 2003, the situation stabilised and needs should be addressed by other accompanying measures and local policies. ECHO therefore decided to withdraw from the region at the end of 2003.

7.2. Natural disasters: Central America, Peru, Ecuador and Bolivia

Central America has been a major area of activity since ECHO was created in 1992. ECHO has been involved in assisting the victims of armed conflicts and epidemics, and most importantly, in bringing relief to those hit by the earthquakes, tropical storms, volcanoes, droughts and floods which pose a constant threat in the region.

Between 1998 — when Hurricane Mitch struck with incredible devastating force — and 2003, ECHO has provided more than EUR 64 million in humanitarian aid to the region.

In early 2001, El Salvador was hit by two powerful earthquakes in quick succession. In response to the earthquakes, ECHO financed relief operations for a total of EUR 10 million.

In November 2001, ECHO intervened again to support the victims of Hurricane Michelle as well as to provide nutritional support to the population affected by the exceptional drought. Between 2001 and 2003, ECHO has been monitoring and responding to the acute malnutrition that affects many children by providing targeted therapeutic and supplementary feeding, and supporting health and water and sanitation structures in the four most affected countries which comprise: Guatemala, Honduras, Nicaragua and El Salvador.

ECHO is also present in other South American countries such as Ecuador, Bolivia, Peru and Paraguay, where natural catastrophes are recurrent. ECHO provides assistance on a punctual basis to the most vulnerable people when local capacities are not sufficient to cope with major disasters and finances disaster preparedness activities. Between 1999 and 2003, humanitarian aid to South America (excluding support for Colombian displaced people and Dipecho actions) has amounted to more than EUR 23 million.

ECHO’s initial response to natural disasters includes the provision of essential relief such as food aid, emergency non-food packages (basic items such as cooking utensils or hygiene products), medical care, temporary shelters, the rehabilitation of water and sanitation systems and epidemiological surveillance.

Caribbean

Between 2001 and 2003, ECHO has provided support to the Caribbean for more than EUR 16 million, mainly to prepare for and respond to natural disasters. ECHO has withdrawn from global assistance to the population of Cuba to give way to more comprehensive cooperation instruments, which were negotiated as from 2003 following the opening of an EU office in La Havana.

7.3. Dipecho: ECHO’s disaster prevention and preparedness programme

The Andean Community, Central America and the Caribbean are three of the six priority regions for Dipecho. This programme addresses disaster pre-
paredness in the regions that are most vulnerable and most frequently affected by natural disasters. It intends to boost local capacities to respond to natural disasters promptly and in an appropriate manner in order to save lives and avoid economic losses. Funds support activities such as training, local capacity-building, awareness-raising, and early-warning systems, as well as the organisation of relief services.

The programme has shown that even simple and inexpensive precautions can help save lives and property when disaster strikes. Between 2000 and 2003, Dipecho projects have been financed in Latin America and the Caribbean for more than EUR 21 million.


An emergency pedestrian bridge built in the framework of a Dipecho project (Ecuador)
The European Union, Latin America and the Caribbean have gradually developed a dialogue marked by frank and fruitful cooperation and by considerable progress, for instance as regards promoting democracy and regional integration.

The third summit of Heads of State or Government of the two regions, to be held in Guadalajara in May 2004, will ensure the continued strengthening of the strategic partnership between the two regions. It demonstrates that Latin America, the Caribbean and the European Union are not simply important trade partners, but also key interlocutors because of their strong historic ties and the values they share.