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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

A stronger partnership between the European Union and Latin America

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I- GUIDELINES

I-1 Introduction

In a world filled with new threats and opportunities, the European Union, as a global actor, needs to consolidate relations with its closest partners. One of these is Latin America, with which we share a common commitment to human rights, democracy and multilateralism. Europe needs all its friends in order to assert these common values. Few regions in the world offer so many reasons to build a genuine alliance. Given their shared history and culture, the EU and Latin America are thus better placed to understand each other than many other regions, boosting their potential for joint action considerably. Being close allies on the international scene is therefore in their mutual interest. For that reason the Commission intends to use this document and the detailed annex to strengthen the partnership between the EU and Latin America, and renew the strategy that has been followed for the past decade. Relations have developed considerably since the 1995 Communication on the general policy regarding relations between the two regions.

The EU, which now has a common currency and 25 members, has become the largest foreign investor in Latin America. It is the largest donor for the region, and the primary trading partner for many countries there, especially the members of Mercosur. Political dialogue has been strengthened through three EU-Latin America/Caribbean Summits (Rio in 1999, Madrid in 2002 and Guadalajara in 2004). This Communication will also serve as a basis for preparing the coming EU-Latin America/Caribbean Summit to be held in Vienna in May 2006.

For their part, most Latin American countries have adopted democratic systems and set about ambitious economic and social reforms. The region boasts enormous potential for development and plays a growing role on the international scene. But it faces major challenges, as evidenced by the recent UN report on the Millennium Development Goals, and there are destabilising factors that could ultimately affect the biregional partnership.

The EU could draw on its experience to help strengthen stability and security and bring sustainable development to Latin America. The new programming period for Community aid about to begin ought to allow considerable funds to be committed to the region (Financial Perspectives 2007-2013), and the next EU-Latin America/Caribbean Summit will be held in Vienna in May 2006. The future association agreements with subregions (Mercosur, the Andean Community and Central America) and the economic partnership agreement with the Caribbean will mark the end of a cycle. Through its outermost regions, the EU is present in this geographical area, and it is important to take advantage of this zone, which brings an added benefit to improve their cooperation with Latin America and the Caribbean, notably through improved coordination of the financial instruments. New developments in the process of integration between Central and South America also need to be borne in mind. It is therefore important to map out the options for the future.

The Commission wishes to send a positive signal indicating that Europe is interested in the region. Though unfounded, there seems to be a perception, that the EU is too absorbed by its own enlargement, its immediate neighbours or problems elsewhere in the world. This perception also raises the issue of the visibility of the EU on the ground, given the complexity of its structures and its means of action. The Commission wishes to reaffirm that the association with Latin America is not merely a fact but a must in the interest of both regions,

now and in the future. However, if Europe is ready to commit itself further to Latin America, it also expects a firm commitment in return.

This alliance between the EU and Latin America also concerns the countries of the Caribbean, which are involved in the EU-Latin America/Caribbean Summits, and with which the EU has had a long-standing relation under the Lomé and Cotonou agreements. The Commission will be adopting a communication on this issue early in 2006.

Annexed to this document is a detailed Commission presentation of the proposed strategy for strengthening the partnership between the two regions. The Council and the Parliament are invited to examine the detailed presentation of the strategy. The recommendations are set out below and explained in the annex.

I-2 Partnership

At the Rio Summit, the EU and Latin America pledged to set up a biregional strategic partnership with a view to forging strong links in the political, economic and cultural spheres. The reasons explaining why this partnership deserves strengthening are developed in detail in the annex.

The Commission proposes to give a fresh impetus to the EU-Latin America partnership which currently faces a number of challenges. Its objective for the coming years is to:

- establish a strategic partnership through a network of association agreements (including free trade agreements) involving all the countries of the region and liable to contribute to the integration of the region as a whole;
- have genuine political dialogues which increase the influence of both regions on the international scene;
- develop effective sectoral dialogues (e.g. on social cohesion or the environment) with a view to the sustainable reduction of inequalities and promoting sustainable development;
- contribute to the development of a stable and predictable framework to help the Latin American countries attract more European investment, which will eventually contribute to economic development;
- tailor aid and cooperation more to the needs of the countries concerned;
- increase mutual understanding through education and culture.

This policy requires the ongoing commitment of both parties and a steady effort.

I-3 The challenges

The course of action taken by the EU must be tailored to the new realities in Latin America:

- The integration processes which frame our relations are evolving, as demonstrated by the recent creation of the South American Community of Nations.
- These processes are far from complete and progress varies from one region to the next.

- Each country in the region is however pursuing its own foreign policy objectives at regional and international level.
- Some major players, such as Brazil and Mexico, deserve special treatment because of their important role in regional affairs.

The EU-Latin American partnership faces the following challenges, which are set out in detail in the annex.

- Joining the forces of two world players. Some consideration should be given to joint action to improve the political dialogue between the two regions with a view eventually to expanding their world influence.
- Stimulating economic and commercial exchange on a balanced basis; it is important for the strategic partnership that trade between the two regions continues to grow. Despite a significant increase in trade and investment flows between the two regions over the last fifteen years, their growth potential has been underutilised.
- Latin America is a region of ongoing consolidation: to avoid jeopardising long-term stability in Latin America, the EU needs to support its efforts, above all in the following areas: social inequality, poverty and exclusion; migration; democratic governance; illicit drugs and organised crime and the environment.
- Taking greater account of Latin American diversity. Although it favours the integration of the region as a whole, the Commission believes that it is time to develop the current approach by tailoring relations with certain countries to specific policies and by conducting a more targeted dialogue.

I-4 Commission proposals for action

The Commission proposes:

- (1) stepping up and focusing political dialogue with Latin American partners;
- (2) creating a climate favourable to trade and investment;
- (3) supporting the efforts of countries in the region to contribute to stability and prosperity;
- (4) cooperating more effectively and increasing mutual understanding.

I-4.1 Stepping up and focusing political dialogue

It is vital to step up political dialogue so as to bring the positions of the two regions on matters of common interest closer together. The Commission in particular wants clearer identification and better targeting of the subject areas according to the party concerned. Summits, ministerial meetings (with the Rio Group, subregional groups, including the Caribbean and countries with association agreements).

The Commission recommends:

- Conducting a needs-based political dialogue with the appropriate Latin American partners at biregional, bilateral or subregional level, on carefully chosen topics (such as UN reform, peace-keeping, conflict prevention and crisis situations in certain countries of the region);
- selecting a restricted number of topics;
- preparing political dialogue at meetings of senior officials (using the troika format);
- regularly organising meetings at senior official level with a few countries, as and when necessary, for the purposes of political dialogue.

I-4.2 Creating a climate favourable to trade and investment

Strengthening the strategic partnership should contribute to establishing a favourable climate for economic exchanges between the two regions: in Latin America this could mean technology transfers, improvements in productivity, the development of its infrastructure and diversification of its markets. It is in the EU's interest on the other hand to develop and consolidate its market positions and to pursue a dynamic investment policy.

The Commission is therefore committed to:

- consolidating the multilateral trading system;
- strengthening existing association agreements, i.e. Mexico and Chile;
- negotiating biregional association and free trade agreements;
- facilitating access for Latin American businesses in Europe's markets;
- dialogue on barriers to trade and investment; ;
- strengthening macro-economic dialogue and supporting regional macroeconomic convergence as a way to promote macro-economic stability, a key factor in stimulating trade and investment.

The Commission intends to promote:

- the role of Europe's cutting-edge sectors in the development of the region, particularly through initiatives under the research and technological development framework programmes;
- a climate favourable to European businesses in Latin America by stepping up the regulatory dialogue for the adoption of common rules and standards, in such sectors as transport, energy, information technology and communications, food safety and sanitary and phytosanitary issues.

I-4.3 Contributing together to stability and prosperity

1-4.3.1 Building more cohesive societies: promoting greater social cohesion for the benefit of all

At the Guadalajara Summit, the EU and Latin America named social cohesion as a shared goal and priority area of their relations. In the context of globalisation, the promotion of social cohesion is intended to build more cohesive societies by giving everyone (even the most disadvantaged) the chance to have access to fundamental rights and employment, to enjoy the benefits of economic growth and social progress and thereby play a full role in society.

The Commission proposes integrating the aim of social cohesion into all actions undertaken in partnership with Latin America, in an ongoing, consistent and practical fashion. This particularly concerns the following:

- setting up a specific dialogue on social cohesion;
- prioritising social cohesion in development cooperation;
- strengthening cooperation with international institutions;
- promoting the participation of the actors involved.

The Commission will also support the organisation (every two years) of a forum for social cohesion, to share the results obtained. This forum should include government authorities, civil society, the private sector and international organisations.

1-4.3.2. Strengthening democratic governance and creating a Euro-Latin American parliamentary assembly

The Commission will continue its support for modernising government in Latin America by:

- stepping up cooperation operations which will strengthen governance and encourage inclusiveness, of poorer citizens in particular;
- involving civil society in its operations and promoting the involvement of citizens (particularly women) in political projects, notably through political parties;
- supporting the EP's desire to set up an EU-Latin America Transatlantic assembly.

1-4.3.3. Strengthening security, particularly in the fight against drugs, on a basis of shared responsibility

The EU has adopted a strategy¹ for tackling the consumption, production and trafficking of illegal drugs covering the years 2005-2012. Tackling drug-trafficking and other forms of crime also implies taking action on corruption and money-laundering.

¹ Cf. http://europa.eu.int:8082/comm/external_relations/drugs/docs/strategy_05_12.pdf

The Commission will pursue the shared responsibility approach in international bodies, and continue its support for Latin America in the fight against drugs. It will promote good financial, fiscal and judicial governance through financial incentives under framework agreements with the countries of Latin America.

1-4.3.4. Encouraging greater regional integration

- The integration process in Latin America.

The Latin American countries have embarked on regional integration processes, which have already made a considerable impact. Latin America is in lead position among the developing countries on the integration path. Regional integration is a priority area of the Commission's support for Latin American development.

The Commission would also like to discuss with the Latin American partners the advisability of a regional integration strategy for the whole of Latin America. It would be a long-term strategy that would not jeopardise the current commitment to subregional integration processes.

The Commission wishes:

- to continue its support for all the different processes of regional integration, as a key factor in the region's development;
- to examine, at the Vienna Summit, whether negotiations have now reached a stage permitting the EU-Mercosur association and free trade agreements to proceed towards their conclusion;
- to use the Summit as an opportunity to take stock of progress towards regional integration in Central America and the Andean Community, and to examine whether conditions now permit the rapid opening of negotiations on association and free trade agreements with these two regions.

- Territorial integration and interconnectivity

Latin America's complex geographical configuration stands in the way of its territorial integration. More efficient infrastructure would help Latin American exporters to improve their trade performances substantially. The Commission seeks to encourage European and Latin American financial institutions to support territorial integration by means of interconnective network infrastructures, for example in the energy, water, transport, telecommunications and research sectors. Consideration also needs to be given to interconnectivity with, and within, the Caribbean.

The Commission proposes sharing its experience regarding the interconnectivity of network infrastructures, and will encourage the EIB to lend its support as part of the future Latin American facility.

1-4.3.5. Encouraging sustainable development

The Commission considers that the long-term prosperity of the EU, Latin America and the Caribbean is largely dependent on good management of their national resources and their ability to ensure sustainable economic development.

The Commission intends to promote:

- a dialogue on the environmental aspects of sustainable development;
- the organisation of a meeting between Environment Ministers in preparation for the Summits;
- in-depth discussions in international bodies, particularly on climate change.

I-4.3.6. Joint action on conflict prevention and crisis management

Given the weight of Europe and Latin America in terms of diplomatic presence, economic, cultural and development cooperation ties, the two regions could consider setting up a political dialogue on conflict prevention and crisis management.

At the request of the countries concerned, the EU should play a more active role in conflict prevention and crisis management in Latin America. It could:

- promote transfers of experience in such matters;
- support the efforts of countries and regional bodies;
- set up a dialogue and structured cooperation with the OAS and the Rio Group on this issue;
- make use of the future stability instrument.

I-4.4 Cooperating more effectively and increasing mutual understanding

I-4.4.1. Targeting aid and development cooperation more carefully

The objective of poverty alleviation is at the heart of the Commission's aid and cooperation policy for the period 2007-2013.

As part of its aid and cooperation policy for 2007-2013, the Commission proposes to:

- focus on priority themes (social cohesion and regional integration);
- target the greater part of poverty reduction funds on low-income countries (including lower middle-income countries);
- carry out targeted actions of mutual interest with upper middle-income countries;
- continue cooperation in the area of subregional integration with Mercosur, the Andean Community and Central America;
- focus regional programming for the whole of Latin America on areas of strategic regional interest;
- ensure that the resource allocation reflects the importance accorded to the region.

The Commission recalls the need to improve the coordination of European aid in general and the visibility of its cooperation in particular.

I-4.4.2. Reflecting the specific role of certain actors in the region

The strategy for a stronger partnership between the EU and Latin America must also take account of the importance and special role of the region's big countries. This is particularly important for Brazil and Mexico.

The Commission proposes setting up specific political dialogues with certain countries in the region which play a particular role, and adjusting its cooperation activities accordingly.

I-4.4.3. Building a EU-LAC common area of higher education

As a follow-up of the Guadalajara Summit (2004), the Commission intends to prioritise the building of the EU-LAC common EU-Latin America/Caribbean area of higher education. The aim is to ensure that more than 4000 Latin American teachers and students are invited to visit European universities for the 2007-2013 period.

I-4.4.4. Improve the visibility of both regions and Communicating Europe

According to opinion polls, people in Latin America are relatively unfamiliar with the EU.² The same goes for most EU countries with regard to Latin America. It is therefore essential that the two regions take up the challenge of mutual understanding. Consideration must be given to measures that would improve their visibility, for example in the cultural field.

The Commission intends to strengthen the transfer of know-how and good practice regarding cultural cooperation, both between Latin American countries and between the region and the European Union. It recommends organising a Europe week every year around 9 May (the festival of Europe) in all Latin American countries in which it is represented, in close collaboration with the embassies of the Member States.

I-5 EU-Latin America/Caribbean Summit

For the Vienna Summit of 12 May 2006, the Commission considers that the topics covered by the Guadalajara declaration – social cohesion, regional integration, multilateralism – remain important, but need to be fleshed out further. The Commission wishes to use this Summit to examine whether negotiations on the EU-Mercosur association agreement can now proceed towards their conclusion. The Summit will also provide an opportunity to assess the progress of regional integration in the Andean Community and Central America, on the basis of the conclusions and recommendations of the working group which carried out the joint evaluation, and examine whether conditions are now right for the rapid opening of negotiations on association agreements with these two regions. The Commission will also use the occasion to present its aid and cooperation programming for the period 2007-2013, and will encourage social partners and civil society to contribute to the Summit. It will attach particular importance to global issues, including the fight against drugs.

² “European Union perception in Latin America”, Focus Eurolatino - CJD/Latinobarómetro – 2004 and 2005.

I-6 Conclusions

Over the last ten years, the EU and Latin America have committed themselves to consolidating their links through a strategic partnership. In this communication, the Commission sets out a series of recommendations whose implementation will depend on all actors concerned. The Commission invites the Council and the Parliament to examine these recommendations in the light of the detailed presentation annexed to this document. The Commission considers that it should be discussed with the Latin American partners. Its hope is that the document will provide food for thought, and stimulate a debate on ways of strengthening the alliance between the EU and Latin America.