



European Commission

The strategic partnership between the European Union,
Latin America and the Caribbean: **a joint commitment**



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Lima Summit: <http://ec.europa.eu/world/lac/index.htm>

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1. Introduction



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The European Union (EU), and Latin America and the Caribbean (LAC) are natural allies linked by strong historical, cultural and economic ties, as well as by their ever increasing convergence of basic values and principles. They share a common commitment to human rights, democracy, good governance, multilateralism and social cohesion, and they cooperate to achieve these objectives. This makes them well-matched partners to address global challenges together.

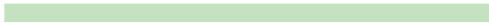






Regular summits of Heads of State or Government held during the last decade have facilitated and strengthened cooperation and dialogue between the two regions. The fifth EU–LAC summit in Lima (Peru) on 16–17 May 2008 will be a further oppor-

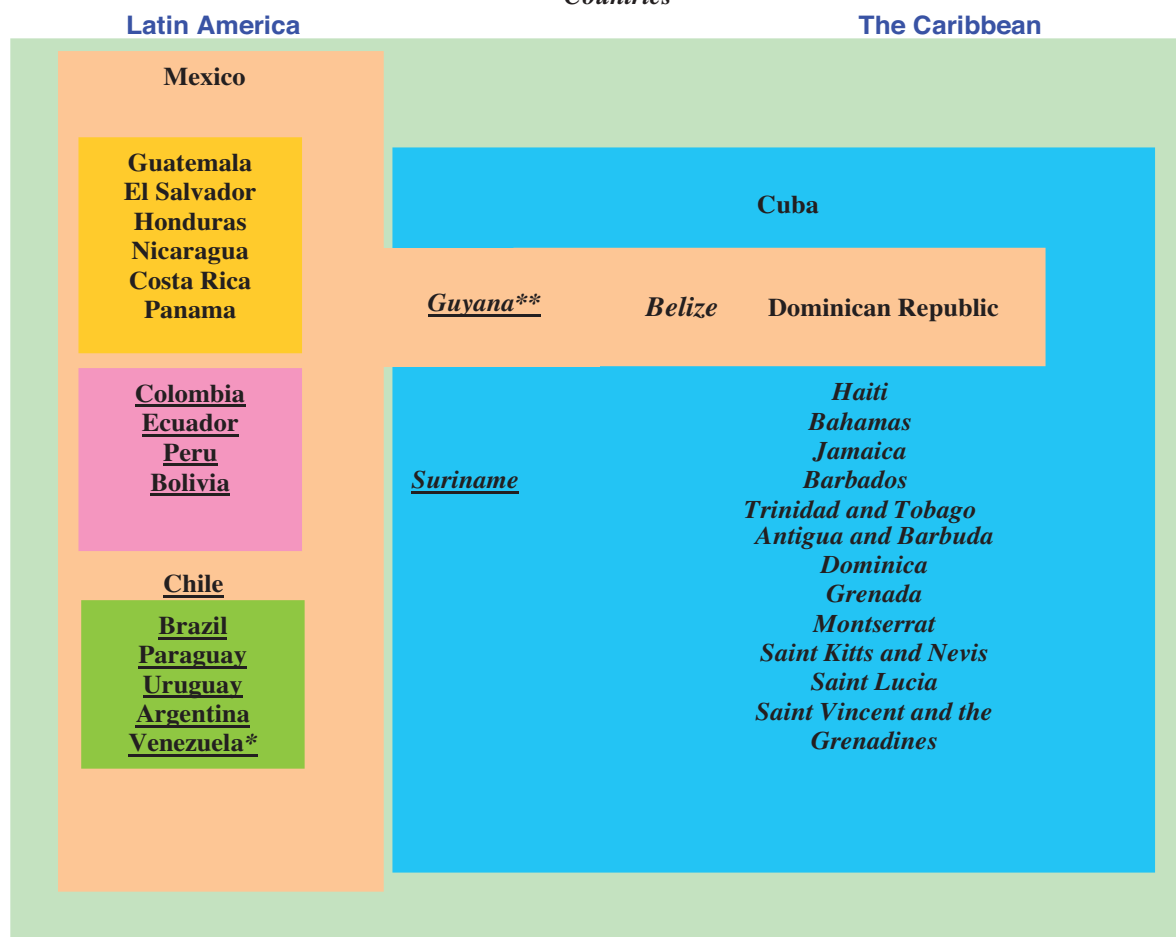
tunity to consolidate this partnership. The summit will address the major challenges frankly and openly, and assess recent developments in both regions. It will also provide an opportunity to give more visibility to the extensive cooperation between the two partners, and to analyse the actions and policies undertaken within the EU–LAC strategic partnership.

This brochure sets out the framework of the strategic partnership, presenting the background and the most recent developments. The chapters are divided by theme and geographical entity, focusing on the most important elements of the partnership and its evolution. They illustrate the political, trade and cooperation relations between the EU and each sub-region.

2. Background to EU–Latin American and Caribbean relations

Regional and institutional groups in the Latin American – Caribbean region

	Countries taking part in the Lima Summit
	Rio Group Member Countries
	Central American Countries
	Andean Community Member Countries
	MERCOSUR Member Countries
	<u>All countries underlined are Member Countries of the South American Community of Nations</u>
	CARIFORUM Member Countries
	<i>All countries in italics are CARICOM Member Countries¹</i>



* On 7 December 2005 (Mercosur Decision 28/05), Mercosur's member countries officially accepted Venezuela's application for membership. Since then, as a candidate country, Venezuela has enjoyed "active observer" status (eligible to take part in and speak at all formal meetings, but without the right to vote). Venezuelan full membership is still depending on the ratification of all country members of Mercosur. Brazil and Paraguay have not ratified yet. Venezuela left the Andean Community in April 2006.

** Guyana represents the other Caribbean countries in the Rio Group.

¹ CARICOM is an association of sovereign states, except for Montserrat, which is an overseas territory and is not participating in the Lima Summit.

2.1. History of a common political commitment

In the rapidly moving international environment, Europe, Latin America and the Caribbean — which account for a quarter of all the states that make up the international system, with around 1 billion people — appear to be each other's most natural partners when it comes to promoting their shared values and principles. Building on long-existing relations between the two regions, the EU has established and built up links with Latin America and the Caribbean (LAC) since the 1960s and 1970s respectively. The political and economic relationship between the two regions has evolved substantially over the past three decades through the negotiation and conclusion of a network of agreements covering a wide range of subjects (association, political dialogue and cooperation, economic partnership, etc.) bringing countries from both regions even closer. The EU–LAC strategic partnership, which began with the first summit of Heads of State or Government of both regions in Rio in 1999 and was consolidated and strengthened in Madrid (2002), Guadalajara (2004) and Vienna (2006), reflects the increasing convergence of interests and values as well as the desire of both parties to further consolidate and strengthen their relationship in the future.

Communication from the European Commission: 'A stronger partnership between the EU and Latin America' ⁽¹⁾

In order to lend fresh impetus to EU–Latin America relations and to underline the European Union's strong determination to strengthen the EU–LAC partnership, the European Commission adopted in 2005 a policy paper, in the form of a communication to the Council and to the European Parliament, which had the strong backing of both institutions, and which contained recommendations for strengthening dialogue and cooperation between the two regions to better address new global challenges together. For the coming years, the European Commission's reviewed strategy and policies for Latin America will include:

- concentrating on more effective targeting of political dialogue between the two regions;
- stimulating economic and commercial exchanges; encouraging regional integration by establishing a network of association agreements covering all the countries of the region;

- contributing to the development of a stable and predictable framework for European investment;
- developing dialogues on social cohesion and the environment;
- tackling inequality and tailoring development and aid policy more closely to the actual conditions in Latin America;
- sustaining the commitment to supporting the countries of Latin America in the fight against drugs and corruption;
- strengthening democratic governance;
- increasing mutual understanding through education and culture.

EU strategy for the Caribbean ⁽²⁾

In March 2006, the European Commission adopted the communication on the EU strategy for the Caribbean, which serves as the framework for future EU–Caribbean relations at the political, economic and developmental level. The EU's Caribbean strategy is articulated around a vision of the future based on a history of shared values, in parallel with full optimisation of the opportunities of the Cotonou Agreement.

The communication suggests a new enhanced EU–Caribbean partnership consisting of a set of interrelated facets:

- a political partnership based on shared values, in particular on good and effective governance as a key to the consolidation of democracy, to respect of human rights; key components will include institutional support as well as the promotion of transparency and exchange of information to fight corruption as well as corporate and financial malpractices;
- addressing economic and environmental opportunities and vulnerabilities focusing on support to regional integration and market building, increasing competitiveness as well as increasing the region's capacity in natural disaster management with emphasis on risk reduction, preparedness, early warning, prevention and mitigation;
- promoting social cohesion and combating poverty, including the fight against HIV/AIDS, strengthening of healthcare systems, as well as the fight against illicit drugs.

⁽¹⁾ COM(2005) 363 final, 8.12.2005 (http://ec.europa.eu/external_relations/la/doc/com05_636_en.pdf).

⁽²⁾ http://ec.europa.eu/development/Geographical/RegionsCountries/EUCaribbean_en.cfm

2.2. Development cooperation

2.2.1. New financial perspectives 2007–13: The Development Cooperation Instrument (DCI) and the new programming exercise

The European Union (European Commission and Member States) is the main donor in Latin America and the Caribbean and is committed to a partnership approach and emphasises the importance of a policy dialogue with Latin American and Caribbean countries.

The main legal instrument governing European Community cooperation with Latin America for the period 2007–13 is the Development Cooperation Instrument (DCI) ⁽³⁾. The DCI covers five geographic programmes (Latin America, Asia, central Asia, Middle East and South Africa) and five thematic programmes ('Investing in people', 'Environment and sustainable management of natural resources including energy', 'Non-state actors and local authorities in development', 'Food security' and 'Migration and asylum'). It establishes financial allocations for each of these programmes and an indication of the allocations for each region. For Latin America the total amount for 2007–13 is EUR 2 690 million. Additional funding for democracy and human rights is available, amongst others ⁽⁴⁾, under the 'Democracy and human rights European initiative'.

The main framework of the DCI is the 'European consensus on development' ⁽⁵⁾ whose primary objective is the eradication of poverty in partner countries and regions in the context of sustainable development, including the pursuit of the millennium development goals, as well as the promotion of democracy, good governance, and the respect of human rights and the rule of law. The DCI allows for a differentiated approach depending on the specific conditions in each country and aims at increasing aid effectiveness. Cross-cutting issues (such as environmental sustainability or gender equality) are also mainstreamed in all cooperation projects.

In line with the DCI's specific provisions on Latin America and the conclusions of the 2006 EU–LAC summit in Vienna, two main priority areas of inter-

vention for regional activities have been identified for the period 2007–13 on the basis of needs and the lessons learned from past cooperation experiences: the promotion of social cohesion and support for regional integration. The DCI also identifies governance, higher education and sustainable development as priority sectors for cooperation with Latin America.

In accordance with the provisions of the DCI, the Commission has adopted 21 programming documents (17 country strategy papers, three regional strategy papers for Mercosur, the Andean Community, and Central America, and one regional paper for Latin America) ⁽⁶⁾. The Commission's current programming exercise is also intended to underpin closer policy dialogue in Latin America through action taken at the most appropriate levels (national and regional) and taking into account the specificities of the countries and regions concerned.



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Renovation of national motorway 3, Haiti

2.2.2. 10th European Development Fund (EDF): The new programming exercise 2008–13

The new programming exercise 2008–13 represents an important political commitment by the EU towards the Caribbean. General budget support is considered to be the most efficient method of aid delivery and will therefore be regarded as a priority. Under the 10th EDF the total amount earmarked for the national and regional allocation is around EUR 760 million; there is the possibility of a further allocation in respect of the national programmes in

⁽³⁾ Regulation (EC) No 1905/2006 of the European Parliament and of the Council establishing a financing instrument for development cooperation.

⁽⁴⁾ The Instrument for Stability and the Nuclear Safety Cooperation Instrument are the other additional and complementary instruments to the DCI also covering the region.

⁽⁵⁾ 'The European consensus on development': joint statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission (14820/05).

⁽⁶⁾ For further information: all strategy papers are available at: http://ec.europa.eu/external_relations/sp/index.htm



© EC Delegation

Installation of water harnessing for personal use and plant irrigation, Oruro Altiplano and Cochabamba, Bolivia

the form of an incentive tranche of up to 25 %, which is linked to governance, representing a per capita allocation of approximately EUR 31. The aim of the programmes — by intervening at various levels including at the regional and subregional levels — is to achieve sustainable economic development and co-operation by deepening regional integration and addressing trade development and competitiveness and productivity enhancement.

The programmes in the proposed country strategy papers (CSPs) address both the private and public sectors. Focal sectors are in the areas of governance and competitiveness, infrastructure/interconnectivity, macroeconomic budgetary support and poverty reduction. Non-focal sectors include activities linked to governance and also capacity building related to the new economic partnership agreement (EPA).

The regional allocation for the Caribbean under the 10th EDF is EUR 132 million plus a 25 % tranche (EUR 33 million) for additional trade assistance accompanying the EPA, making a total of EUR 165 million compared with a regional allocation for the Caribbean of EUR 57 million under the ninth EDF. The

regional programme will be strongly oriented towards EPA implementation.

Finally, the Caribbean will benefit from a range of intra-ACP (African, Caribbean and Pacific) programmes under the 10th EDF in areas such as infrastructure, culture, prevention of natural disasters, etc. The Caribbean region is also expected to benefit from the EU's commitment to increase aid for trade to EUR 2 billion per year by 2010.

2.2.3. The European Investment Bank

The European Investment Bank (EIB) was set up in 1958 by the Treaty of Rome as the long-term lending bank of the European Union. The EIB lends money to the public and private sectors for projects of European interest, including support for small businesses, environmental schemes, research, development and innovation, transport and energy.

The EIB in Latin America

The new EIB external mandate provides for a total volume of lending for the seven-year period 2007–13 amounting to EUR 27.8 billion, of which

EUR 2.8 billion are earmarked for Latin America. This is the first time that a separate provision has been made for Latin America, and the amount is some 70 % compared with the previous mandate. This reflects the traditionally strong demand for EIB activities in Latin America.

The EIB lending objectives in Latin America will be progressively aligned with the EU's cooperation strategy in the region. The EIB will seek to expand its activities across a larger number of countries in the region, including in the less prosperous countries. In support of EU objectives, EIB financing in the Latin American countries should focus on environmental sustainability (including climate change mitigation) and energy security projects, and on continued support for the EU's presence through foreign direct investment (FDI), and the transfer of technology and know-how. EIB activities in Latin America should also help to promote regional integration, and particularly interconnectivity in the region.

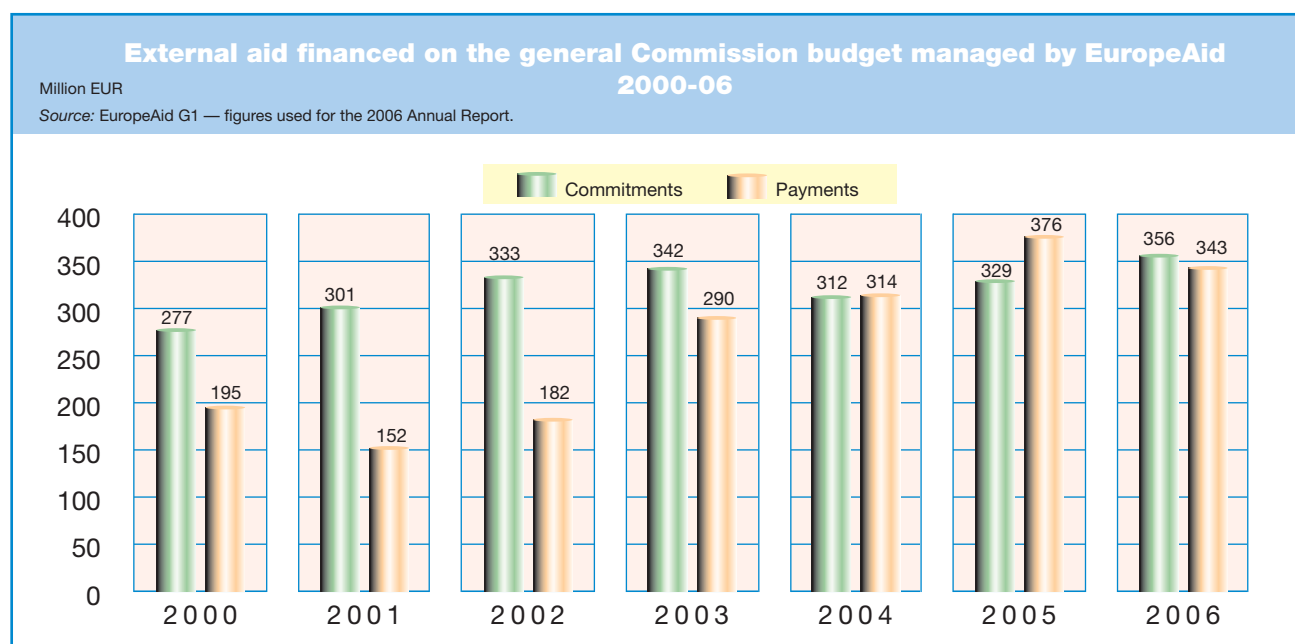
The EIB in the Caribbean

In the Caribbean, the EIB operates under the Cotonou Partnership Agreement and the related EDF-funded Investment Facility (IF), which was signed between the African, Caribbean and Pacific (ACP) states and the EU on 23 June 2000. A Council decision of 27 November 2001 covers investment in the overseas countries and territories (OCTs), which include a number of Caribbean territories. Finance is also available from the bank's own resources in the ACP and OCT states.

The primary objective of the IF is to further the Cotonou Agreement's goal of reducing poverty in the ACP states by contributing to sustained economic growth and private sector development. Two sectors are prominent in the Caribbean: infrastructure projects (typically co-financed with other development finance institutions) and financial sector support (cooperation with financial intermediaries, such as local financial institutions and private equity funds, with the dual objective of enhancing financial sector development and funding smaller projects involving small and medium-sized enterprises, SMEs).

EIB activities in the Caribbean since the launch of the IF in 2003 have included projects in energy (particularly renewable sources), the service sector, transport, and support for microfinance, private equity and SME lending, taking advantage of the full range of financial instruments (debt, equity, guarantees) available under the IF. Lines of credit to approved financial intermediaries or through venture capital and development funds account for the biggest share of the EIB's Caribbean portfolio (40 %). Energy, water and environmental projects represent just over 30 %.

The EIB's total active portfolio of investments and loans in the Caribbean under the Cotonou Agreement and the previous Lomé Conventions currently stands at EUR 294 million, which represents 11 % of the bank's overall ACP portfolio.

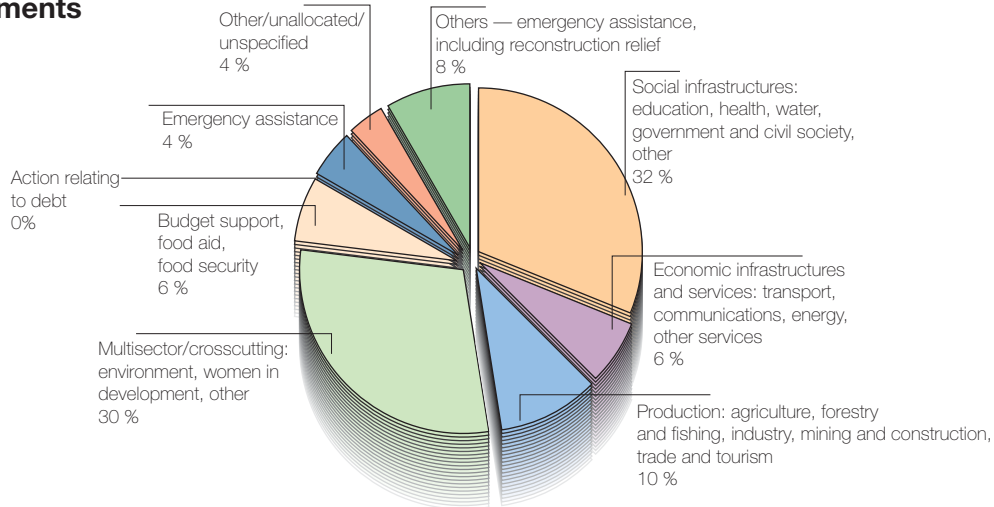


Breakdown by sector of external aid financed on the general Commission budget managed by EuropeAid in 2006

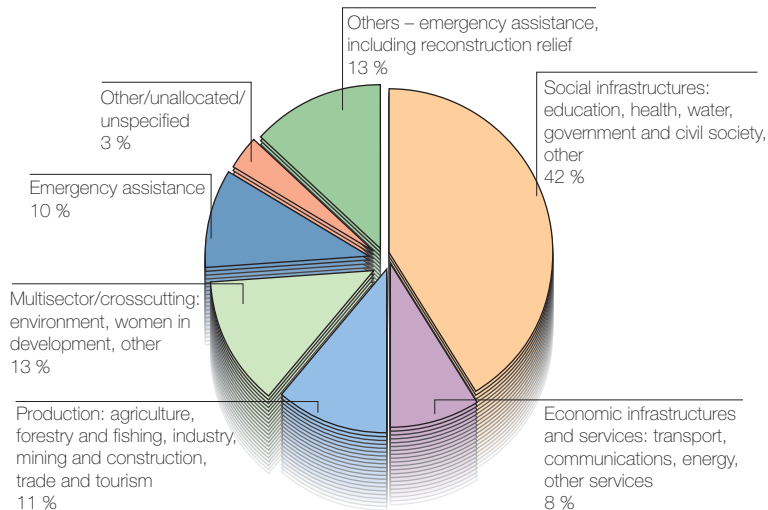
Million EUR

Source: EuropeAid G1 — figures used for the 2006 Annual Report.

Commitments



Payments

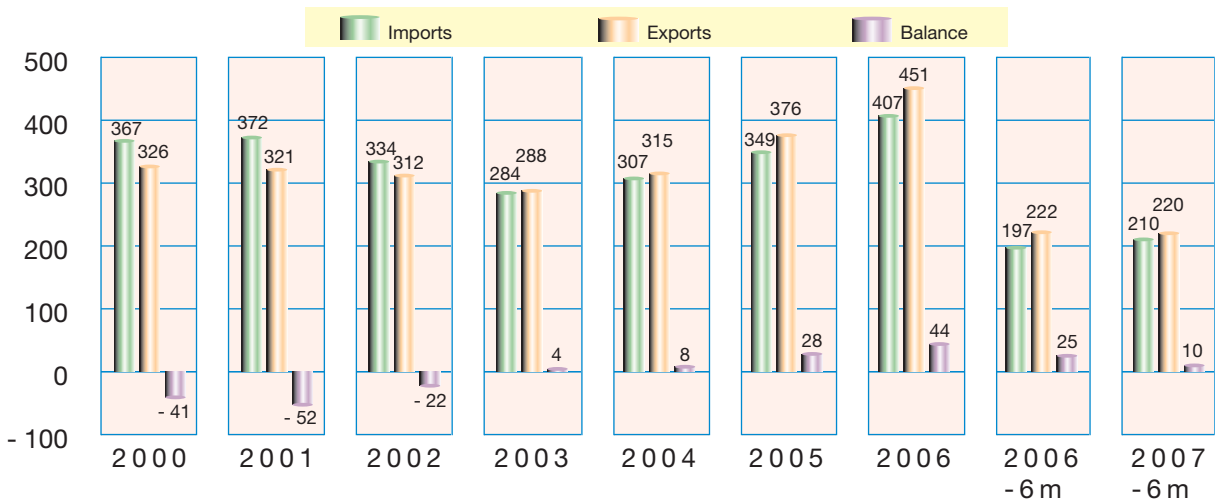


2.3. EU-LAC trade and investment

Latin America and Caribbean trade with the world (excl. intra-Latin America and Caribbean trade)

Billion EUR

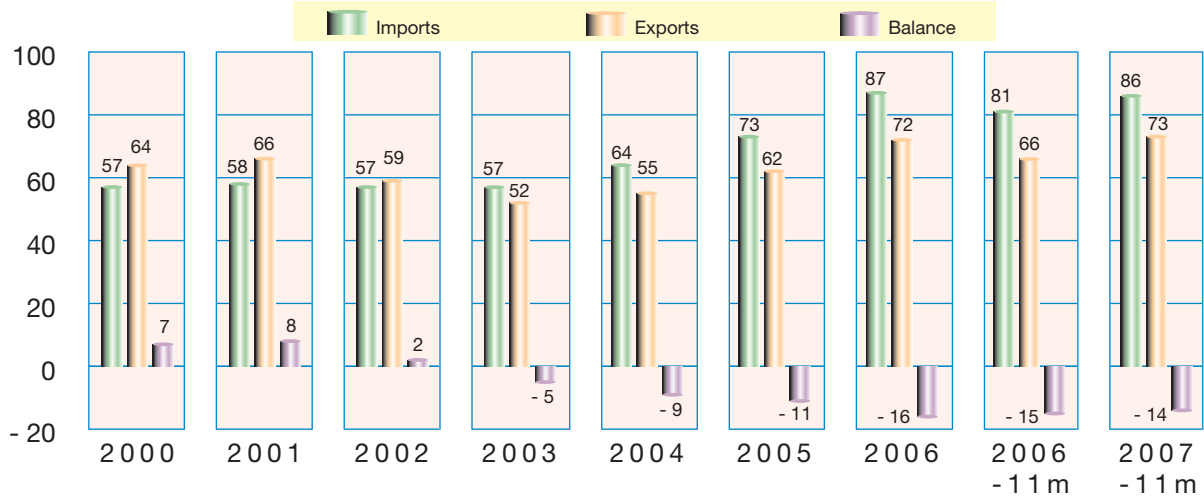
Source: IMF.



EU trade with Latin America and Caribbean

Billion EUR

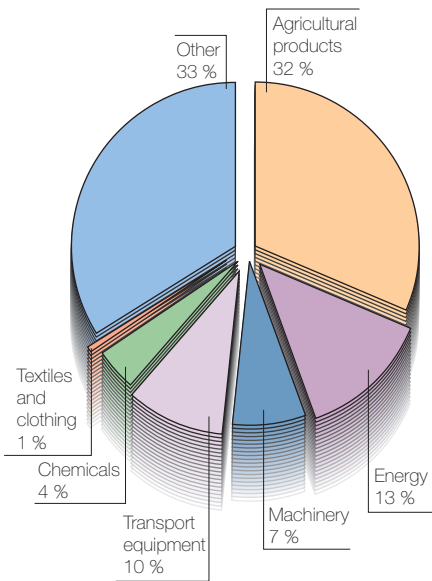
Source: Eurostat (Comext, Statistical regime 4).



EU imports from Latin America and the Caribbean (2006)

EU-27

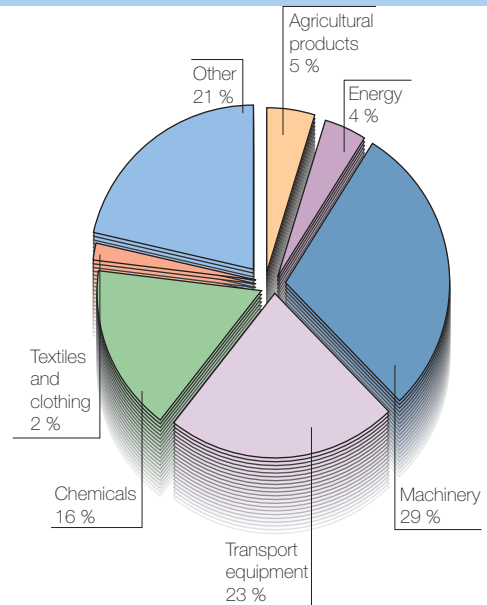
Source: Eurostat (Comext, Statistical regime 4).



EU exports to Latin America and the Caribbean (2006)

EU-27

Source: Eurostat (Comext, Statistical regime 4).



The EU is the second-largest trading partner of Latin America and the Caribbean. It has gradually strengthened and consolidated its economic and trade links with the region, resulting in trade figures that more than doubled between 1990 and 2006.

There has been a noticeable increase in Latin American and Caribbean trade with the EU, particularly

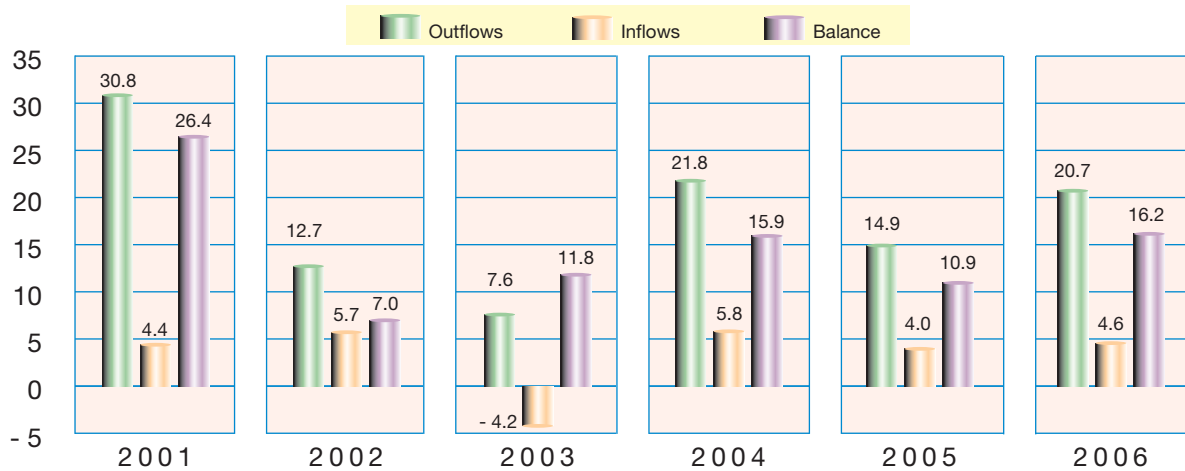
during the last decade. In 2006, EU imports from Latin America and the Caribbean totalled EUR 70 billion, and exports to the region amounted to EUR 66 billion ⁽⁷⁾. Closer examination reveals that EU imports from Latin America and the Caribbean have grown faster than EU exports to the region over the last five years. In 2006, the LAC countries had a trade surplus of EUR 4 billion with the EU.

⁽⁷⁾ Source: International Monetary Fund (IMF).

EU foreign direct investment with Latin America and Caribbean (flows)

Billion EUR — EU-25

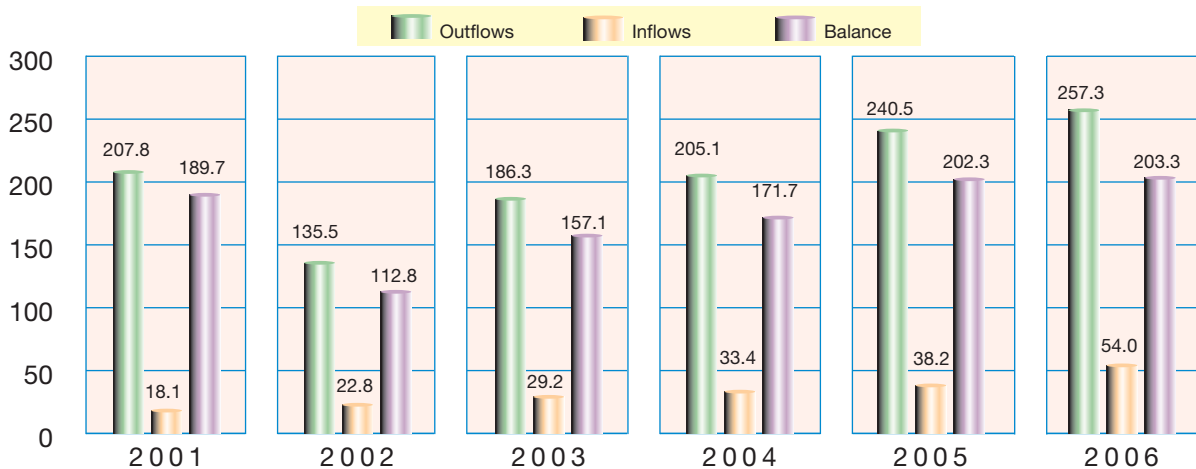
Source: Eurostat (NewCronos).



EU foreign direct investment with Latin America and Caribbean (stocks)

Billion EUR — EU-25

Source: Eurostat (NewCronos)



The main exports from these countries to the EU are agricultural products and energy. The EU has a trade deficit with the LAC countries in agricultural products and energy, and a surplus in other sectors. EU exports to the LAC countries are more varied, the main sectors being capital goods, transport equipment and chemical products.

The EU has traditionally been the leading investor in the region. European foreign direct investment

was particularly significant during the 1990s. In 2005, foreign direct investment inflows to Latin America and the Caribbean (not including financial centres) amounted to over USD 68 billion, almost 11 % higher than in 2004 and way above the figures recorded between 2001 and 2003.

3. EU–LAC summits: the strategic partnership



EU–LAC summit held in Vienna in May 2006

The European Union–Latin America–Caribbean summits are, above all, an occasion to strengthen and consolidate the bi-regional strategic partnership and have become unique opportunities to develop a fruitful and frank dialogue at the highest level between the Heads of State or Government of both regions on issues of common interest.

3.1. The summit process

The first summit was held in **Rio de Janeiro (Brazil) in June 1999**. The Rio summit articulated around three chapters: political dialogue, economic and trade relations, and cooperation. The objective was to strengthen political, economic and cultural ties between both regions in order to develop a strategic partnership.

The second EU–LAC summit took place in **Madrid (Spain) in May 2002**. Heads of State or Government assessed the progress made in the framework of the strategic partnership established at Rio and gave new impetus to the partnership through the adoption of a ‘political statement’. The summit was also an opportunity to conclude negotiations on the association agreement between the EU and Chile.

The third EU–LAC summit was held in **Guadalajara (Mexico) in May 2004**. Firm and specific commitments were made in the three basic and fundamental components of the strategic partnership: social cohesion, strengthening multilateralism and regional integration (association agreements were defined as strategic objectives of the EU–LAC partnership).

The fourth EU–LAC summit took place in **Vienna (Austria) in May 2006**. Heads of State or Government reiterated the commitment of both regions to strengthening the bi-regional strategic association. Its Final Declaration addresses 12 specific themes central to the bi-regional dialogue, ranging from democracy and human rights to the environment and the fight against poverty, with the overall aim of consolidating the strategic partnership.

The Heads of State or Government also decided in Vienna to launch negotiations for an association agreement between the EU and Central America, paving the way for the launch of negotiations for an association agreement between the EU and the Andean Community.

3.2. From Vienna to Lima: the achievements



© Diario Libre, Dominican Republic – Andrés Ferrero

Commissioner Benita Ferrero-Waldner participating in the Grupo de Rio meeting in Santo Domingo, April 2007

Strengthening ties

Continuation of the political dialogue

In April 2007, the Foreign Ministers of the European Union met their counterparts from the Rio Group ⁽⁸⁾ — a forum comprising all the countries of Latin America and representatives of the Caribbean — in Santo Domingo. Political dialogue between both regions focused on Haiti, energy, environment



© Costa Rican Government

First round of negotiations for the EU–Central America association agreement, Costa Rica, October 2007

and climate change, strengthening multilateralism, in particular in the field of human rights and drugs, and middle-income countries and their fight against poverty. The Rio Group meeting was preceded by ministerial meetings with the Andean Community, Central America (“San José dialogue”), Mercosur and Mexico.

Regarding the Caribbean, political dialogue continues under the ACP–European Union partnership, the so-called Cotonou Agreement.

Launch of negotiations on association agreements with Central America and the Andean Community

Negotiations with a view to concluding comprehensive association agreements (political dialogue, cooperation and trade) were launched both with the Andean Community ⁽⁹⁾ (at the CAN presidential summit in Tarija on 14 June 2007) and with Central America ⁽¹⁰⁾ (on the occasion of a high-level meeting in Brussels between the European Commission and Central America on 28/29 June 2007). The agreements aim at enhancing the political dialogue between the EU and Central America and the EU and the Andean Community respectively, intensifying their cooperation on a wide range of topics, as well as at facilitating their economic links, including a free trade agreement.

Negotiations on an association agreement between the EU and Mercosur

Negotiations on an association agreement between the EU and Mercosur have continued. Despite a slowdown in the bi-regional negotiation process since 2005, there have been regular contacts at both technical and ministerial level. The last ministerial meeting was held in the margins of the Vienna summit and, in December 2007, the parties decided to restate their commitment to intensify bi-regional relations. They have agreed to hold a ministerial meeting in the margins of the EU–LAC summit in Lima.

The European Commission has also adopted a regional strategy paper for Mercosur for the period 2007–13. The strategy contains a cooperation programme to support the integration process in the Southern Cone and to prepare Mercosur for the implementation of the future association agreement with the EU.

⁽⁸⁾ For further information: http://ec.europa.eu/external_relations/la/index.htm#The_EU_and_the_Rio_Group

⁽⁹⁾ For further information: http://ec.europa.eu/external_relations/andean/intro/index.htm

⁽¹⁰⁾ For further information: http://ec.europa.eu/external_relations/ca/index.htm

Conclusion of an economic partnership agreement (EPA) with the 15 Cariforum states

The new agreement will replace the trade provisions of the Cotonou Agreement which expired on 31 December 2007. The aim of the EPA is to promote regional development through trade, investment and regional integration. The EPA will cover goods in services, investment and all trade-related issues, such as intellectual property and the environment. Trade liberalisation will be asymmetrical ⁽¹¹⁾: targeted development cooperation will be an integral part of the EPA in order to ensure that the Caribbean states will be able to adjust to the new challenges and to maximise the benefits from the opportunities offered by the EPA.

Establishment of the Euro-Latin American Parliamentary Assembly (EuroLat)

A major achievement since the Vienna summit has been the establishment of the Euro-Latin American Parliamentary Assembly (EuroLat) in November 2006. The establishment of EuroLat as a forum for parliamentary debate, control and review of common issues has been a long-standing aspiration on the part of the European Parliament and the various Latin American chambers, and represents a step forward in relations between the two regions. EuroLat's main objectives are to support, promote and consolidate in practical terms the bi-regional strategic partnership, by covering its main concerns: questions relating to democracy, external policy, governance, integration, peace and human rights; economic, financial and commercial affairs; and social affairs, human exchange, the environment, education and culture.

The common fight against illegal drugs

In this area the EU recognises the principle of shared responsibility. On the one hand, Latin American and Caribbean countries are significant drug-producing and trafficking countries (the Andean countries alone account for the world's entire coca production), and on the other hand the consumption of these illicit drugs is increasing significantly in both Europe and Latin America. The EU drugs strategy was adopted in 2005, covering the period up to 2012. It takes a balanced and integrated approach to the problem and is combined with the EU action plan on drugs, setting measurable targets with schedules for their implementation. Since the Vienna summit, the

EU has continued working in this area, particularly within the EU-LAC cooperation and coordination mechanism on drugs. The Panama action plan, which was jointly adopted in 1999 and established a set of common principles, was revised in May 2007 during the annual high-level meeting of the mechanism in Trinidad and Tobago. Priorities were further refined at the high-level meeting held in Vienna in preparation for the Lima summit.

Cooperation in the area of migration between Europe and Latin America and the Caribbean

Migration is a common challenge, which needs to be addressed by countries of origin, transit and destination. Consequently, the Commission has been very active in drawing up a range of policy proposals, inter alia on issues such as integration of third-country nationals, legal migration, the fight against illegal migration and trafficking in human beings, as well as on how to foster the linkages between migration and development. Migratory flows from Latin America and the Caribbean to Europe have increased significantly in the last few years, and the issue is gaining in importance in the EU-LAC political dialogue. So far, two EU-LAC expert meetings on migration have been held, and the third such meeting will take place in the run-up to the Lima summit.

Enhancing bi-regional cooperation

With a view to developing closer ties between Latin America and the European Union, a number of regional cooperation programmes have been established over the past decade in the areas of social cohesion, territorial cooperation, SME development, higher education, information society and sustainable energy.

The regional strategy paper for Latin America for the period 2007-13 provides cooperation in three focal sectors: social cohesion, regional integration and higher education. A second phase of **EUROSociAL** that aims to improve social cohesion has already been planned, and the new **URB-AL III** programme, starting in 2008, will pursue territorial cooperation through the promotion of social cohesion policies at local level. **AL-Invest IV**, another programme which will be launched in 2008, will continue to support the internationalisation of Latin American SMEs. In

⁽¹¹⁾ Caribbean goods will enter the European Union duty free and quota free, except for rice and sugar, which will be liberalised subject to a two- and seven-year transition period respectively. Caribbean markets will be liberalised in respect of around 80 % of trade over a period of 15 years, with transitional periods of up to 25 years for particularly sensitive products, as well as the exclusion of a number of other sensitive items.

the area of higher education, the **ALFA III** programme covering the period 2008–10 will focus on cooperation for modernising and reforming higher education systems in Latin America and on reinforcing the established partnerships between higher education institutions from both regions. The new **Erasmus Mundus External Cooperation Window** programme, which replaces the **Alfa** programme as from 2008, will provide scholarships and promote academic exchanges. In 2009, **@LIS** will start a new phase in which it will continue to facilitate the integration of Latin American countries into the global information society.



'Parque Integrador Europa', part of the 'Fight against poverty' programme in metropolitan Lima

3.3. Challenges and objectives of the Lima summit

Following the achievements of the fourth EU–LAC summit in Vienna (2006), the success of the fifth EU–LAC summit in Lima in May 2008 is of paramount importance. The accomplishment of tangible results maintains the momentum generated by the summit process in the strategic partnership between the two regions. The Lima summit represents the willingness and determination needed for the consolidation and deepening of ties between both regions.

Discussion topics

The Lima summit will focus on the two following themes.

1. Poverty, inequality, inclusion

The fight against poverty, inequality and exclusion — or the promotion of social cohesion — remains a key priority for the EU–LAC strategic partnership. Since the Guadalajara summit of May 2004, both regions have placed the promotion of social cohesion at the centre of their relations. The Lima summit will present another opportunity for fruitful and open dialogue between the two regions on the topic of social cohesion policies, including poverty alleviation measures to eliminate inequalities and to promote inclusion and the recognition of fundamental social rights. The objective is to share experiences, promote best practices and policies, and thereby contribute to more inclusive societies and more equal opportunities for all.

2. Sustainable development: climate change, environment, energy

The Vienna summit declaration has foreseen to launch a policy dialogue on the environment. The Lima summit will be the perfect forum in which to convey the message that both regions have a common interest in developing close cooperation on ensuring sustainable development, including the protection of the environment and its links with climate change and energy matters.

Preparatory events

In the run-up to the Lima summit, a number of preparatory events are to be held in various fields — social cohesion, migration, environment, drugs — with various representatives from the two regions (governments, experts, members of parliament, NGOs, trade unions, business associations, etc.) taking part. The aim of these preparatory events is to make the summit a *process* in which non-state actors and civil society can participate and contribute actively to its work and outcome, by helping to formulate the relevant policies and dialogues relating to the sectors concerned. These preparatory events reflect the great human and cultural potential of the two regions and also open the way for non-state actors to participate in the summit process and to shape the final outcome.

**Preparatory meetings in the run-up to the fifth EU–LAC summit
Lima (Peru), 16–17 May 2008**

Preparatory meetings	Venue	Date	Institution in charge
Seminar on Management and Security of Public Stockpiles of Small Arms and Light Weapons including their Ammunition	San José (Costa Rica)	6–7 September 2007	Germany and Costa Rica
EU–LAC Forum on Social Cohesion	Santiago (Chile)	23–25 September 2007	Chile and the European Commission (External Relations DG, EuropeAid, and Employment, Social Affairs and Equal Opportunities DG)
EU–LAC Forum of Local Authorities	Paris (France)	29–30 November 2007	France, Spain, Italy, together with EU and LAC representatives of local authorities, European Commission
Euro-Latin American Parliamentary Assembly (EuroLat)	Brussels (Belgium)	18–20 December 2007	European Parliament and LAC parliaments
EU–LAC Ministerial Meeting on Environment	Brussels (Belgium)	4 March 2008	European Commission, Slovenian EU Presidency and LAC
EU–LAC cooperation and coordination mechanism on drugs	Vienna (Austria)	4–5 March 2008	Austrian Ministry of Foreign Affairs
EU–LAC Expert Seminar on Migration	Brussels (Belgium)	10–11 March 2008	High-Level Working Group on Migration and European Commission
EU–LAC Forum: Making fiscal policies work for social cohesion and the fight against poverty	Berlin (Germany)	12–13 March 2008	Germany, Peru, CEPAL
IV Civil Society Social Forum	Lima (Peru)	27–28 March 2008	Mesa de Articulación de Asociaciones Nacionales y Redes de ONG de América Latina y el Caribe
EU–LA cultural event	Lima (Peru)	April/May 2008	
V Meeting of Civil Society Organisations from Europe, Latin America and the Caribbean	Lima (Peru)	16–18 April 2008	European Economic and Social Committee (Ecosoc) — LAC counterparts
EU–LAC Business Forum	Lima (Peru)	15 May 2008	Confiep

4. Thematic challenges of the strategic partnership



4.1. Social cohesion

In the context of globalisation, the promotion of social cohesion is intended to build fairer societies by giving everyone, including the most disadvantaged, access to fundamental rights and employment opportunities, so as to distribute the benefits of economic growth and social progress and allow every citizen to play a full role in society. The promotion of social cohesion policies is fundamental to the fight against poverty, inequality and exclusion. It is also inextricably linked to the consolidation of democracy, a functioning economy and decent work for all.

Social cohesion is a shared objective in the strategic partnership between the European Union, Latin

America and the Caribbean, and is a main priority policy for the EU in its relations with the region. To this end, the EU has regular and specific dialogues with its partners on social cohesion policies and it has prioritised social cohesion in all its development co-operation programmes with the region, with the sub-regions and with individual countries.

According to the latest figures, in 2005, 39.8 % of the population in Latin America and the Caribbean were living in poverty and 15.4 % were extremely poor. This high proportion is indicative of the profound inequalities between rich and poor. Although the LAC region generates a relatively high level of income compared with other regions of the world, and has made significant progress towards the millen-



Meeting of Latin American Labour Ministers, European Commission, ILO, Turin, June 2007

nium development goals, it is also currently acknowledged to be one of the least egalitarian. Combating inequality in order to achieve sustainable growth therefore presents a major challenge.

At the fourth EU–LAC summit in Vienna (Austria), the EU–LAC Heads of State or Government reaffirmed their commitment to eradicate poverty, inequality, social exclusion and all forms of discrimination, to improve the living conditions of all persons and groups, consolidate democratic governance and achieve greater social justice and sustainable development⁽¹²⁾.

Social cohesion is a well-known concept within the EU, since reducing disparities both between and within countries and regions has been at the core of the EU's social and regional policies since the 1970s. Faced with globalisation, the EU too is finding it increasingly difficult to maintain its level of social cohesion and, in response to these problems, the EU's Heads of State or Government, meeting in Lisbon in March 2000, formulated a global strategy integrating the contribution of economic, employment and social policies⁽¹³⁾. Based on the European experience, cooperation with the Latin American and Caribbean region in the area of social cohesion has a great potential, especially with regard to the exchange of ex-

perience and dialogue of policies that favour the promotion of social cohesion. In this context the EU and the Latin American and Caribbean countries have a shared interest in strengthening social cohesion through dialogue and cooperation in policy areas such as employment and education, health and social protection, taxation and justice, entrepreneurship, and regional and urban development.

4.2. Regional integration

The EU has consistently supported the regional integration process as a key factor in the region's development by encouraging countries in Latin America and the Caribbean to create strong ties with their neighbours, and to organise themselves in institutionalised regional organisations. Because its own integration process has brought many positive developments — not least peace, stability and economic growth — the EU is able to contribute real added value and help its LAC partners to reap the substantial benefits of regional integration: political and social stability, sustainable economic growth and social inclusion, and greater influence on the international scene. Therefore, the EU has provided continuous support for the different subregional integration processes that have already been decisively undertaken by Latin Ameri-

⁽¹²⁾ The EU–LAC Heads of State or Government also welcomed the initiative of periodically organising social cohesion forums to stimulate dialogue and cooperation between the two regions. In this framework, and as a preparatory event of the next EU–LAC summit in Lima, an EU–LAC Forum on Social Cohesion took place in September 2007 in Santiago, Chile, that permitted an exchange of experiences between countries and regions regarding the formulation and implementation of social cohesion policies. For further information: http://ec.europa.eu/external_relations/la/sc/sc_en/index_en.htm

⁽¹³⁾ The strategy — also called the Lisbon strategy — highlights objectives such as: (a) the creation of good-quality, stable jobs; (b) modernisation of economic structures; (c) strengthening of social cohesion.

can countries (Southern Cone Common Market — Mercosur; Central American Integration System — SICA; Andean Community of Nations — CAN), the efforts made by the Caricom member countries in the context of the Caricom Single Market and Economy (CSME), and also regional market building among Cariforum ⁽¹⁴⁾ countries, in particular against the background of the new economic partnership agreement (EPA).

The development of transnational infrastructure networks and interconnectivity is essential in building stronger links between the countries, especially for Latin American and Caribbean countries, whose complex geographical configuration stands in the way of their efforts towards regional integration. In order to face this reality, the European Commission has always encouraged financial institutions to promote interconnectivity in the region and to support territorial integration by providing infrastructure in the fields of transport, energy, telecommunication, water and research. To that end, the new 2007–13 mandate of the European Investment Bank (EIB) was adopted in 2006. It includes EUR 2.8 billion for a Latin America facility, foreseeing infrastructure and regional interconnectivity as the planned sectors of intervention. Infrastructure projects (typically co-financed in conjunction with other development finance institutions) are also among the priority actions of the EIB operations and the related EDF-funded Investment Facility (IF) in the Caribbean region.

The regional strategy paper for Latin America (2007–13) also highlights the promotion of interconnectivity and regulatory dialogue at regional level, especially under the new EIB mandate, to encourage closer regional integration and interconnectivity within the Latin America region in order to promote sustainable development.

The EU's experience in this area (trans-European networks) could usefully be shared with Latin American and Caribbean countries, encouraging them to coordinate their own infrastructure planning.

4.3. Promoting multilateralism

The EU–LAC partnership reflects both sides' desire for an international system based on the principles of multilateralism and governed by consensual, universally applied rules and multilateral surveillance mechanisms. Both partners have experience of multilateralism at the regional level, and are committed to multilateralism at the global level, as they share the belief that today's challenges can only be addressed within a multilateral framework centred on a strong United Nations (UN).

One key aspect of the strategic partnership between the EU and Latin America and the Caribbean is to develop a mechanism for consultations between the two regions within international institutions and multilateral bodies, the aim being to coordinate positions on issues of common interest, particularly at the UN, that are and will remain essential for achieving peace and international security, sustainable development and social progress. 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, the death penalty, etc. This has been possible mainly because certain values are shared. Multilateral issues that the EU and LAC address together include human rights, international justice, drugs, disarmament, climate change, the environment and poverty reduction. Migration is also one of the global challenges that is moving up the international agenda and which both regions are addressing with increasing frequency in the multilateral framework.

The EU is determined to strengthen multilateralism by working as closely as possible with the international organisations responsible for cooperation with the countries of Latin America and the Caribbean, above all with the UN and its agencies, such as the Economic Commission for Latin America (ECLAC), the United Nations Development Programme (UNDP), Unesco, the International Labor Office (ILO), the World Health Organization (WHO), and others with particular expertise in economic, social and environmental, cultural, and security issues.

The EU is also working closely with the Inter-American Development Bank (IADB). The memorandum of understanding between the European Commission and the IADB was renewed in November 2007 ⁽¹⁵⁾. The IADB is a stable partner and the principal organisation providing loans and technical assistance grants to the LAC region. Equally there is a close collaboration with the Caribbean Development Bank (CDB) with extensive exchange of information. The bank could well be a vehicle for delivery of EC assistance to the region in future cooperation programmes.

⁽¹⁴⁾ Caricom plus Dominican Republic.

⁽¹⁵⁾ For further information: http://ec.europa.eu/external_relations/la/news/iadb_1107.htm

Mechanisms for dialogue and cooperation also exist with the World Bank, the International Monetary Fund and other important economic and political players, such as the Organization of American States.

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



European Union electoral observation mission in Haiti

The protection of democracy and human rights is an essential component in the relations between the EU and the countries of Latin America and the Caribbean. What facilitates the bi-regional relationship and makes it fruitful is the shared commitment to the universal principles of liberty and democracy, respect for the rule of law, human rights and fundamental freedoms — the commitment enshrined in all EU–LAC summit declarations.

Respect for democracy, human rights and the rule of law is an essential element of every new agreement concluded between the European Union and third countries. It will represent a key component of the association agreements currently being negotiated with Central America and the Andean Community. By the same token, human rights, democratic principles and the rule of law are essential elements of the Cotonou Agreement. Human rights and democracy are already key areas in the dialogue between the two regions. Countries of the two regions have also spearheaded important initiatives on human rights in the UN framework, such as the traditional resolution on the rights of the child, the resolution on the moratorium of the death penalty or the adoption of the Convention against Enforced Disappearance.

The EU has for years supported the promotion of human rights and democracy in Latin America and the Caribbean through the instruments of development cooperation, assisting governments and civil society. Under the new financial perspectives 2007–13, while cooperation through bilateral instruments will continue to fund targeted programmes for the promotion of human rights and democracy, in particular in the area of justice or promotion of the rights of women, human rights and democracy will also be mainstreamed in all actions in line with the ‘European consensus on development’.

The European Instrument for Democracy and Human Rights (EIDHR) will continue to play an important role, specifically targeting NGOs, political foundations, academic institutions and intergovernmental organisations, such as the Inter-American Commission for Human Rights and the Office of the UN High Commissioner for Human Rights (OHCHR) or the ILO, thereby complementing the actions supported through the geographic instruments. In terms of success stories, the OHCHR project on the ‘Promotion and protection of human rights of indigenous peoples in Central America with special focus on Guatemala and Mexico’ (grant of EUR 1 million from the EIDHR) deserves particular mention. One of the project’s main objectives is to provide support to both governments in implementing the recommendations of the special rapporteur on the situation of human rights and fundamental freedoms of indigenous peoples.

The EIDHR is also funding the EU election observation missions and electoral assistance, which have proved to be valuable instruments for ensuring the stabilisation of democratic systems in the region.

4.5. Environment/climate change/energy

The EU, Latin America and the Caribbean face environmental challenges, some of which are on a global scale. Climate change, in particular, is a shared challenge that requires a collective and urgent response, and it is important to raise awareness both of its impact and of the consequences of inaction, since climate change poses a threat to economic growth and the successful implementation of poverty reduction strategies.

The long-term prosperity and economic growth of both regions depends to a large extent on the sound management of natural resources and the ability to ensure sustainable economic development, including

protection of the environment. Some parts of the LAC region are particularly vulnerable to climate change, noticeably the Caribbean, owing to its insular nature, which makes it more prone to rising sea levels and extreme weather conditions. The results of economic growth should not culminate in extensive and irreparable damage to the environment. Decoupling economic growth from its environmental impacts, such as on natural resources, and from its impacts on human health and well-being are desirable and

achievable objectives. Promoting cleaner production and the rational use of natural resources, including the uptake of green technologies, renewable energy and processes by industry, are also key elements in order to achieve many interrelated environmental and economic objectives. The link between economic growth and the availability of safe, sustainable and secure provision of energy is crucial, and also has important implications for the environment and for human economic development. Both regions have a wealth of experience to share and much to learn from each other in all these aspects.

In recognition of this, the EU and the Latin American and Caribbean countries agreed at the last summit in Vienna (Austria) to launch a dialogue at a political level to exchange views on environmental issues of mutual interest, and resolved to pay special attention to cooperation in areas such as climate change (disaster prevention, mitigation and preparedness are fundamental issues as the increased frequency and severity of natural disasters to which Latin American and Caribbean countries are particularly vulnerable, as well as the continuous loss of biodiversity, are in part due to climate change resulting from human activity), desertification, energy, water, biodiversity, forests and chemical management. Taking this into account, 'Sustainable development: environment; climate change; energy' will be one of the two themes of the next Lima summit, where in-depth discussions on these issues could pave the way for a joint strategic approach to address these common challenges.



First European Union — Latin America and Caribbean Ministerial Conference on the Environment, 4 March 2008

5. Specialised dialogues: subregional and bilateral relations



© PRODAPP - EC - Enrique Castro Mendivil

Alternative development programme in the Pozuzo and Palcazú areas (PRODAPP)

5.1. The EU and the Andean Community

A structured political dialogue

Towards a genuine ‘association’ between the two regions

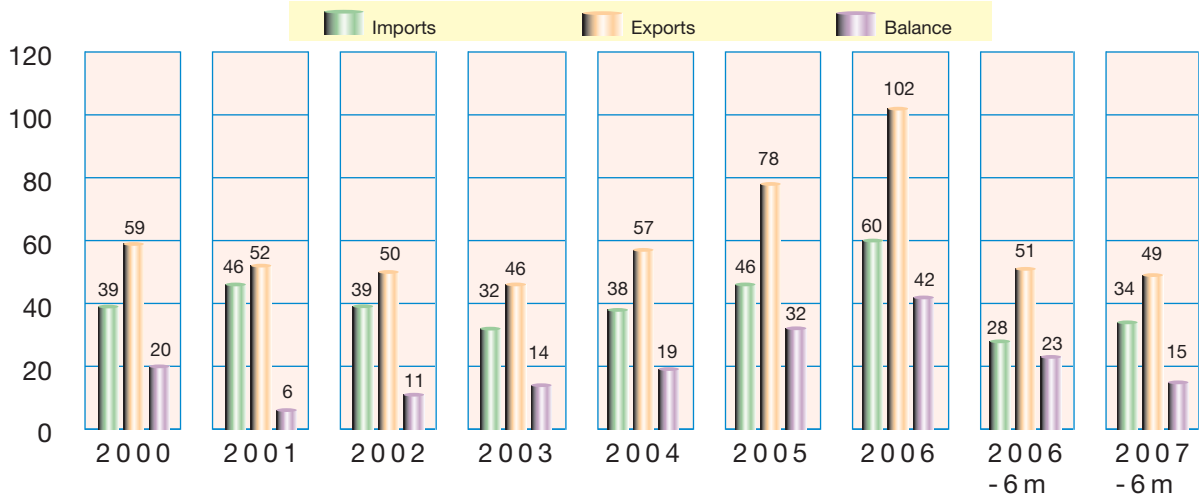
By negotiating a comprehensive association agreement, the European Union and the Andean Community ⁽¹⁶⁾ wish to consolidate and strengthen the relations they have built up over the years: to enhance their political dialogue, intensify and improve their cooperation in a wide range of areas, and enhance and facilitate bi-regional trade and investments.

In 1996, the Rome Declaration initiated a political dialogue between the two regions, which mostly takes the form of meetings at Heads of State or Government level and at ministerial level. Over the last years, the agenda for this dialogue has mainly focused on regional integration and ways to strengthen relations between the two regions, the fight against drugs, the rule of law, migration and environmental concerns.

⁽¹⁶⁾ Bolivia, Colombia, Ecuador and Peru. Venezuela left this integration system in April 2006.

Andean Community trade with the world (excl. intra-Andean Community trade)

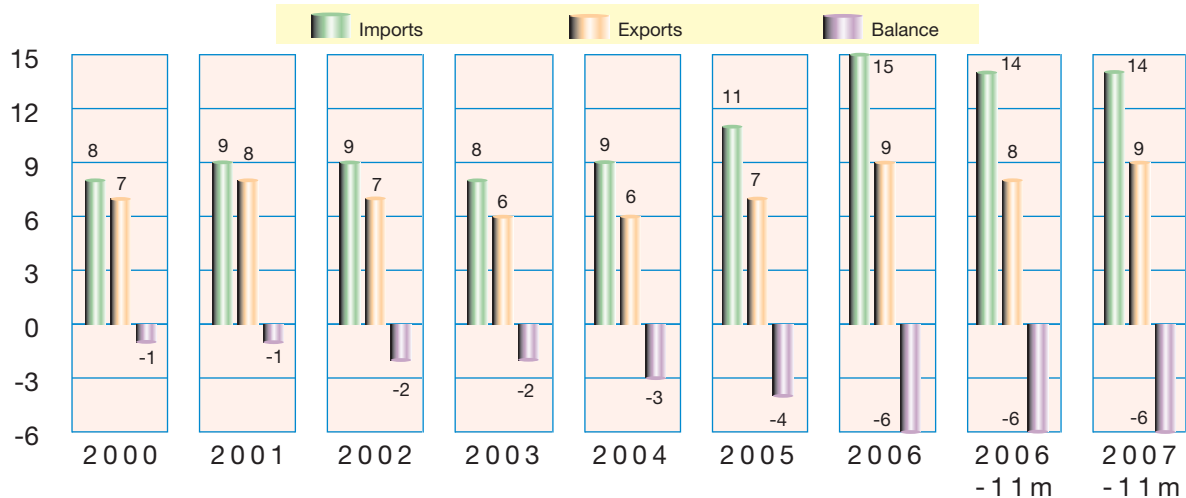
Billion EUR
Source: IMF.



(*) Although Venezuela left the Andean Community in April 2006, the figures still include Venezuela.

EU trade with Andean Community

Billion EUR — EU-27
Source: Eurostat (Comext, Statistical regime 4).



NB: Although Venezuela left the Andean Community in April 2006, the figures still include Venezuela.

Intense cooperation activities

The European Union is the largest provider of official development assistance to the Andean region. For the period 2007–13, a geographical envelope of EUR 713 million⁽¹⁷⁾ has been approved. Projects are financed at both bilateral and regional level and aim to assist the Andean countries in a variety of areas such as ensuring peace and social cohesion, address-

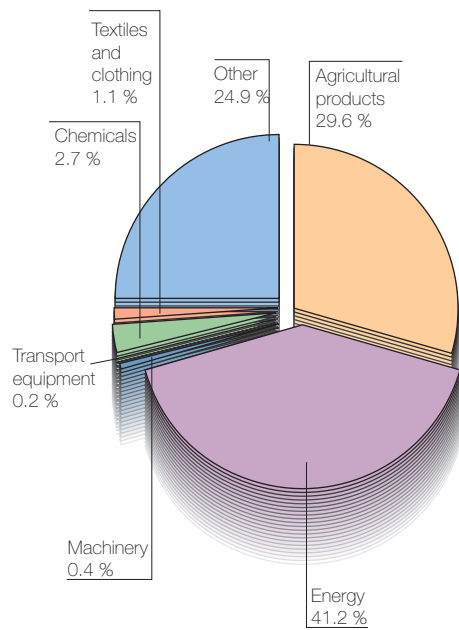
ing the drugs problem, encouraging regional integration and providing trade assistance. In addition to this geographical support, the Andean countries are also eligible for thematic support, for example budget lines providing specific support to non-state actors or assistance in the area of democracy and human rights.

⁽¹⁷⁾ This figure refers to funds for development cooperation originating from the Community budget. Individual Member States also provide assistance to this region and/or its countries from national funds.

EU imports from the Andean Community (2006)

EU-27

Source: Eurostat (Comext, Statistical regime 4).

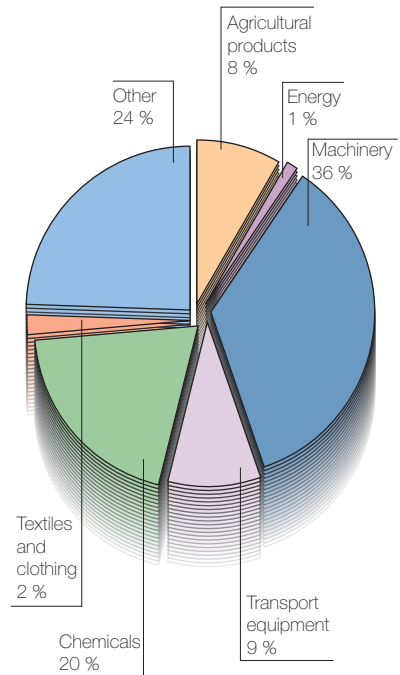


NB: Although Venezuela left the Andean Community in April 2006, the figures still include Venezuela.

EU exports to the Andean Community (2006)

EU-27

Source: Eurostat (Comext, Statistical regime 4).



NB: Although Venezuela left the Andean Community in April 2006, the figures still include Venezuela.



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La Paz and Illimani

Trade between the two regions

The EU is the Andean Community's second biggest trading partner. Total trade flows between the two regions have followed a steadily rising trend since 2002. Trade relations are based on the generalised system of preferences, which includes a special incentive scheme to promote sustainable development and good governance (the 'GSP+ incentive') through which the vast majority of Andean exports enter the European Union duty free.

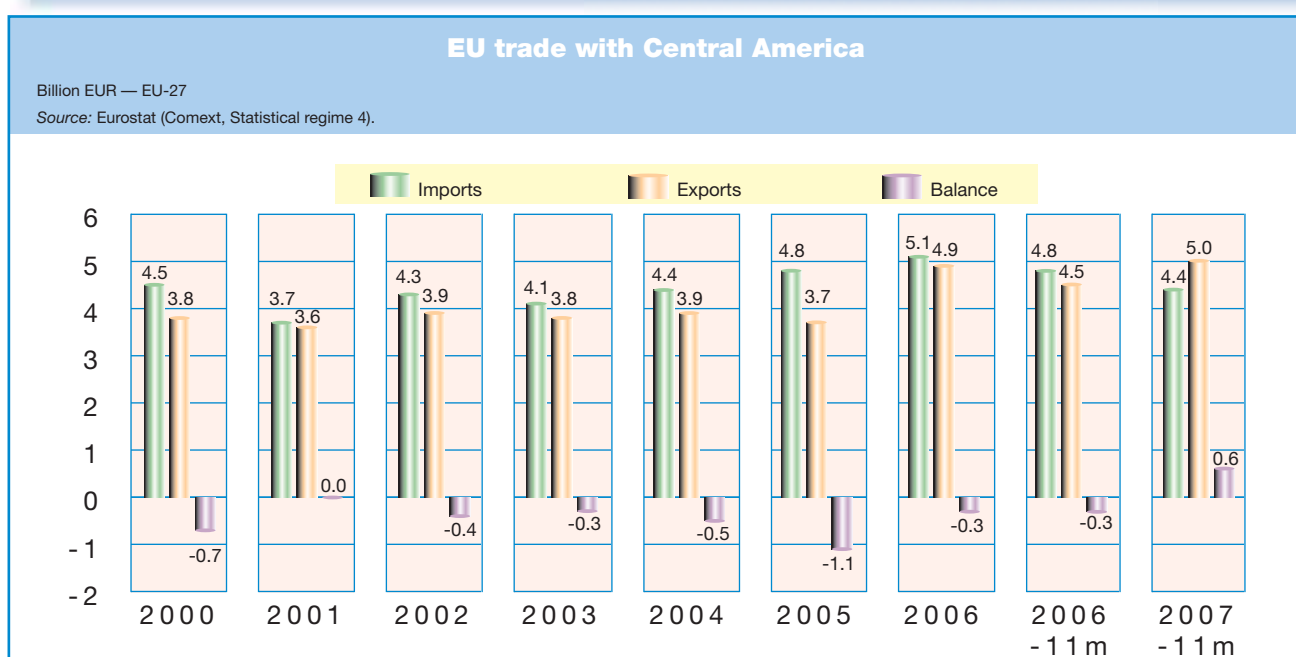
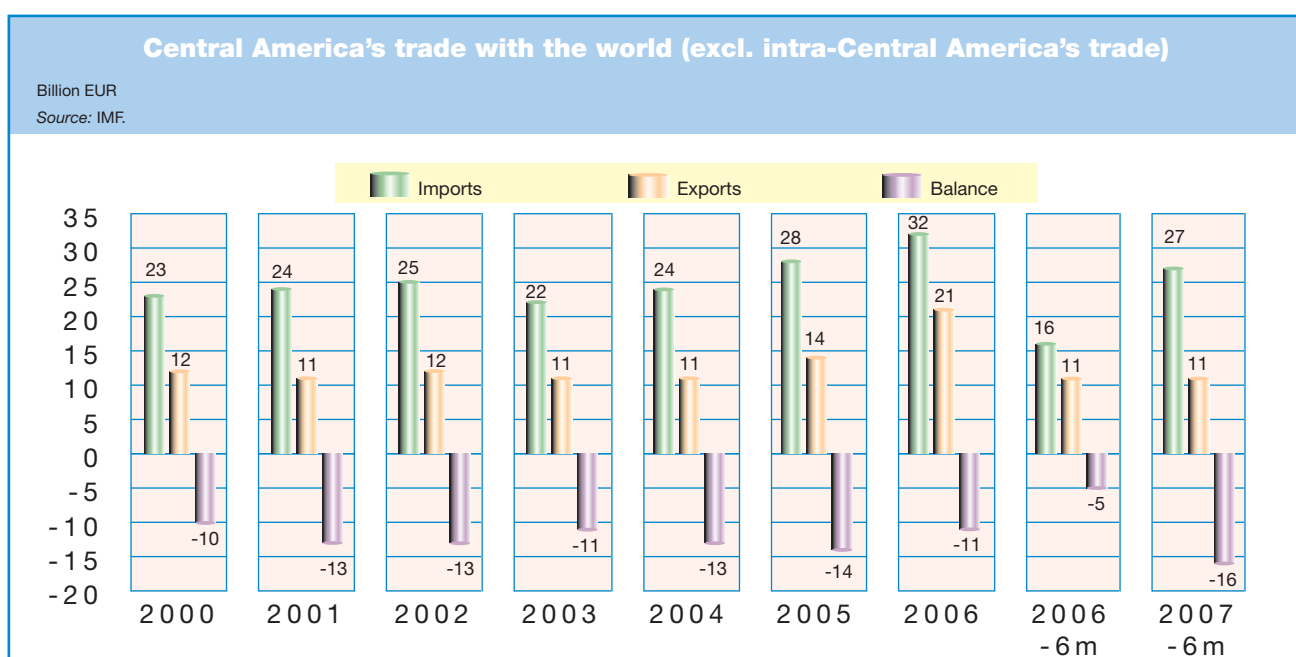
The future association agreement will contain an important trade chapter that once concluded will replace the GSP+ rules with an extensive free trade

area for goods and services and a common regulatory framework for investors from both regions.

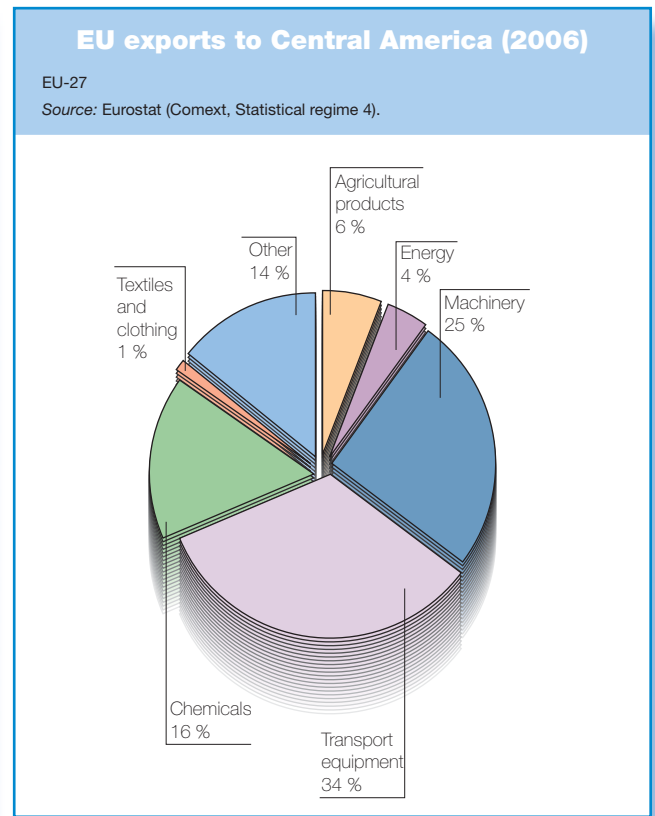
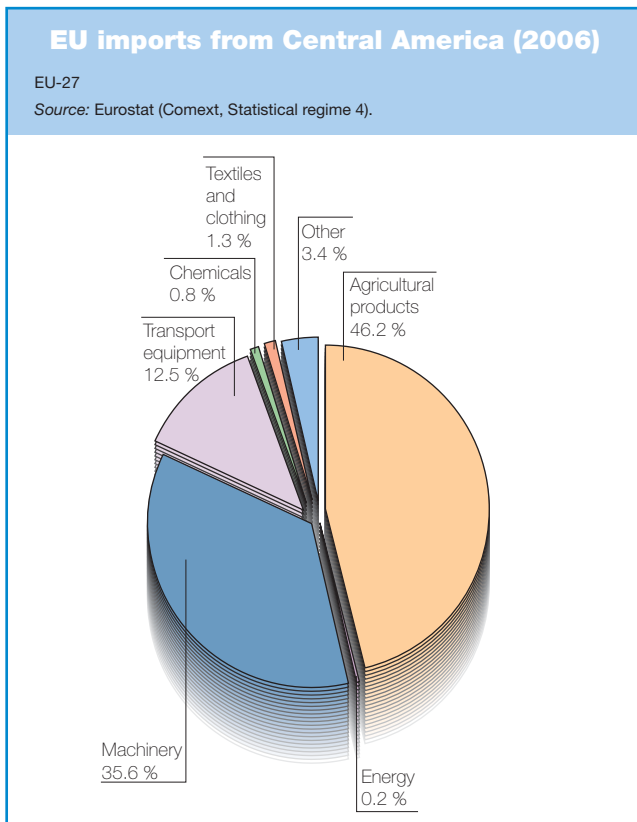
5.2. The EU and Central America

Ever closer ties

Over the last 20 years, the EU has steadfastly supported the countries of Central America ⁽¹⁸⁾ through the promotion of peace and reconciliation, and the socioeconomic development of the region. This was fostered, in particular, by the establishment in 1984 of the regular 'San José' political dialogue, which has contributed to the resolution of internal conflicts and the strengthening of democracy.



⁽¹⁸⁾ Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama.



Towards an association agreement

At the EU–Latin America and Caribbean summit held in Vienna in May 2006, the Heads of State or Government decided to launch negotiations with a view to an association agreement between the EU and Central America, including a free trade area. This agreement is envisaged as a comprehensive instrument, embracing the whole array of the multifaceted relations between the two regions. The objective is to enhance political dialogue, to intensify and improve cooperation in a wide variety of areas, and to facilitate bi-regional trade and investment. The European Commission is negotiating the agreement on behalf of the EU on the basis of negotiating directives endorsed by the Member States in April 2007.



© Diario El Mundo

Commissioner Benita Ferrero-Waldner visiting the Projovenes project in El Salvador, October 2007

In parallel, the Commission has proposed a EUR 840 million cooperation programme for the period 2007–13 to contribute to the economic and political development of the region while helping to reduce social inequalities, so that economic growth is distributed more equitably. For each country, the Commission has developed a strategy to support good governance and the rule of law, social cohesion including poverty reduction and economic growth. The Commission has also designed a strategy in support of regional integration.

Economic and trade relations

Trade relations between the two regions are based on the generalised system of preferences (GSP), which includes a special incentive scheme to promote sustainable development and good governance (GSP+). The six Central American countries are beneficiaries of the scheme, which means that most of the region's exports to the EU are duty free. As well as extensively opening up the EU market to products from the Central American countries, the EU has undertaken — in particular with the start of the bi-regional association agreement negotiations — an ambitious programme of rapprochement with the region that is intended not only to create and regulate an extensive free trade area for goods and services, but also to establish a common regulatory framework for investors from both regions.

5.3. The EU and Mercosur

Mercosur is a dynamic regional integration process conducted by Argentina, Brazil, Paraguay and Uruguay. Venezuela's accession to Mercosur is in the process of ratification. Mercosur is the fourth largest economic grouping in the world, with a population of 235 million (2006) and a total GDP of EUR 1 200 billion (2006). Since Mercosur was launched in 1991, the EU has been supporting the regional integration process, and it continues to do so today with the goal of establishing a close and deep-rooted partnership.

Paving the way for an EU–Mercosur association agreement

In 1995, the EU and Mercosur signed an interregional 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 Rio summit in 1999, EU–Mercosur authorities decided to launch association negotiations covering a strengthened political dialogue, an enhanced form of cooperation and the liberalisation of trade in goods and services. This was the first time that two trade blocks have ever negotiated an association agreement. The negotiations are aimed at creating a free trade area between both regions by liberalising trade in goods and services in line with WTO rules.

Between April 2000 and January 2006, 13 rounds of negotiations and two ministerial-level meetings were held. However, conducting the Doha Development Agenda (DDA) talks in parallel with the bi-regional negotiation process had the effect of slowing down the negotiating process. In December 2007 the parties restated their commitment to intensifying bi-regional relations by, among other things, agreeing to prepare for a ministerial meeting to be held in the margins of the EU–LAC summit in Lima.

EU–Mercosur trade figures

The EU is Mercosur's main trading partner, accounting for almost 18 % of Mercosur's trade. The EU is also Mercosur's biggest investor. Trade relations (exports and imports) between Mercosur and the EU represent 2.3 % of total EU external trade. Exports from Mercosur are mainly agricultural products (40 %), energy (14 %), machinery (4 %), transport

equipment (6 %) and chemical products (4.5 %). Imports from the EU consist primarily of machinery (33 %), transport equipment (18 %), chemical products (20 %) and agricultural products (4 %). Despite the economic crisis in 2001, European foreign direct investment inflows to Mercosur continued to be substantial. In 2004 they totalled just over EUR 100 billion and data for the last year indicate an upward trend.

EU bilateral relations with Mercosur countries

The European Commission maintains bilateral relations with each of the four founding Mercosur countries, based on cooperation framework agreements establishing joint committees that enable the two parties to regularly discuss matters of mutual interest.

Regarding Argentina, several issues of common interest are discussed in the framework of sectoral dialogues: economic and financial issues; the information society; Galileo, the European satellite navigation programme; human rights; cooperation in the United Nations framework; energy; and education and culture. The medium-term objective is to broaden the scope of bilateral EU–Argentina relations. In addition, an agreement on scientific and technological cooperation between the EC and Argentina has been in force since December 2000.

In August 2007, Uruguay became the first country in Latin America to join the growing list of countries using the universal digital TV standard (DVB-T) proposed by Europe. Partly due to its particular situation in Mercosur and its social-economic asymmetries, Paraguay is highly interested in sharing the EU's experience in several areas, including social cohesion and Structural Funds.

The EU, leading provider of aid and cooperation to Mercosur

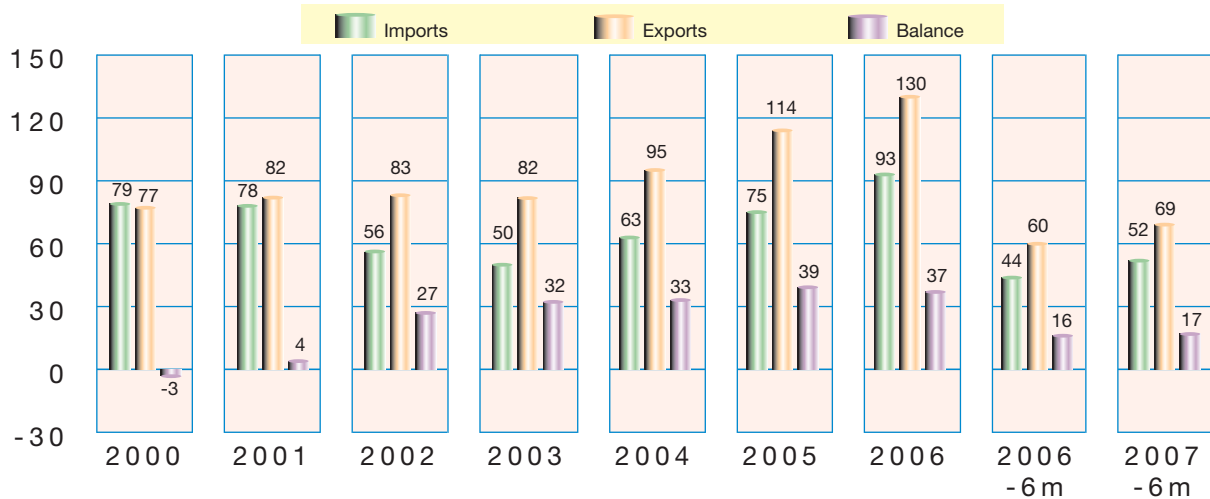
At present, the EU is the largest donor in terms of development and cooperation aid to Mercosur countries. The EU has proposed an indicative allocation of nearly EUR 324 million for the period 2007–13 to finance development cooperation activities in the Mercosur region and in its member countries.



Mercosur headquarters, Montevideo

Mercosur trade with the world (excl. intra-Mercosur trade)

Billion EUR
Source: IMF.



EU trade with Mercosur

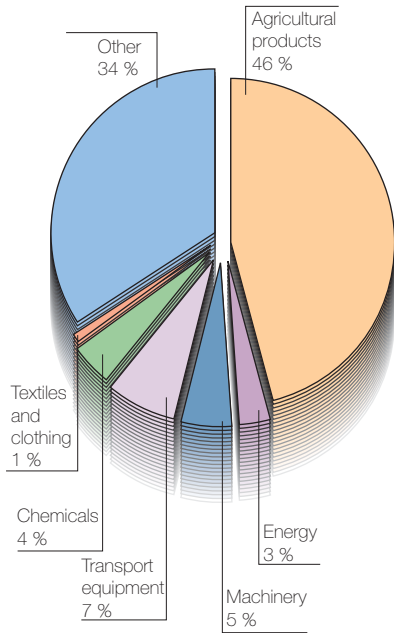
Billion EUR — EU-27
Source: Eurostat (Comext, Statistical regime 4).



EU imports from Mercosur (2006)

EU-27

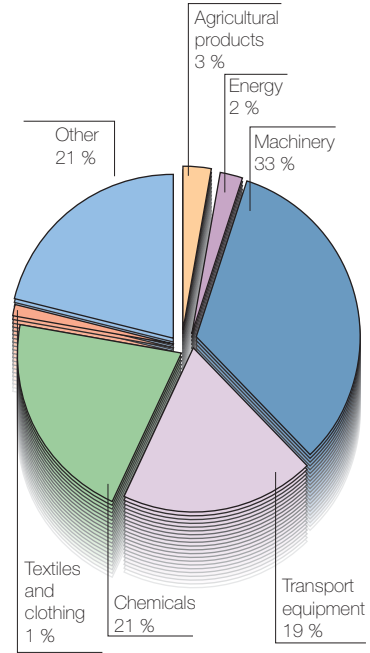
Source: Eurostat (Comext, Statistical regime 4).



EU exports to Mercosur (2006)

EU-27

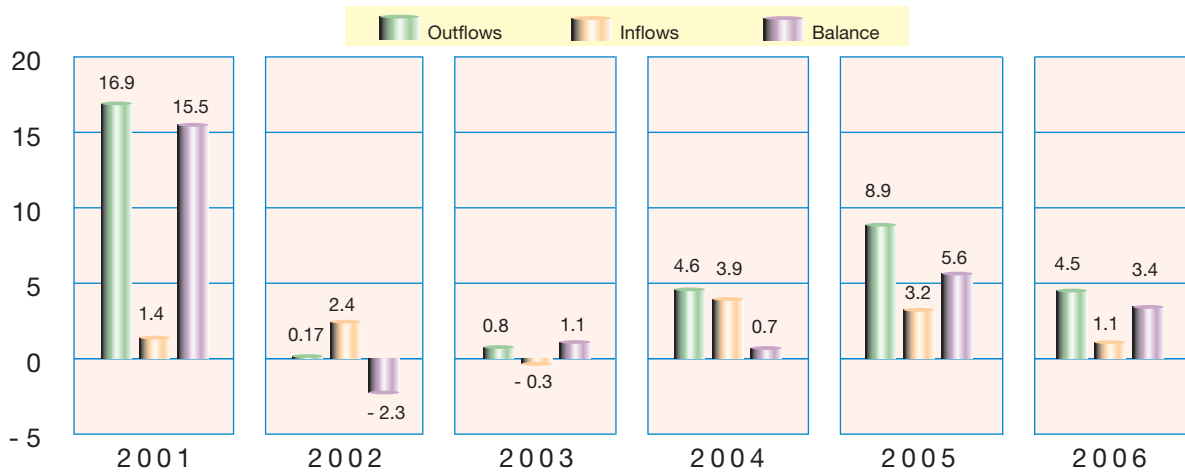
Source: Eurostat (Comext, Statistical regime 4).



EU foreign direct investment with Mercosur (flows)

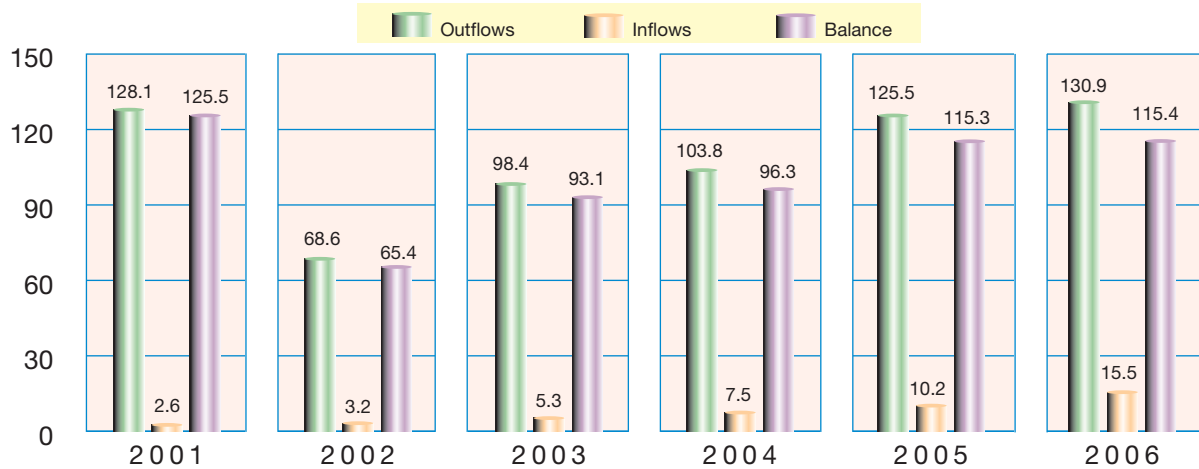
Billion EUR — EU-25

Source: Eurostat (NewCronos).



EU foreign direct investment with Mercosur (stocks)

Billion EUR — EU-25
Source: Eurostat (NewCronos).



5.4. The EU and the Caribbean



The EU as a whole has strong historical ties with the Caribbean, and EU Member States also maintain close links with the region, in particular through the French DOMs ⁽¹⁹⁾, and the special relationship between the UK and the Netherlands and the OCTs ⁽²⁰⁾. Besides EU relations within the EU–LAC strategic partnership, the Caribbean’s prominent role within the African, Caribbean and Pacific (ACP) group of states and its inclusion within the Cotonou Agreement provide the basis for its special relationship with the EU. Successive EU–ACP conventions have given the Caribbean an enhanced framework of reference for political dialogue, trade and development cooperation.

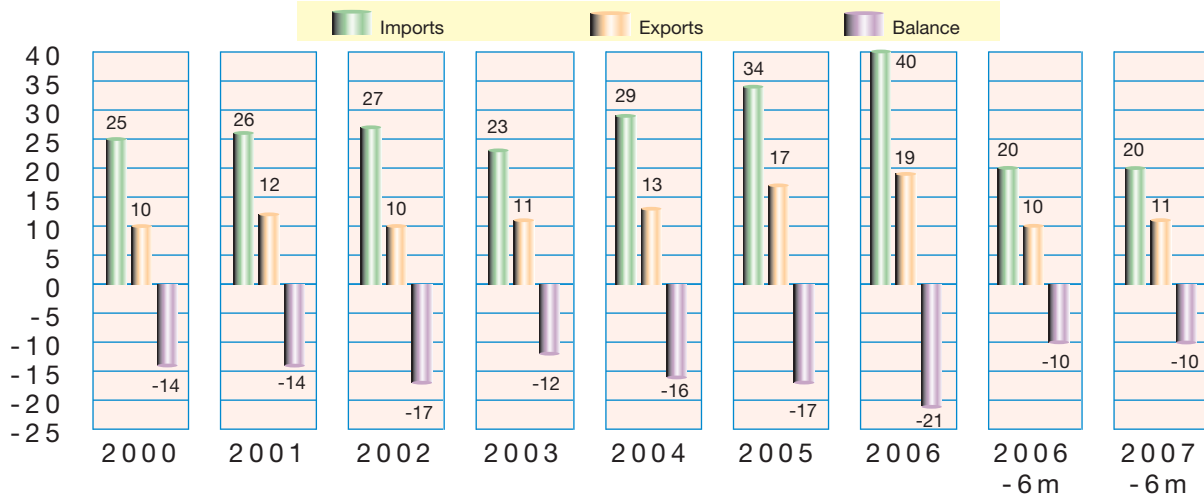
The EU’s Caribbean strategy is based on a shared vision of the future founded on a history of shared values and the maximisation of opportunities offered by the Cotonou Agreement. Firstly, the EU’s overarching development objective is to assist all the countries in the Caribbean region to achieve their long-term development goals in a self-sustaining manner, and in a climate of security and stability. This includes supporting those Caribbean countries aiming to join the ranks of the developed states by 2020, when the current Cotonou Agreement expires. Secondly, the Commission believes that the EU–Caribbean partnership can address strategic economic and political issues of mutual interest (such as peace, combating drug trafficking, multilateralism) at international level.

⁽¹⁹⁾ *Départements d’Outre-Mer*. France has three DOMs in the Caribbean, namely Guadeloupe, French Guiana and Martinique. The DOMs, like the rest of the outermost regions, form an integral part of the EU.

⁽²⁰⁾ Since 1957 the so-called overseas countries and territories (OCTs) have been associated with the European Community. At present, there are 21 OCTs, which have a special relationship with the UK, France, the Netherlands and Denmark and are located all over the world. The purpose of the association is to promote the economic and social development of the OCTs and to establish close economic relations between them and the Community as a whole.

Caribbean trade with the world (excl. intra-Caribbean trade)

Billion EUR
Source: IMF.



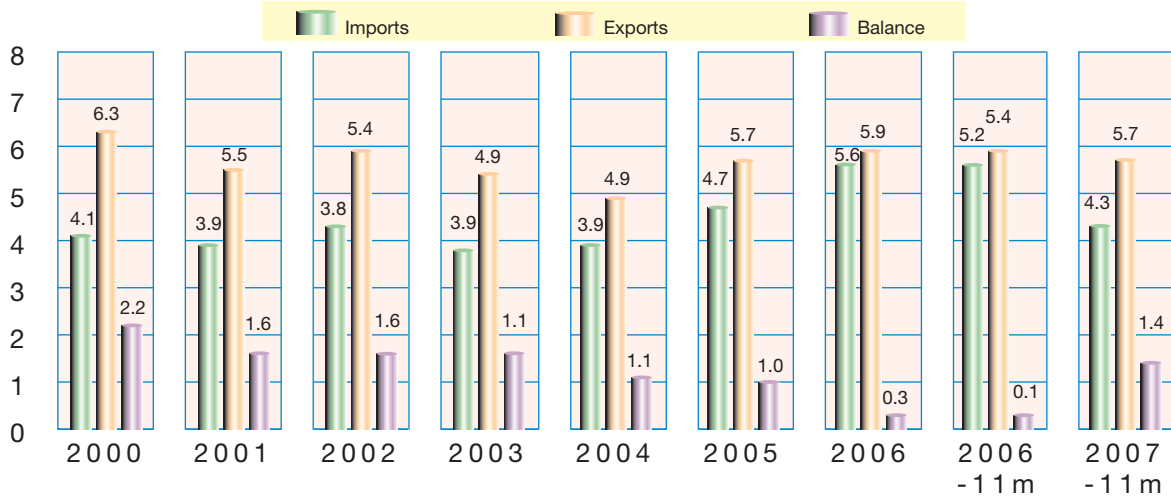
Exhibition of '27 European capitals', Dominican Republic

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EU trade with the Caribbean

Billion EUR — EU-27

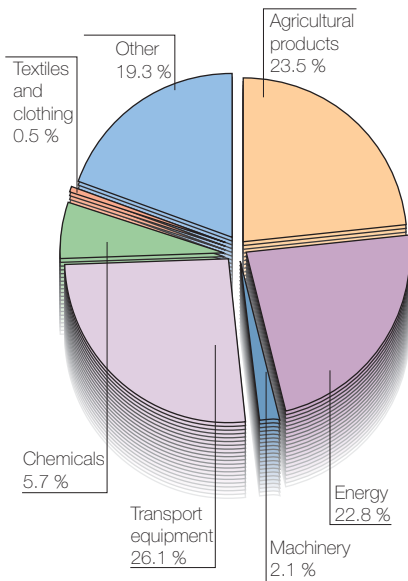
Source: Eurostat (Comext, Statistical regime 4).



EU imports from the Caribbean

EU-27

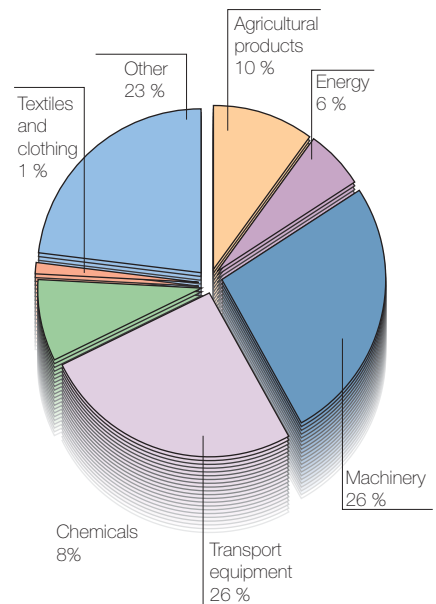
Source: Eurostat (Comext, Statistical regime 4).



EU exports to the Caribbean

EU-27

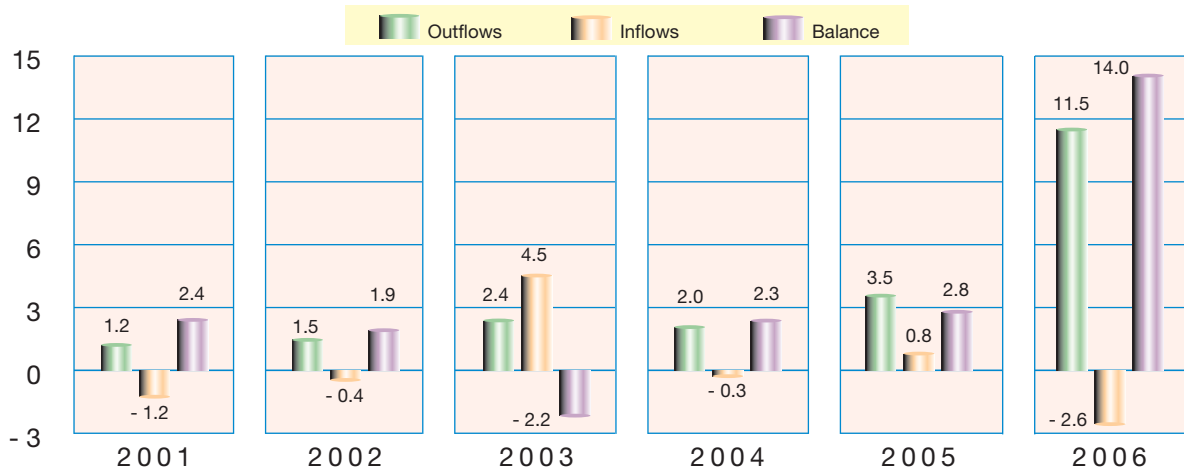
Source: Eurostat (Comext, Statistical regime 4).



EU foreign direct investment with Caribbean (flows)

Billion EUR — EU-25

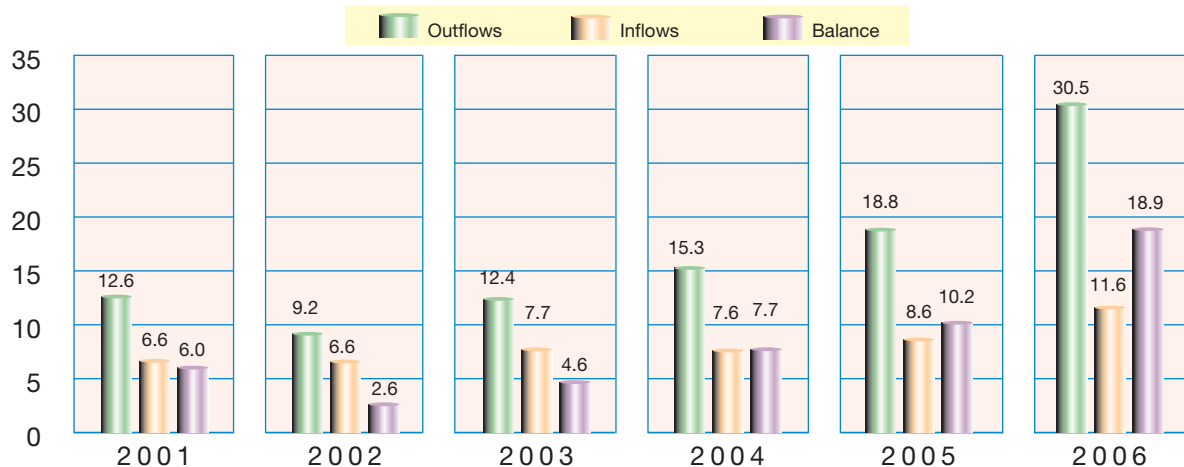
Source: Eurostat (NewCronos).



EU foreign direct investment with Caribbean (stocks)

Billion EUR — EU-25

Source: Eurostat (NewCronos).



Cooperation instruments

The Caribbean is composed of small, mostly island states with open but fragile economies which, in most cases, are based on a limited number of commodities; it is also located in an area notoriously prone to natural disasters. The insular nature of most of the Caribbean is perhaps the single most important factor constraining the efforts towards integration in the region and also adversely affecting the cost of energy, transport, communications and trade. Therefore, the EC's instruments for cooperation with the Caribbean are of paramount importance. Since 1975, the EU has been the largest donor to the Caribbean region. The main instruments include national indicative pro-

grammes and regional indicative programmes under successive European Development Funds (EDFs). In addition, the Caribbean has benefited from a range of other instruments such as Sysmin, Stabex, Flex, the SFA (see below), etc. All these instruments together have, over the last 20 years (sixth EDF to ninth EDF), added up to a total of approximately EUR 2.7 billion. The programming of the funds under the 10th EDF (2008–13) is under way (see Section 2.2). The new programming cycle earmarks fresh funds for the Caribbean of EUR 760 million (or some EUR 31 per capita) plus the possibility of an additional allocation of up to 25 % linked to governance.

Special programmes for bananas, sugar and rice

In order to enhance the competitiveness and support the diversification of the banana sector, a special framework of assistance (SFA) was established in 1999. By 2008, when the SFA will have run its course, the Caribbean will have received a total allocation of around EUR 270 million, which is more than 73 % of the total value of the SFA.

A new trade regime for sugar entered into force on 28 February 2006. Under the 'Accompanying measures for Sugar Protocol countries' (AMSP) the EC is funding actions aimed at increasing the competitiveness of the sugar industry, and at diversifying and mitigating the social effects of the changes in the trade regime in six Caribbean countries (Jamaica, Belize, Barbados, Trinidad and Tobago, Saint Kitts and Nevis, and Guyana). Under the 2006 budget, amounts of EUR 19.4 million — or nearly 50 % of the total funds — were made available for the six Caribbean countries. While final decisions still have to be taken in respect of the funds for 2007–10, it is expected that the total amount of support to the Caribbean will be around EUR 345 million for the period 2006–10. At the end of this period, and following a mid-term evaluation of the AMSP, there will be additional funds for the period 2011–13, after which the transition period for sugar comes to an end.

In order to develop the competitiveness of the Caribbean ACP rice industry, the Commission has set up a programme to support the sector worth EUR 24 million. This programme runs until 30 September 2008.

Development and trade agreements

The EU is the region's second largest trade partner after the USA (total volume of trade with the EU was 9.1 billion in 2006) with EU imports outstripping EU exports to the Caribbean (EUR 614 million in 2006). The main European import items from the Caribbean are transport equipment, energy (minerals) and agricultural products, while the main EU export items are transport equipment, power/non-electrical machinery and agricultural products. As for investment, a little over 1 % of EU foreign direct investment (FDI) flows went to the Caribbean countries in 2005, making up some 0.7 % of total EU FDI stocks. The new economic partnership agreement (EPA) is expected to boost trade and investment relations between the two regions.

Since 2004, the Community has been in negotiations with the Caribbean Forum of ACP States (Car-

iforum) to conclude an EPA. The aim of the EPA is to promote regional development through trade, investment and regional integration. The EPA covers trade in goods, services and investment, as well as all relevant trade-related issues, such as intellectual property and the environment. The novelty of the EPA is that provisions on development cooperation form an integral part of this free trade agreement, in order to ensure that the Caribbean states are able to adjust to the new challenges and to maximise the benefits from the opportunities offered by the EPA.

The previous trade regime under the Cotonou Agreement expired on 31 December 2007. In 2007 the Community offered full duty-free and quota-free access to its market under the EPA. This entails significant additional liberalisation, including for sensitive products such as bananas. There is a two-year transition period for the full liberalisation of rice and a seven-year transition period for sugar. The current arrangements under the Sugar Protocol will end on 1 October 2009. Rum will continue to be liberalised. As to the liberalisation on the Caribbean side, there will be a phased period of between 3 and 25 years for EU goods to enter the region's markets duty free. A number of particularly sensitive goods will continue to be excluded from liberalisation. This is a sign of the asymmetrical nature of the EPA reflecting a recognition of the different levels of development in the two regions.

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 it 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.

In the Council conclusions of 18 June 2007, the EU stated it would be ready to resume a comprehensive and open political dialogue with the Cuban authorities on all topics of mutual interest. This dialogue should include the whole range of potential fields of cooperation, including in the political, human rights, economic, scientific and cultural spheres, and should take place on a reciprocal and non-discriminatory basis.

Since 1993, when cooperation with Cuba began, the Commission has financed assistance measures amounting to nearly EUR 145 million, mostly in the field of humanitarian aid (EUR 90 million). In 2000, the Commission decided to phase out humanitarian

aid so as to prioritise projects promoting economic reform and civil society development.

Since August 2003, Cuba has refused all bilateral aid coming from EU Member States and the European Commission. Only indirect aid, i.e. aid channelled through NGOs, foundations, UN agencies and local or regional authorities, is accepted by the government, albeit subject to severe restrictions as regards visibility and monitoring on the ground.

Finally, in trade terms, the EU is Cuba's largest trading partner, with one third of all trade, almost half of foreign direct investment and more than half of all tourists coming from Europe.

5.5. The EU and Mexico



Quezalcoatl, Mexico

Mexico was the first Latin American country to sign a partnership agreement with the EU. The EU–Mexico economic partnership, political coordination and cooperation agreement, which was signed in 1997 and entered into force in 2000, has led to a considerable strengthening of the bilateral relations between the EU and Mexico. It reflects Mexico's relevance on the international scene and is based on shared values such as democracy and human rights.

The agreement governs all relations between the EU and Mexico, including a regular high-level political dialogue.

It has established a free trade area between the EU and Mexico, which has enshrined bilateral trade relations in a preferential framework and has helped to enhance bilateral economic ties. The has enabled significant growth in bilateral trade and has acted as a catalyst for investment flows.

The agreement has also created the conditions for a wide range of cooperation activities. These activities are aimed at supporting Mexico in areas such as: social cohesion, justice and human rights, sustainable economic development, education and culture, and science and technology.



EU trade with Mexico

Billion EUR — EU-27

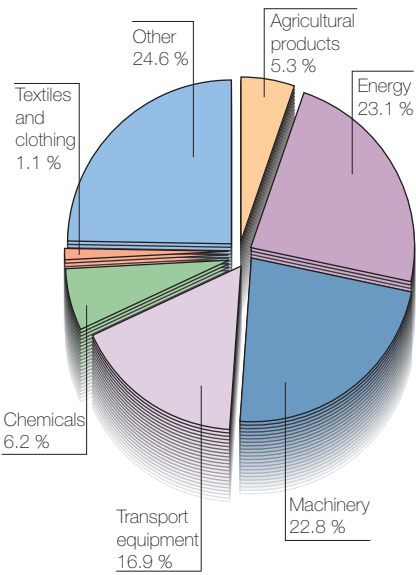
Source: Eurostat (Comext, Statistical regime 4).



EU exports from Mexico (2006)

EU-27

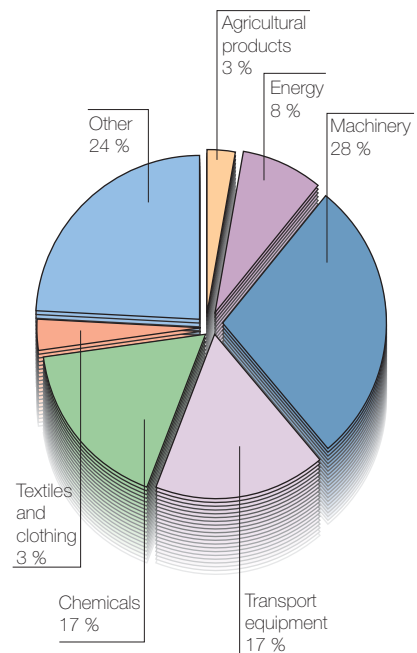
Source: Eurostat (Comext, Statistical regime 4).



EU exports to Mexico (2006)

EU-27

Source: Eurostat (Comext, Statistical regime 4).





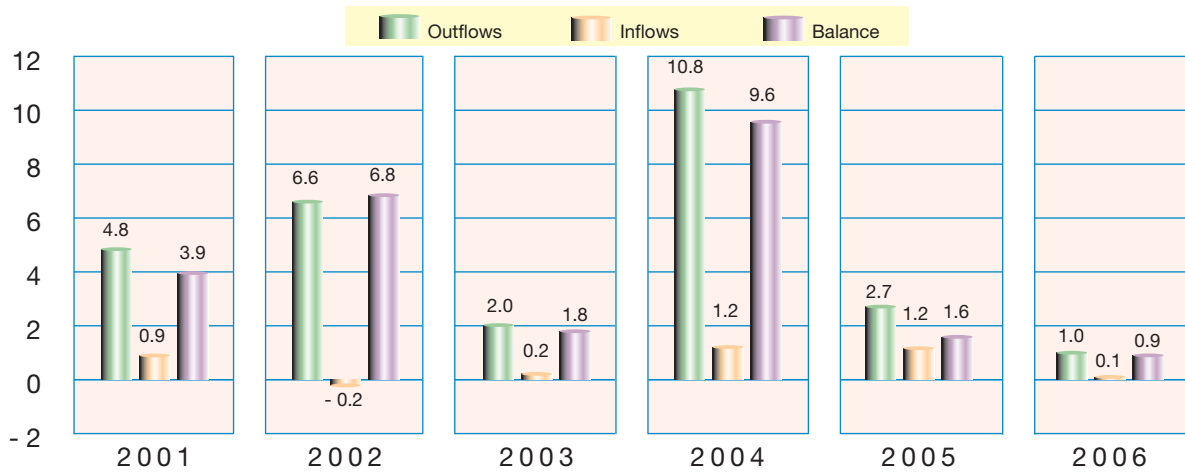
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Mexico.

EU foreign direct investment with Mexico (flows)

Billion EUR — EU-25

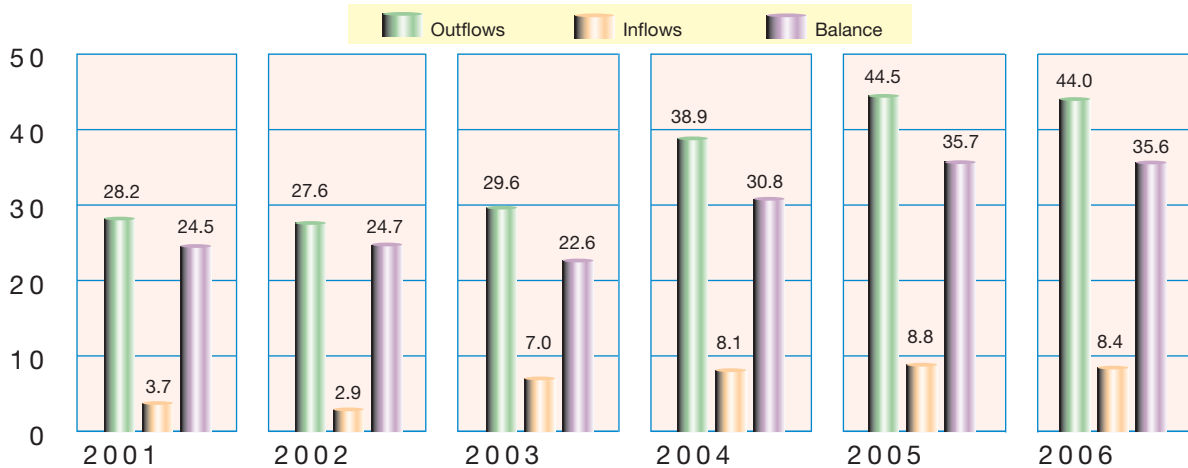
Source: Eurostat (NewCronos).



EU foreign direct investment with Mexico (stocks)

Billion EUR — EU-25

Source: Eurostat (NewCronos).



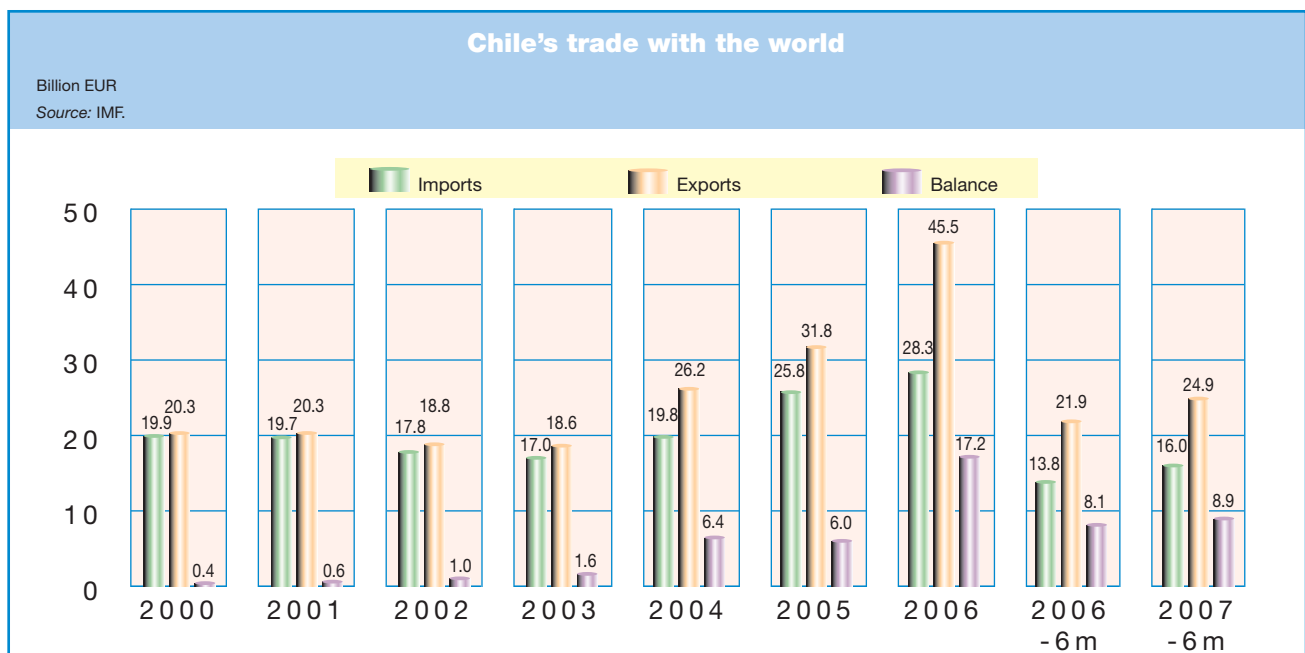
5.6. The EU and Chile

The association agreement signed by the EU and Chile in 2002 entered into force in 2005 after being ratified by all Member States. This ambitious and truly innovative agreement is the impetus behind a strategic partnership based on three pillars: political dialogue, trade, and development cooperation.



© Pedro Vale

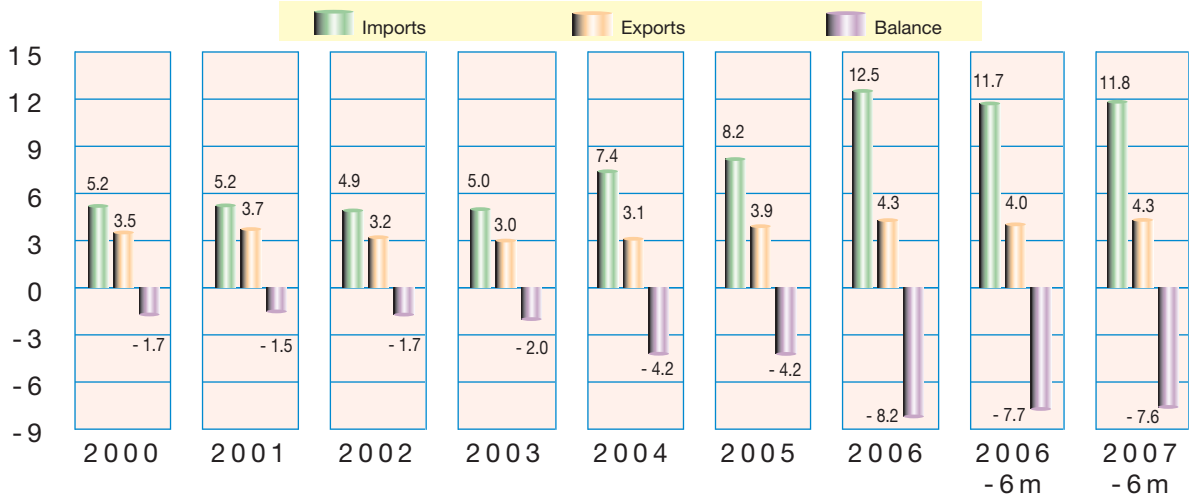
Santiago de Chile



EU trade with Chile

Billion EUR — EU-27

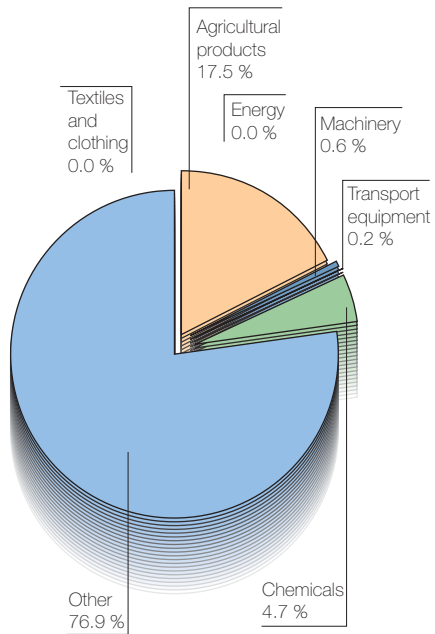
Source: Eurostat (Comext, Statistical regime 4).



EU imports from Chile (2006)

EU-27

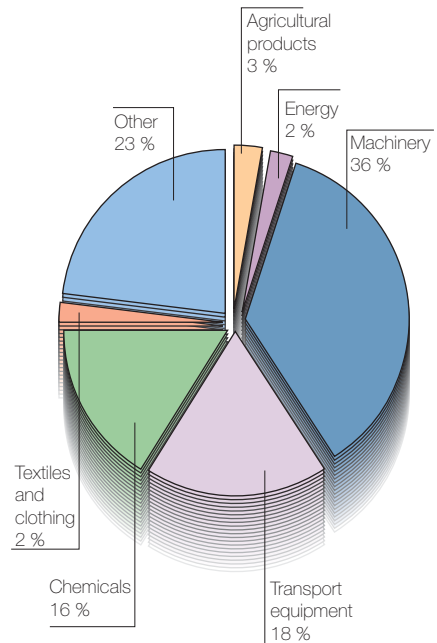
Source: Eurostat (Comext, Statistical regime 4).



EU exports to Chile (2006)

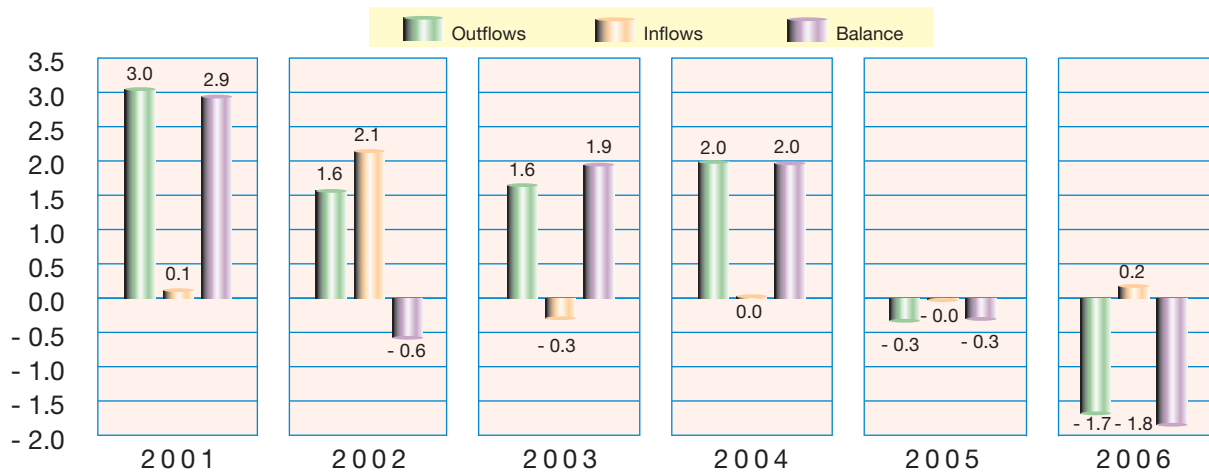
EU-27

Source: Eurostat (Comext, Statistical regime 4).



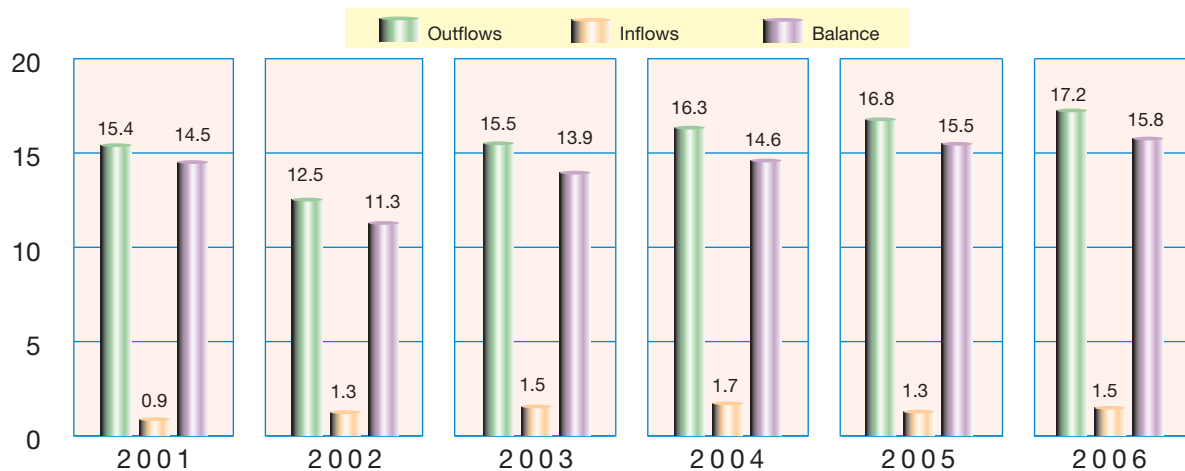
EU foreign direct investment with Chile (flows)

Billion EUR — EU-25
Source: Eurostat (NewCronos).



EU foreign direct investment with Chile (stocks)

Billion EUR — EU-25
Source: Eurostat (NewCronos).



Strong political dialogue

In the political sphere, the agreement provides for strengthening of the political dialogue between the EU and Chile. Several political dialogue meetings have taken place between the EU and Chile on a regular basis since 2003 at presidential, ministerial and senior officials' level. These dialogues covered a range of different issues, from the implementation of the association agreement and the political, economic and social situation in Latin America, to the International Criminal Court and Chile's participation in several peace missions under UN and EU flags.

Cooperation for sustainable development

In the field of cooperation, the new country strategy paper for Chile (2007–13) proposes three priority sectors of intervention, with an overall indicative allocation of EUR 41 million: social cohesion, higher education, and innovation and competitiveness. Furthermore, in 2002 Chile and the EU signed a science and technology agreement. In 2005 the EU and Chile signed a horizontal agreement in the field of air transport, which brought all bilateral air services agreements into conformity with EC law. Chile was the first country worldwide to sign such an agreement.

An innovative and ambitious free trade area

Regarding trade, the agreement establishes a gradual and reciprocal liberalisation of trade in goods over a maximum transitional period of 10 years, culminating in full liberalisation for 97 % of bilateral trade. The EU is not only Chile's biggest trading partner, but also the leading foreign investor. There has been impressive growth in EU–Chile trade flows since the entry into force of the trade part of the association agreement, with the total trade in goods more than doubling in the past four years.

Deepening EU–Chile relations: the sectoral dialogues

The main challenge now is to deepen and widen the scope of the relationship. With this in mind, the EU and Chile launched sectoral dialogues in 2005 in two areas of mutual interest: education and social policies. In September 2007, the EU and Chile organised a regional EU–Latin America and Caribbean Forum on Social Cohesion, which took place in Santiago. This was as a preparatory event to the Lima summit which provided an opportunity to further develop bi-regional dialogue and collaboration on key social issues of paramount importance for both regions.

5.7. The EU and Brazil



EU–Brazil summit, Lisbon, July 2007

The EU's relations with Brazil are governed by the 1992 EC–Brazil framework cooperation agreement and the 1995 EU–Mercosur framework cooperation agreement. Over the years the relationship has evolved substantially, leading to the establishment of a political dialogue and several sectoral dialogues (environment, information society, maritime transport, research and development) and culminating, at the first EU–Brazil summit in Lisbon on 4 July 2007, in the establishment of a strategic partnership. This new relationship places Brazil, the Mercosur region and South America prominently on the EU's political map.

The aim of the strategic partnership is to combine efforts in addressing issues of common interest and

concern at the global, regional and bilateral levels. Central topics of the new partnership include: effective multilateralism; environment, including climate change issues; sustainable energy; the fight against poverty; Mercosur's integration process and Latin America's stability and prosperity. The EU has outlined its ambitions for the new partnership in the first Commission communication on Brazil (COM(2007) 281 of 30 May 2007).

Brazil also displays an important commitment to development cooperation with the EU, placing particular emphasis on actions for the enhancement of bilateral relations and for the promotion of sustainable development.

6. EU humanitarian aid to Latin America and the Caribbean



Pisco, Peru earthquake Tupac Amaru district, emergency centre TSF 2007

6.1. European solidarity with disaster victims

Since 1992, the European Commission has funded relief operations for victims of natural and man-made disasters outside the European Union. The European Commission's Directorate-General for Humanitarian Aid (ECHO) provides aid directly and impartially to the affected populations, regardless of their race, ethnicity, religion, gender, or political affiliation. ECHO works with more than 200 implementing partners (European NGOs, the Red Cross movement, UN

agencies and other international organisations) to fund humanitarian projects and express European solidarity with disaster victims.

Over the past few years, the largest share of the ECHO budget for Latin America and the Caribbean has been allocated to meet the significant humanitarian needs of people forcibly displaced in Colombia. More than 3.9 million people have been forced to leave their homes because of the internal armed conflict in the country ⁽²¹⁾, creating 200 000 newly displaced persons annually over the past few years. The

⁽²¹⁾ CODHES (Consultoría para los derechos humanos y el desplazamiento, a Colombian NGO).

internally displaced persons (IDPs) and those Colombians who have fled to neighbouring countries ⁽²²⁾ require assistance, especially in the form of protection, food, water, sanitation and shelter. Since 1993, the Commission has provided more than EUR 100 million in humanitarian aid to IDPs and other vulnerable groups affected by the conflict, of which EUR 24 million in 2006–07 alone.

ECHO also funded relief for the victims of a series of natural disasters that struck the region in 2006 and 2007. For South America, a total of EUR 15 million was allocated during that period to help the victims of the 15 August 2007 earthquake in Peru and the extreme cold, and to alleviate the humanitarian situation of communities affected by drought and wildfires in Paraguay, and by floods in Bolivia, Colombia and Ecuador. In Central America, assistance was provided to the population affected by Hurricane Felix in 2007 in Nicaragua and to cover the continuing humanitarian needs of people in El Salvador and Guatemala, whose livelihoods were endangered by Hurricane Stan. A total of EUR 10.6 million in humanitarian assistance was allocated to Central America in 2006 and 2007.

Hurricanes, tropical storms and floods also warranted ECHO intervention in the Caribbean in 2006 and 2007, to ease the suffering of the affected populations in Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia and Suriname. For the Caribbean, more than EUR 10.8 million was allocated for disaster-affected communities, including emergency livelihood support for thousands affected by recurring natural disasters compounding the extreme poverty in Haiti. Moreover, since 2006, ECHO has provided EUR 1 million to the International Federation of Red Cross and Red Crescent Societies to strengthen disaster response capacity in the Caribbean region.

In addition to the above, more than EUR 5 million was allocated for food aid and food security operations in Latin America and the Caribbean.

Complementary reconstruction and mitigation activities are also funded from the European Development Fund reserves, in 2007 for example following Hurricane Dean in Jamaica and the tropical storm Noel on the island of Hispaniola.

6.2. Disaster preparedness



Capotillo, Santo Domingo 2006

Given the recurrence of natural disasters in Latin America and the Caribbean, each of the three sub-regions is covered by a specific action plan under ECHO's disaster preparedness programme (Dipecho). This programme focuses on a community-based approach in the areas most vulnerable to disasters. Dipecho aims to boost the capacities of those at risk to respond to, prepare for and protect themselves against natural disasters, so as to save lives and reduce economic losses. The activities which have been supported include awareness raising and training, local response capacity building, early-warning systems and small-scale mitigation works. From 2006 to 2007, a total of EUR 26 million was allocated to Dipecho activities in Latin America and the Caribbean.

⁽²²⁾ The United Nations High Commissioner for Refugees estimates that over 400 000 Colombians are in need of protection in neighbouring Ecuador, Venezuela and Panama.

7. Conclusion

The EU–Latin America and Caribbean strategic partnership is committed not only to establishing a regular high-level political dialogue, but also to creating discussion forums where the various parties have the opportunity to express their different views. This has led to fruitful cooperation and considerable progress in the areas of promotion of democracy and regional integration.

Since the first summit in Rio de Janeiro in 1999, the EU–Latin America and Caribbean summit process has been very important to consolidating the

strategic partnership between the two regions, and has strengthened the multilateral dimension on a number of globally important issues, thereby helping to foster peace, stability and respect for international law. The Lima summit in May 2008 will provide yet another opportunity to discuss the many common interests, define mutual objectives and find a common way forward.



European Commission

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