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EU-Latin America relations on the eve of the Lima Summit

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 and Government held during the last decade have facilitated and strengthened cooperation and dialogue between the two regions. The 5th EU-LAC Summit in Lima (Peru) on 16-17 May 2008 will be a further opportunity 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.

Political relations

Building on long-existing relations between the two regions, the European Union has established and built up links with Latin America since the 1960s. 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 and 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.

Since 1999, the European Commission has successfully negotiated Association Agreements with Mexico and Chile, political dialogue and cooperation agreements with the Andean Community (Bolivia, Colombia, Ecuador and Peru) and Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama). 2007 saw the launch of negotiations for Association Agreements with the Andean Community and Central America and negotiations are also under way for an Association Agreements with Mercosur (Argentina, Brazil, Paraguay, and Uruguay). And in 2007 the EU and Brazil launched their Strategic Partnership at the first EU-Brazil Summit (Lisbon, 4 July 2007). And in 2007, the EU also concluded the negotiations for an Economic Partnership Agreement with the Cariforum.

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.

The Commission's two main priorities for Latin America are social cohesion and regional integration. The EU's past experience in promoting social cohesion, as well as recent initiatives undertaken throughout the region in this field, form the basis for co-operation between the two regions aimed at tackling inequalities, exclusion and poverty.

Further steps towards regional and sub-regional integration will accelerate economic growth, while at the same time strengthening the strategic bi-regional EU-LA partnership and facilitating progress towards an effective international multilateral system. In economic terms it will help the region to fulfil its potential, to improve the inter-connectivity of its network infrastructures and to facilitate the integration of individual countries into international markets. Politically, it will allow Latin America to become a more influential player on the global scene.

EU-Latin America Trade and Economic Relations

The EU is Latin America and the Caribbean's second-largest trading partner. 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. Latin American and Caribbean trade with the EU has increased remarkably since 1980, particularly during the last decade. In 2006, EU imports from Latin America and the Caribbean totalled €75 billion, and exports to the region amounted to €71 billion. In 2005 LAC countries had a trade surplus with the EU of almost €4 billion. The existing free trade agreements with Mexico and Chile have further helped boosting trade between the EU and these partner countries and it is expected that the ones under negotiation will show similar effects, once in force.

The EU has traditionally been the leading investor in the region. The European Union is also the most important source of foreign direct investment (FDI) for Latin America. Flows of European FDI to Latin America and the Caribbean have since the peak in 2000 showed a slowdown, but are again showing upward tendencies. Total stock of European investment in the region has since a dip in 2002 reached its highest level ever in 2006, amounting to € 254 billion.

Assistance and Cooperation

The EU is the leading donor of development assistance for Latin America. In addition to the contributions from the Member States, since 1996 the European Community budget for Latin America has totalled more than €500¹ million per year. Furthermore since 2000, the European Investment Bank invested €1.3 billion in the form of loans for projects of mutual interest to the countries of the European Union and Latin America.

Current cooperation with Latin America is done under the Development Cooperation Instrument. The allocation for Latin America for the period is €2,690 million. Additional funding will be available for the region under the five new 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). Additional funding for democracy and human rights is available, amongst others, under the Democracy and Human Rights European Initiative.

Two main priority areas of intervention for regional activities have been identified for the period 2007-2013 on the basis of needs and the lessons learned from past cooperation experiences: the promotion of social cohesion and support for regional integration. The programme has also identifies governance, higher education and sustainable development as priority sectors for the cooperation with Latin America.

¹ These figures include the Andean Community, the Caribbean region, Central America, Chile, Cuba, Mercosur and Mexico