

# EU-Latin America relations on the eve of the Vienna Summit

Summary: EU-Latin America relations on the eve of the Vienna Summit (Brussels, 10 May 2006)

*Building on long-existing bilateral relations between European countries and Latin America, the European Union has established and enhanced links with Latin America since the 1960s. The relationship between the two regions has evolved substantially over the past three decades. Today's partnership reflects the increasing importance and growing potential of the Latin American region, and the will of both parties to further strengthen the relationship in the future. The EU is an important economic and political partner for Latin America. It is the leading donor in the region, the first foreign investor and the second most important trade partner.*

Heads of State and Government of both regions, who met for the first time in Rio in 1999, have set up a bi-regional strategic partnership that highlights particular priorities to ensure co-ordinated action in the political social and economic sphere. The key aspects of the EU-Latin America strategic partnership include political dialogue and economic and development cooperation. The strengthening of trade links and the harmonious integration of the partners into the world economy are also key objectives of this partnership.

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, Peru) and Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama). Negotiations are also under way on an Association Agreement with Mercosur (Argentina, Brazil, Paraguay, and Uruguay). 2004 saw the launch of a joint evaluation of the integration processes of Central America and the Andean Community, on the basis of which it shall be decided whether it is possible to open negotiations for association agreements with those regions. These agreements, combined with the ongoing major regional co-operation programmes, provide a solid basis for the intensified political relations that the EU is developing with Latin America.

With a view to the fourth EU-Latin America/Caribbean Summit[1] to be held in Vienna on 12 May 2006, the Commission proposed in December 2005 to the Council and to European Parliament a renewed strategy[2] designed to strengthen the EU-Latin America strategic partnership. In this policy paper, the Commission analyses the current challenges and makes practical recommendations for revitalising the partnership. Its proposals include stepping up political dialogue between the two regions, stimulating economic and commercial exchanges, encouraging regional integration, tackling inequality and tailoring its development and aid policy more closely to real conditions in Latin America.

In the coming years the Commission will focus on:

- Establishing an enhanced partnership through a network of association and free trade agreements covering all the countries of the region and strengthening the existing agreements with Mexico and Chile.
- More effective targeting of political dialogue according to the parties concerned so as to

increase the influence of the two regions on the international scene.

- Developing dialogues on social cohesion and the environment with a view to the sustainable reduction of inequalities and the promotion of sustainable development. The Commission proposes holding a social cohesion forum and a meeting of environment ministers every two years to prepare for the EU-Latin America/Caribbean Summits.
- Contributing to the development of a stable and predictable framework to help the Latin American countries attract more European investment, which will ultimately contribute to economic development. For the first time, a Business Summit will be organised at the occasion of the Vienna Summit.
- The Commission encourages the European Investment Bank to set up a Latin American Facility to provide loans in support of infrastructure networks.
- Sustaining the Commission's commitment to supporting the countries of Latin America in the fight against drugs and corruption.
- Strengthening democratic governance by supporting the European Parliament's idea to set up an EU-Latin America transatlantic assembly.
- Increasing mutual understanding through education and culture. The Commission will prioritise the creation of a common higher education area and undertakes to ensure that Latin American teachers and students are invited to visit European universities.

The Council and the European Parliament welcomed the Commission's initiative and adopted respectively some conclusions on the Communication on 27 February 2006 and a report on 27 April 2006.

The Commission's two main priorities for Latin America are social cohesion and regional integration.

At the Guadalajara Summit in 2004 priority was given to social cohesion. It was made a central element of the partnership between the European Union and Latin America. 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 2005. Latin American and Caribbean trade

with the EU has increased remarkably since 1980, particularly during the last decade. In 2005, EU imports from Latin America and the Caribbean totalled €71 billion, and exports to the region amounted to €62 billion. Closer examination reveals that EU imports from Latin America and the Caribbean grew faster than EU exports to the region over the last five years. In 2005 LAC countries had a trade surplus with the EU of €9 billion.

The EU has traditionally been the leading investor in the region, although in 2004 investments in the region from the United States slightly exceeded those from Europe. The European Union is also the most important source of foreign direct investment (FDI) for Latin America. Flows of European FDI to Latin America peaked in 2000, with the total stock of European investment in Latin America growing from €176.5 billion in 2000 to €254.2 billion in 2003 and currently estimated to €287 billion for 2004.

### **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 €500[3] 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.

During the last years funds made available for Latin America have risen from €238 million disbursed in 2001 to €468 million in 2005[4]. The main objectives of the cooperation matches our political objectives: fostering social cohesion, combating poverty and social inequity as well as promoting regional integration.

[1] IP EU-Latin America and Caribbean Summit: moving the strategic partnership forward (IP/06/594)

[2] Communication of the Commission to the Council and to the European Parliament “A stronger partnership between the European Union and Latin America”.

[http://europa.eu.int/comm/external\\_relations/la/doc/com05\\_636\\_en.pdf](http://europa.eu.int/comm/external_relations/la/doc/com05_636_en.pdf)

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

[4] These figures do not include the Caribbean region.

- **Ref:** EC06-163EN
- **EU source:** European Commission
- **UN forum:**
- **Date:** 11/5/2006