

The New Latin American Policy of the EU

Amaury Hoste

University of Bradford

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The term “Latin America” was first used last century by the French who tried, using this term instead of “Hispanic America”, to legitimate their policy towards the American continent south of the United States. Since that time, this term has often been used, but it is rarely defined since its meaning appears to be obvious to everybody. Because of this, its geographical definition is often blurred: does it include the Caribbean islands where some countries are English speaking? Is it only South America or is Central America part of it? What about British Guyana which is part of South America? In this paper, Latin America will be considered to comprise all the countries of South and Central America. If the Caribbean islands are left aside, it is not for geographical or historical reasons... It is because most of those countries are treated differently by EC/EU [1] Foreign Policy: they are part of the ACP countries [2] which have a special treatment.

Before the First World War, Europe as a whole was Latin America’s main trading partner and main provider of capital, investment, technology and immigrants. Because of the war, European economic relations with the rest of the world declined and were supplanted by the United States in Latin America as in most other regions. It is only since then that Latin America was considered as part of USA’s “backyard” or zone of influence, even if such a principle had been stated earlier by Monroe [3].

Until the 1970s, Europe’s role in Latin America was almost negligible: the European countries were concerned by their reconstruction after each war and after the Great Depression. Then, the countries of Western Europe started a process of regional integration that required most of their attention. When the members of the European Community got interested in countries of the Third World, they focused first on Africa because of French, and later British, influence. Moreover, Latin America was in what could be described as an “in between” position: not enough underdeveloped (compared to ACP countries) to get some aid from the EC, but not enough developed to be considered as an interesting economic trade partner... Therefore, since Latin America did not attract the EC’s attention by itself, and since within the EC there were no real supporters for their cause [4], EC Latin American policy was almost non-existent.

It is only in the early 1970s that the first steps towards the creation of relations between the two regions were taken. The EC benefited from a kind of power vacuum left by the United States which, because of their Vietnam war, were unwilling for sometime to maintain as active a role in the world, which left room for the EC and Latin America to manoeuvre. At the political level, the "Brussels Dialogue" was

established. It consisted of meetings between the EC members and the Group of Latin American (GRULA) ambassadors in Brussels. However, very little was achieved through this dialogue: an EC/LA Joint Committee was created to establish a periodical dialogue on matters of common interest and financial aid from the EC was increased... but this was an empty nutshell. At the economic level, relations were more developed: in 1971 some countries (like the members of the Andean Pact [5]) were allowed to benefit from the Generalised System of Preferences. Some bilateral agreements were also concluded between the EC and some Latin American countries [6].

Those first relations were nullified in the early 1980s for two reasons. Firstly, there is an economic one, which was initiated by the debt crisis which swept through Latin America. As a consequence, those countries lost their economic attraction for European investors. The second reason was a political one, and was caused by the Falkland War between UK and Argentina. Whereas the EC united with the UK to impose economic sanctions on Argentina, most Latin American countries sympathised with the latter. This provoked the suspension of the Brussels dialogue.

Nevertheless, in the mid-1980s, the EC got the opportunity to re-establish some relations with Latin America and to develop a new policy towards this region. This paper will first consider the reasons of this come-back as well as the succession of events which allowed such a return of the EC in Latin America. It will then be possible to analyse the main characteristics of this new EC Latin American policy which has been applied for more than a decade now. Finally, as a conclusion, some of the possible future trends of EU's Latin American policy will be discussed.

There are both economic and political reasons which can explain EC's renewed interest in Latin America in the mid-1980s. Concerning the economic interests, there are numerous aspects that tilted the balance in favour of Latin America. First, this region represents a large market for consumer goods. It is estimated that, by the year 2000, there will be approximately 600 million people in Latin America. Even if out of those a majority lives in poverty and cannot buy consumer goods for the time being, there are still around 5% of the population which is part of the elite and 40% which are at an intermediate level and have enough income to make them good consumers.

Not only Latin American markets demand manufactured goods, but they are also suppliers of mineral resources which European markets need. In the early 1980s it produced 33% of world copper, 26% of its bauxite, 20% of the iron, and 16% of the tin [7]. There was an opportunity for both the EC and Latin America to diversify their mineral resources markets: the former was dependent on Africa for its imports whereas the latter depended on the US for its exports.

A third economic reason for the EC's renewed interest in Latin America was the large supply of cheap labour it offered to European companies. In the early 1980s manufacturing wages in UK and West Germany were respectively 2.9 and 4.6 times higher than those of Brazil and 3.3 and 5.4 times those of Mexico [8].

Finally, in the mid-1980s, because of the debt crisis, Latin American countries started to abandon their former model of development which was based on import-substitution and protectionism. They were ready to open their borders to liberalisation

and this provided a good opportunity for the EC members to be involved in Latin American economies.

Therefore, as the European Commission phrased it, it could be written: "Latin America is seeking to diversify its outlets and sources of supply, technologies and capital, and to secure the cooperation of partners able to provide constructive assistance. Europe, for its part, is striving to consolidate and improve its trading and technological position in a region with strong growth potential" [\[9\]](#).

On top of those economic reasons, there were also political motivations for developing a new Latin American policy. In the mid-1980s Western Europe and Latin America started to get emancipated from the US. Until then, because of the bipolarity of the world, they were both considered on the international scene as junior partners of the US and their relations were always under US supervision. Those two regions becoming more independent from the US, they could develop more freely relations between them. Not only did the EC manage to emancipate itself from US trusteeship, but it also tried to compete against the US for predominance in Latin America.

The second, and maybe the most important, political reason explaining this renewed interest in Latin America is the entrance of Spain and Portugal in the European Community on the 1st of January 1986. Until then, the EC's attention to the Southern Hemisphere was mostly focused on a group of countries composed of some very poor countries, but also and mostly, of the former colonies of the EU members, especially of France and Great Britain. Those countries which attracted the EC's attention and help were mostly situated in Africa, but also in the Caribbean and Pacific islands: they became known as the ACP countries. Because of this policy, Asian or Latin American countries were left almost unattended.

Therefore, it is not pure hazard if this interest in Latin America suddenly increased after the entrance of Spain and Portugal within the Community. When those two countries joined the EC, it was legitimate for them to ask for the same kind of aid for their former colonies that France and Great Britain were giving to theirs through the EC.

A third political reason for this new involvement of the EC in Latin America has been the quest of prestige on the international scene through their *interest-free* involvement in Central America during the conflicts of the early and mid-1980s. As it will be now described, it is through its involvement in the peaceful resolution of the Central American conflict that the EC was able to start anew its relations with Latin America as a whole.

In the early and mid-1980s, during the Central American crisis, the world was going through a second period of Cold War because of new tensions existing between the US and USSR. Mid-range nuclear missiles were deployed by both sides in Europe (US Pershings facing Soviet SS20s) which would certainly have been the ground of battle in the event of a new world war. "As the likeliest site for the next world war, Europe has discovered an overriding interest in peace between the superpowers, even at the cost of loyalty to the West" (J. Roddick and P. O'Brien) [\[10\]](#).

When the crisis developed in Central America after the overthrow of the Somoza government in Nicaragua by Sandinistas, it was commonly believed in most European

countries that Reagan could use this as a trigger for a new World War and his famous Star Wars. This may be the main reason why the EC accepted, after being invited to do so by the Costa Rican President, to play the role of an intermediate in the peace negotiations. But this opportunity was also a first experience of establishing a common Foreign Policy for the EC on a subject where it had nothing to lose: the EC had almost no economic nor political interests in Central America that it would endanger in case of a failure. But if there was nothing to lose, there was a lot to gain since Central America could become a gateway for the entire Latin American continent... And it did.

On the 28th and 29th of September 1984 took place the first Central America - European Community conference. It was institutionalised the following year and became known as the *San José* process. Political dialogue was also established with the countries which organised to promote peace in the region and created the Contadora Group (in January 1983) and later became known as the Rio Group [11] (in 1986). Those early meetings were first designed to establish peace and had therefore an agenda focused on democracy, peace, conflict resolution...

It is through this political cooperation that the EC came back in Latin America in the mid-1980s. Now that the historical background and the reasons of this new EC involvement in Latin America have been described, it is possible to consider the main characteristics of this new policy. On the 22nd of June 1987, during the *Luxembourg European Council*, the new strategy towards Latin America was defined along three main courses of action: "intensification of political relations; proposed informal consultations on major international economic issues affecting the two regions; more extensive economic and trade cooperation which would take into account Latin America's level of development and the individual countries' differing requirements" [12]. Nowadays, it has evolved, and it is possible to highlight five main trends in EU Latin American policy: 1) political cooperation; 2) economic cooperation and development of trade; 3) public aid to development; 4) support to regional integration processes; 5) promotion of human rights and democratisation.

As shown above, the first aspect of the new Latin American policy established by the EC was the creation of political relations with Latin American countries, relations which were tied at the beginning with the countries of the Rio Group and concerned mostly conflict resolution and democratisation. Even if this EC/RG dialogue was only institutionalised in December 1990 by the *Rome Declaration*, meetings had been held yearly since 1987 between those two groups of countries.

Since 1990, the Rio Group has been composed of eleven countries [13] which account for most of Latin American trade, GDP, population, and resources. It was therefore a good basis from which the EC could develop its political relations with Latin American countries. Bilateral political dialogue was developed with most countries. An increasing number of delegations of the European Commission were opened (in the early 1990s the number of delegations was doubled from four to eight).

More weight has also been given to development of relations with Latin American regional associations such as the Andean Pact and Mercosur, relations which became

autonomous after having been developed unofficially on the margin of the meetings with the Rio Group. The political relations with Mercosur have been institutionalised by the *Interregional Framework Cooperation Agreement* of the 15th of December 1995. A Cooperation Council at ministerial level was established to discuss every year issues of common interest and to ensure the implementation of the *Agreement's* aims. This Council is assisted in its task by a Joint Cooperative Committee and a Joint Subcommittee on Trade.

On the 30th of June 1996 a *Joint Declaration EU - Andean Pact* institutionalised the political dialogue between the two. Meetings between the Presidents of the Andean Presidential Council, of the European Commission, and of the European Council can be held whenever necessary. This is completed by periodic conferences between the Ministers of Foreign Policy as well as other meetings at other levels to "examine further matters of common interest".

The political dialogue has not only been developed by the European Commission, but also by the European Parliament as much as it could considering its restricted powers, even if they had been increased by the budgetary reforms of the 21st of April 1970 and of the 4th of March 1975. It adopted numerous resolutions concerning Latin America (sixty-three between July 1987 and July 1989). Since 1974, biennial meetings have been held between representatives from the European Parliament and their counterparts from the Latin American Parliament (Parlatino). Those relations have been strengthened through visits of delegations in Latin America (as in August 1988 or in July 1991). Moreover, European Deputies have sometimes been invited as observers to some meetings: on the 16th of April 1996, Mr. Galeote Quecedo, President of the European Parliament delegation for relations with Latin America, was invited as an observer to the VIth EU/RG meeting.

Very soon, those political relations have been complemented by economic cooperation and development of trade, which is the second main characteristic of the EC's new Latin American policy. This evolution can be encountered within the EC/RG relations. Whereas they only consisted of conflict resolution and democratisation in the early stages, they soon included other aspects. On the 25th and 26th of March 1986 meetings were held at the technical level between the EC and the Rio Group to discuss the situation of heavily indebted countries. On the 10th of April 1990, the Rio Group proposed an accord which partly aimed at promoting technological and commercial cooperation with the EC. During the IIIrd EC/RG Ministerial Meeting (23rd and 24th of April 1993) it was decided to create Economic and Commercial Senior Level Meetings to establish a dialogue on commercial and economic matters affecting both regions. More lately, the *Cochabamba Declaration*, which concluded the VIth EU-RG Meeting (16th of April 1996) included articles relative to political dialogue, but also to other aspects such as development, economic and trade matters, and drugs.

Economic cooperation has also been developed with other regional associations such as the Andean Pact. On the 1st of February 1987 came into force an EC-AP *Cooperation Agreement* (signed on the 17th of December 1983) in which the two parties granted each other the benefit of GATT most-favoured nation clause. In November 1990 the EC exempted the Andean Pact countries (except Venezuela) from customs duties for four years. The following year, in December 1991, those terms

were also adopted for Central America and Panama for three years. In both cases the aim was to help those countries solve their drug problem. In 1995, the EU renewed the *Generalised System of Preferences* it had established in 1971 with Latin American countries: no tariffs were established for manufactured goods and for some transformed agricultural goods (the others being submitted to lower tariffs). Special arrangements were once more made to encourage the Andean Pact (including Venezuela) and Central American countries in their campaign against drugs: some crucial agricultural products were exempted from customs duties in spite of the Common Agricultural Policy.

Economic cooperation was not just developed at multilateral stages, but also bilaterally. Between 1990 and 1995 the EU negotiated "third generation" agreement with every Latin American country. Those agreements include a "democratic principles" clause, but also a "future developments" clause to enable the parties to expand their cooperation in the future.

The EU also tried to develop relations between its economic actors and some Latin American ones. One way of doing it was to help them meet through fora during which private companies from both regions were invited to discover each other, and maybe to invest or even to organise joint-ventures among themselves. Such a conference was held on the 9th of September 1986 for the agro-industrial sector with Andean Pact countries.

This private investment in Latin America was first supported by some Development Banks (from the EC members but also international ones). They promoted joint-ventures between firms in Europe and Latin America, mostly by providing grants and interest-free loans [14]. This private investment was then also helped by the European Investment Bank which extended its existing sphere of influence to encompass Latin America in 1992. By 1995, it already made loans totalling 207 million ECU [15].

The aims of this economic cooperation have been double: to increase trade and develop European investment in Latin America. It has been quite successful for both. In 1993 EU - Latin America trade represented 45 billion ECU: EU's exports to Latin America increased by 41% over 1990-93. More specifically, between 1992 and 1993, EU's exports to Mercosur have increased by more than 40%. Considering European investments, it can be said that, between 1983 and 1989, Latin America received 45.5% of its Foreign Direct Investment from Europe (against 43.5% from the US) [16].

The third characteristic of this new EU Latin American policy is an increasing public aid to development for the poorest countries of the continent. In the 1970s and 1980s, this aid was mainly focused on financial (rural development, food aid, support for Non-Governmental Organisations) and humanitarian aid (refugees, food aid in case of disasters). According to the Council's guidelines, the priority sectors were agriculture and other rural activities. Thus, between 1976 and 1988, those two sectors accounted for the three fourths of the aid given by the EC to Latin America. Since 1990, new spheres of activity were added to this list: human rights, democratisation, financial and technical assistance...

The consequence of this aspect of the policy was a drastic increase of the Official Development Aid (ODA) given by the EU to Latin America. Whereas the EC's ODA was of 13 million ECU in 1976, it reached 319 millions by 1989. In 1987, the aid given by the EC and the different member States represented 40% of Latin America's ODA. By 1993 the EU and its member states were the largest single source of ODA to Latin America since they accounted for 61.5% of the total received by Latin America, which was far more than was received from the USA.

The fourth characteristic of the Latin American policy developed by the EU since the mid-1980s is the support of the EU to regional integration procedures. Such involvement was partially allowed by a lack of US support to those regional associations because, in the 1980s, they were seen as opposing US private interests [17]. US interest in those regional associations only became consistent during and after the George Bush Presidency through NAFTA (this North American Free Trade Area, which entered into force on the 1st of January 1994, includes Mexico) and his Enterprise for the Americas Initiative (June 1990). President Bill Clinton continued on this path by promoting the idea of a Free Trade Area of the Americas, which would encompass all Latin American countries.

In contrast, the EU supported most regional integration initiatives since the beginning. This importance was often confirmed through the resolutions adopted during different meetings and at different levels. During the Corfu European Council of the 24th and 25th of June 1994, the European Council reaffirmed "the importance it attaches to its relations with Latin American countries and their regional groupings [...] It also confirms the intention of the EU to strengthen its relations with Mercosur. It invites the Council and the Commission to pursue these questions further". The following year, on the 1st of June 1995, a resolution adopted by the Luxembourg Development Council Meeting stated: "support for regional cooperation and integration was a major component of the Union's development policy and could contribute, as Article 130u of the EC Treaty [Treaty of Maastricht] puts it, to 'the smooth and gradual integration of the developing countries into the world economy'". Thus, the EC provided financial aid as well as technical assistance to regional institutions, sharing the know-how it had accumulated over its past experience of integration procedure. The two regional associations which benefited most from this EC support were the Andean Pact and Mercosur.

The EC often financed some programs developed by the Junac (Junta of the Cartagena Agreement, executive organ of the Andean Pact) in order to promote the idea of integration in their respective countries. For example, on the 6th of March 1985 and on the 15th of July 1988, the European Commission granted respectively 7 and 7.3 million ECU to the Junac. Those grants were to finance the major part of three years projects during which the Junac organised seminars, studies, training workshops in order to defend regional integration within the Andean Pact countries. Later, the Junac received more EC funds to carry on those goals: in 1990, this aid amounted to 1.575 million ECU, to 3.212 millions in 1991, and to 23.218 millions in 1992 [18].

Mercosur was also provided with such support to its regional integration. The 29th of May 1992 was signed an *Interinstitutional Cooperation Agreement* between the Commission of the EU and the Mercosur Council, which provided for the creation of a *Joint Advisory Committee* to set up ways for the EU to share its knowledge on

integration through training and technical assistance. As a consequence, on the 12th of January 1993, the second meeting of the *EU-Mercosur Joint Advisory Committee* led to the adoption of two financial agreements: 430,000 ECU were granted to Mercosur's Secretariat and 250,000 to its Rotating Presidency. The 30th of July 1993 the European Commission also decided to give Mercosur 3.95 million ECU to provide for institutional support, formation, and information on the importance of regional integration procedures.

The fifth and last trend which characterises the EU's new Latin American policy is the promotion of human rights and democratisation. This feature existed already in the mid-1980s during the peace talks concerning Central America, but it appeared mostly after 1990 when "third generation" agreements were being concluded bilaterally with every Latin American country. Those agreements were characterised by their evolutionary aspect, but also by their "democratic principles" *sine qua non* clause: the accord of economic cooperation and aid is cancelled if the country does not respect some basic principles of human rights and of democracy. Even if this clause has not always been applied in practice, it still does exist and formally protects those principles.

This policy has had a positive influence on Latin American countries. In February 1988, Panama's participation within the Rio Group was temporarily suspended because it did not offer anymore the necessary democratic guarantees required to be a member of the Group. On the 25th of June 1996 the Presidents from Argentina, Brazil, Paraguay, and Uruguay signed the *Mercosur Presidential Declaration on Democratic Commitment*, declaration which was soon ratified by the Presidents of Chile and Bolivia, two associate members of Mercosur. This document is to prove the attachment of those Presidents and their countries to the fundamental human rights and democratic principles. Of course, it is not possible to assure that those two examples were the logical consequence of the EU's policy. Nevertheless it is possible to assume that this policy influenced this evolution towards a better recognition of democracy within Latin America.

Since the beginning of this new Latin American policy, the respect of human rights and democracy in Latin America has been under close supervision by the EU. During the June 1994 Corfu European Council meeting, it is stated that the European Council is "satisfied with the progress achieved in the areas of democracy and respect for human rights, peace and disarmament... [in Latin America]". The following year, in June 1995, the Luxembourg Development Council Meeting considered that the Article 130u is "stating *inter alia* that it [the EU's development cooperation policy] 'shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms'".

The five main characteristics of the EC's Latin American policy since the mid-1980s having been analysed, it is possible to conclude by considering the trends which might be developed and strengthened in the future. It is nevertheless necessary to be careful since, as A.Hirschman pointed out ironically, "predictions are particularly difficult to make when they refer to the future" [\[19\]](#).

In 1995, in a Communication to the Council and the European Parliament called The EU and Latin America: the present situation and prospects for closer partnership (1996-2000), [20] the Commission proposed three general priorities which "are a common commitment to democracy, to social development and to international competitiveness". When pursuing these priorities, the Commission believes that it is necessary to emphasise the actual support for regional cooperation and integration.

The first priority is the "institutional support and consolidation of the democratic process". The objective is to make the democratic process irreversible by consolidating the rule of law and the protection of human rights, by reforming the government and supporting decentralisation and modernisation, and by helping the drafting of sectoral policies as well as fostering rural development.

The second priority established in this document is "combating poverty and social exclusion". The objective is to "tackle the social deficit" by developing aid programs relative to health, housing, education. It also includes helping the protection of workers' rights such as guaranteeing their right of organisation in trade unions and prohibiting child labour.

The final priority proposed by the Commission is "supporting economic reforms and improving international competitiveness". This should be achieved by promoting foreign trade, supporting the development of the private sector, fostering economic cooperation in areas of mutual interest, strengthening industrial promotion and investment, and increasing industrial and science and technology cooperation.

This document thus shows that the Commission proposes to pursue its Latin American policy following the path opened previously by the five main guidelines which have been developed since the mid-1980s.

To conclude, it seems that nowadays, after an era of US omnipresence, the EU appears to play an increasing role in Latin America, especially in economic matters, since its policy was successful in giving a new role to the EU and its members in a Latin American continent from which it had almost disappeared.

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- <http://www.database.iadb.org/intalbm/>
- http://www.europa.eu.int/en/comm/dg1b/en/den-com95495.htm#COOPERATION_POLICY
- <http://www.europa.eu.int/rapid/start/welcome.htm>
- <http://www.iadb.org/intal/>

[1] The European Community (EC) became known as the European Union (EU) after the Treaty of Maastricht of 1992.

[2] Africa - Caribbean - Pacific countries. There are nowadays 71 countries which have always received most of EC financial and economic aid.

[3] Monroe doctrine (1823).

[4] Spain and Portugal having joined the EC much later, Italy was the only country to show any interest at all in Latin America.

[5] The Andean Pact was created in 1970 by Bolivia, Colombia, Chile, Ecuador, and Peru. Venezuela joined the Pact in February 1974 and Chile left it in October 1976.

[6] For example, bilateral economic agreements were signed with Argentina in 1971, Uruguay (1973), Brazil (1974), Mexico (1975).

[7] Pearce J., The European Challenge: Europe's New Role in Latin America, 1982, Latin American Bureau, London, p.6.

[8] Pearce J., op. cit., p.6.

[9] The EU and Latin America: the present situation and prospects for closer partnership (1996-2000), Commission Communication to the Council and the European Parliament, 1995, p.4. Found on http://europa.eu.int/en/comm/dg1b/en/den-com95495.htm#COOPERATION_POLICY

[10] Pearce J., op. cit., p.17.

[11] It was also called the Group of Eight until 1990: Argentina, Brazil, Colombia, Mexico, Peru, Uruguay, Venezuela, Panama (Panama's participation was suspended in February 1988 because it didn't offer the necessary democratic guarantees to be a member of the Group).

[12] Commission of the European Communities, The European Community's relations with Latin America, December 1989, Europe Information "External Relations", Brussels, p.1.

[13] Group of Eight (minus Panama (see previous footnote)) plus Bolivia, Chile, the Dominican Republic, and Ecuador. It also includes one representative from Central America and one from the Caribbean.

[14] To achieve this, agreements were signed between the EC and the International Finance Corporation (World Bank, 23rd of June 1988) and a French Development Bank. This was followed on the 14th of July 1988 by agreements signed with five other development banks of member States (Belgium, Denmark, United Kingdom, Germany, Netherlands), and with the Inter-American Development Bank on the 10th of October 1988.

[15] The EU and Latin America: the present situation and prospects for closer partnership (1996-2000), internet.

[16] The EU and Latin America: the present situation and prospects for closer partnership (1996-2000), internet.

[17] For example the decision 24 of Andean Pact regarding the common treatment of Foreign Direct Investment.

[18] This last figure is much more important because it includes some other special programs.

[19] "Las predicciones son particularmente dificiles cuando se refieren al futuro". Origin of the quote unknown.

[20] The EU and Latin America: the present situation and prospects for closer partnership (1996-2000), internet.