

Opinion of the European Economic and Social Committee on EU-Andean Community relations

(2006/C 309/18)

On 14 July 2005 the European Economic and Social Committee decided to draw up an opinion on, under Rule 29(2) of its Rules of Procedure, on *EU-Andean Community relations*.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 June 2006. The rapporteur was Mr Moreno Preciado.

At its 428th plenary session, held on 5 and 6 July 2006 (meeting of 5 July), the European Economic and Social Committee adopted the following opinion by 156 votes to two, with ten abstentions.

1. Introduction

1.1 The final declaration adopted by the Third Meeting of EU-Latin American-Caribbean civil society proposed the '... establishment of a genuine partnership based on a network of agreements between the European Union (EU) and the various bodies in the region', and calls for negotiations to be opened with the Andean Community⁽¹⁾.

1.2 The Guadalajara declaration adopted by the Third Summit of Heads of State and Government of Latin America and the Caribbean and of the European Union⁽²⁾ considered it their 'common strategic objective' to reach an EU-Andean Community association agreement (like those already reached with Mexico and Chile and currently under negotiation with Mercosur) that would include a free trade area.

1.3 This EU-Latin America-Caribbean Summit also decided to carry out a joint assessment of the state of economic integration in the Andean Community, which was begun in January 2005.

1.4 Thus far, the EU Member States have not taken advantage of the economic and trade potential of the Andean Community; despite the EU being its second largest trading partner after the USA, trade has not reached significant levels. The Andean Community's efforts to further integration (despite the difficulties and limitations mentioned in this document) increase the prospect of an association agreement, which could greatly boost trade between the EU and the Andean Community, as has already proved to be the case in other areas.

1.5 Moreover, in the context of its relations with Andean civil society, the EESC maintains regular relations with the two bodies representing social players from the entire region: the Andean Labour Advisory Council (Consejo Consultivo Laboral Andino — CCLA) and the Andean Business Advisory Council (Consejo Consultivo Empresarial Andino — CCEA).

⁽¹⁾ Mexico City, 13-15 April 2004. Also known as the Andean Community of Nations, although this is less common.

⁽²⁾ Guadalajara (Mexico), 28-29 May 2004.

1.6 On 6 and 7 February 2006, the EESC, together with the General Secretariat of the Andean Community, held a hearing in Lima. The Labour and Business Advisory Councils took part, as well as other Andean civil society associations, whose valuable contributions have been incorporated into this document. The participants welcomed the opening of negotiations with the EU, although they warned that the association with the EU should take account of the imbalances between the two regions, *avoid models of dependent development and help to reduce social debt in the region and promote effective social cohesion*.

1.7 This opinion will serve to inform the authorities of the position of organised civil society towards relations with the Andean Community, in line with the proposals of the Final Declaration of the Fourth Meeting of EU-Latin American-Caribbean civil society organisations held in Vienna in April 2006 (which reiterated the need for the EU to help strengthen the integration processes in Latin America), and the final recommendations of the Summit of EU-LAC Heads of State and Government (May 2006) on the possibility of an EU-Andean Community association agreement, referred to in the Final Declaration:

Recalling the common strategic objective established in the Declaration of Guadalajara, we welcome the decision adopted by the EU and the Andean Community to initiate during 2006, a process leading to the negotiation of an Association Agreement which will include political dialogue, cooperation programmes and a trade agreement.

2. The situation in the five Andean nations

2.1 It is hard to give a concise summary of the situation of five countries which, despite their common geographical location (the Andes mountains), vary greatly in terms of economic levels, demography, political trends, etc. This document will therefore only highlight some of the more noteworthy aspects of each country's current situation.

2.2 Bolivia is the poorest of the five Andean partners, and is one of the least advanced countries in all Latin America. This is partly due to its lack of direct access to the sea, although there are other contributory factors, such as its low population (more and more of whom are emigrating), the lack of land suitable for competitive farming, traditional dependence on undiversified natural resources, the exclusion of indigenous peoples

(who account for over half of the population) and growing tensions between the traditional centre of political power on the high plateau and emerging areas of economic power in the eastern plains. Bolivia has managed to find democratic solutions, but the prolonged situation of uncertainty has hampered its economic development. The new government, which took up office in January 2006, is carrying out extensive reforms in order to find the right path for development, but without undermining the legal certainty of investments and compliance with the international and bilateral agreements currently in force.

2.3 The situation in Ecuador has a lot in common with Bolivia, with a large indigenous population and considerable political and cultural differences between the coastal plain and high plateau. Although in recent years it has not suffered the same degree of open social conflict, political instability has been even greater. 49 % ⁽³⁾ of the population lives below the poverty line. The economic crises of the last decade and the 'dollarisation' of the economy have contributed to the country's high poverty levels, as has the emigration of 10 % of its active population. Remittances, which totalled USD 1,74 billion in 2004, constitute the second greatest source of foreign currency income, after oil.

2.4 Peru has followed a different path, undergoing a period of terrorism (in the eighties and early nineties) followed by a government (during Fujimori's presidency) which became authoritarian and corrupt. Although the economy is growing fairly quickly, the current government has not managed to set up a sound programme of political and social reform, and enjoys very little popular support. When it comes to the Andean Community, whose General Secretariat is headquartered in Lima, Peru has shown some reluctance towards certain aspects of subregional integration.

2.5 The case of Venezuela ⁽⁴⁾ is monitored throughout the region and elsewhere in the world: in recent years the country has suffered serious social and political tensions, with intense rivalry between the followers and detractors of President Chávez. Venezuela's economy is increasingly dependent on oil exports, whose international price is high, enabling the government to develop an active international policy and devote a substantial budget to internal policies.

2.6 Despite suffering great political and social violence, exacerbated by drug trafficking, Colombia has managed to keep its democratic institutional structure intact, an uncommon feat in Latin America; in addition to these political efforts, its economic progress is also noteworthy. However, despite the relative decrease in violence in Colombia, the murder and kidnapping of trade unionists, journalists, businessmen and members of other human rights associations continue.

⁽³⁾ United Nations Statistics Division Millennium Indicators (15.10.2003).

⁽⁴⁾ This document (and the indicators contained in it) has been drawn up considering Venezuela to be a member of the Andean Community.

3. Andean integration

3.1 Institutional development

3.1.1 The Andean Community is the oldest model of integration in South America. Its founding countries (Bolivia, Colombia, Chile, Ecuador and Peru) signed the Cartagena Agreement in 1969, creating what was then called the Andean Pact. Three years later, Venezuela joined the Pact; in 1976, Chile withdrew. The current five members (Bolivia, Colombia, Ecuador, Peru and Venezuela) have a combined population of 120 million and a total GDP of approximately USD 265 billion. The internal market is worth around USD 8.6 billion.

3.1.2 In its 35 years of existence, the group has moved from a protectionist model (based on the replacement of imports), as was common in the 60s and 70s, to a model geared towards 'open regionalism'. Meanwhile, it has undergone various institutional reforms designed to take it towards an ever-closer model of integration, culminating in the creation of the Andean Community in 1997. As a result, the Andean Community has a highly developed institutional structure, and a fairly comprehensive body of Community legislation.

3.1.3 The purpose of the Andean Integration System (Sistema Andino de Integración — SAI) ⁽⁵⁾, which was established under the Trujillo Protocol in 1996, is to ensure coordination between its bodies, in order to deepen and strengthen Andean integration. The System is made up of intergovernmental, Community bodies that have executive, legislative, jurisdictional, decision-making and tax-levying powers.

3.1.4 The System has two main decision-making bodies: the Andean Council of Foreign Ministers, and the Commission of the Andean Community, both of which are intergovernmental. The Commission's role is to draw up economic, trade and investment legislation. The Andean Council of Foreign Ministers deals with all aspects not in the remit of the Commission, particularly political, social and environmental issues, migration policy, free movement of people, and coordination of the external activity of the various Community bodies.

3.1.5 The highest political body of the Andean Integration System is the Andean Presidential Council, comprising the heads of state of the member countries. It expresses its opinion through Declarations or Guidelines that set the pattern for the System's other bodies and institutions. The presidency of the Andean Presidential Council changes halfway through each year, in alphabetical order, and this rotation also applies to the other intergovernmental bodies.

⁽⁵⁾ In principle, the Andean Community refers to the set of institutions and bodies, including the Member States, while the Andean Integration System refers to the relations between those bodies. However, in practice, there is no clear distinction between the Andean Integration System and the Andean Community of Nations.

3.1.6 The General Secretariat of the Andean Community (Secretaría General de la Comunidad Andina — SG-CAN) is worth noting among the Community bodies and institutions of the Andean Integration System. It is based in Lima, Peru ⁽⁶⁾, and acts as a technical support body for the intergovernmental institutions. It has legislative powers in certain areas (adoption of resolutions), the right of initiative and other specific tasks.

3.1.7 Other Community bodies include the Court of Justice of the Andean Community and the Andean Parliament, while the recognised complementary institutions include the Andean Business Advisory Council and Andean Labour Advisory Council, the Andean Development Corporation (Corporación Andina de Fomento — CAF), the Latin American Reserve Fund (Fondo Latinoamericano de Reservas — FLAR), the Simón Rodríguez and Hipólito Unanue Agreements and the Simón Bolívar Andean University.

3.2 *Current state of Andean integration*

3.2.1 Any assessment of Andean integration should take two points into consideration. Firstly, although the Andean Community has been in existence for over three decades, it still consists of five developing countries (with an average per capita income of EUR 2 364, against an EU-25 average of EUR 20 420), with all the implications that this has in institutional and economic terms.

3.2.2 Secondly, and in relation to the above, although the conventional aspects of integration (those relating to the creation of a common market) may not seem very advanced in the Andean Community, other areas are fairly well developed. In spite of the difficulties holding back trade integration, other dimensions of the Andean Community (cultural, social, financial, etc.) have been strengthened.

3.2.3 In order to understand how the Andean Community works, it is usual to start by looking at economic integration. In this respect, the Andean Community has had a bumpy history. It did not manage to create a free trade area until 1993, which Peru immediately opted out of. The plan to create a Common External Tariff for all members has still not been completed, although there has been progress towards trade harmonisation. In this context, in order that both sides fully benefit, it is essential that, in the future EU-Andean Community association agreement, the countries of the Andean Community develop a real customs union.

3.2.4 This limited progress with a regulatory architecture has resulted in reduced levels of intra-Community trade, which varies greatly from one year to the next. During the 90s, trade increased considerably between Andean Community members, rising from 4,1 % of the total in 1990 to 14,2 % in 1998 ⁽⁷⁾. However, in comparison with the trade levels recorded within the group in the 70s, this figure is still low, remaining under the Latin American average (20,2 %). Since 1998, trade within

the Andean Community has been on the decrease (10,4 % in 2004), although an upturn was registered in 2005.

3.2.5 Internal trade in the Andean Community has been lower than trade with the USA (46,6 % of total trade in 2004) and is almost equal to trade with the European Union (11,0 % in 2004). Three of the Andean Community's current five partners send less than 12 % of their exports to the subregional market.

3.2.6 Although some progress has been made with integration, there have been many difficulties, caused partly by a lack of political will, together with other factors such as market structure, differences between economic models, different levels of economic development, geographical location (which makes trade within the Community difficult), and internal political problems. Despite all this, the Andean Community has managed to stay on the path towards integration for over three decades. The lack of modern communication and transport infrastructure linking the five Andean countries is one of the biggest obstacles to the completion of an intra-Community market and the general development of the Andean Community.

3.2.7 Importantly, the Andean Community countries show little commitment when it comes to coordinating their external relations. Bolivia and Venezuela have moved closer towards Mercosur, while Peru and Colombia have signed free trade agreements with the USA.

3.2.8 These disparities were heightened on 22 April 2006 when Venezuela announced it was leaving the Andean Community. This, together with the signing of the FTAs, has sparked a deep political crisis within the Andean Community, which will be addressed during an extraordinary summit.

3.3 *Challenges of social cohesion*

3.3.1 Nonetheless, as stressed earlier in this opinion, the Andean Community of Nations does not stop at trade integration. There has always been a broader aspiration to incorporate the political and social dimensions into the Andean integration process. This is a reflection both of the recent struggle for democracy experienced by many of the countries, and of the need to strengthen the Andean voice in the Latin American arena and beyond. It is also a product of the socio-economic reality of the Andes.

3.3.2 The statistics on the lack of social cohesion are overwhelming: 50 % of Andeans — some 60 million people — live beneath the poverty line. The five Andean Community nations are among the most unequal in the world (in accordance with the Gini index), not only in terms of income but also as regards other forms of exclusion, through ethnicity, race, place of origin, etc.

⁽⁶⁾ Article 30 (a) of the Agreement.

⁽⁷⁾ Data from the Economic Commission for Latin America and the Caribbean (ECLAC), *Latin America and the Caribbean in the world economy, 2004. Trends 2005*. Santiago de Chile, 2005.

3.3.3 Here, it is important to stress the high levels of informal work, internal and external migration (which greatly affects women), and other phenomena such as the marginalisation of the indigenous populations which form significant minorities (Ecuador and Peru) or majorities (Bolivia) in the region. It is also in this region that most of the world's cocaine is produced, contributing to illegal economies and high levels of population displacement, violence and corruption which, in Columbia's case, come in addition to a long history of armed conflict.

3.3.4 Against this backdrop, trade liberalisation cannot be the only instrument for boosting cohesion between Andean countries. The new Strategic Design spearheaded by the General Secretariat of the Andean Community⁽⁸⁾ places less emphasis on dismantling tariffs and more on other challenges such as improving competitiveness, intellectual property, removing non-tariff barriers, infrastructures, free movement of people, energy, the environment and security.

3.3.5 One of the focuses of this new strategic plan, which proposes integration for development and globalisation, is social development. To this end, one of the Andean Community's most important initiatives of recent times has been its Integrated Social Development Plan⁽⁹⁾ (Plan Integrado de Desarrollo Social — PIDS), which was adopted in September 2004 in order to tackle poverty, exclusion and social inequality in the area. In the medium term, the PIDS could form the basis of a general social (and economic) cohesion strategy. The open method of communication, used by the EU in the social context, is of great interest to the Andean Community, and the idea of a social fund similar to the EU Structural Funds is also an attractive option. This means that the Andean Community is the first subregion that intends to adopt aspects of the European social model.

3.3.6 The social dimension has proved to be an increasingly common theme in political declarations and Andean Community decisions since 1999⁽¹⁰⁾, and in the last five years, certain specific initiatives have begun to take shape.

⁽⁸⁾ See, for example, *Globalization through Integration*, Speech by the Secretary-General of the Andean Community, Ambassador Allan Wagner Tizón, during the official swearing-in ceremony Lima, 15 January 2004 (available at: <http://www.comunidadandina.org/index.asp>).

⁽⁹⁾ See text at: <http://www.comunidadandina.org/normativa/dec/DEC601.pdf>

⁽¹⁰⁾ Article 1 and Chapter XVI of the Cartagena Agreement on economic and social integration and cooperation; Andean Social Charter, adopted by the Andean Parliament in 1994 but not yet ratified by the governments; Cartagena Declaration of the XI Presidential Council instructing the Council of Foreign Ministers to present a proposal for participation of civil society in addition to business and labour participation stipulated in Decisions 441 and 442; Andean Presidential Dialogue on Integration, Development and Social Cohesion, Cuzco, 2004.

3.3.7 The Andean Presidential Dialogue on Integration, Development and Social Cohesion recognised that within the context of their internationalisation efforts, the Andean economies should strive to diversify production and achieve inclusive competitiveness in a process that would incorporate micro, small and medium-size businesses, promote cooperative and Community efforts, and create favourable conditions for local development and regionalisation through the use of territorial development approaches.

3.3.8 The General Secretariat of the Andean Community states that the main Community objectives are globalisation with integration, development with competitiveness and social inclusion, and social cohesion with the reinforcement of democratic governability. The pending social agenda covers all these issues and will be viable provided that it prioritises the Andean region in trade liberalisation negotiations with third parties, particularly those negotiations which could, by definition, cause greater imbalances in the region and within Andean societies (which are characterised by the exclusion of certain sectors on ethnic and gender grounds).

4. Civil society involvement in the Andean institutional framework

4.1 *The Andean Business and Labour Advisory Councils*

4.1.1 Although the Andean integration process is several decades old, civil society participation was only formalised during the most recent phase in the Andean Community's history, with the creation of the Andean Labour and Business Advisory Councils. Previously, employers and trade unions, as players in Andean integration, had had little opportunity to participate on a regional level, although they had been involved in Andean integration via the national governments.

4.1.2 The Andean Labour Advisory Council (CCLA) was created by Decision 441⁽¹¹⁾, and comprises four delegates from each of the Andean countries. These top-level delegates and their alternates are chosen from among the heads of the representative organisations in the labour sector designated by each country. The most representative trade union federations and confederations from each country participate in the Andean Labour Advisory Council. At present 16 federations are represented from the five countries⁽¹²⁾.

4.1.3 The Andean Business Advisory Council (CCEA) was created by Decision 442, and is made up of employers' organisations operating in the Andean region, comprising four top-level delegates elected from among the heads of the representative employers' organisations of each of the Andean countries.

⁽¹¹⁾ Cartagena de Indias, Colombia, 26 July 1998.

⁽¹²⁾ MARCOS-SÁNCHEZ, José, *La experiencia de participación de la sociedad civil en el proceso de integración andino* (The experience of civil society participation in the Andean integration process), 1st EU-Mexico Civil Society Forum, Brussels, Belgium, March 2005. http://europa.eu.int/comm/external_relations/andean/conf_en/docs/jose_marcos-sanchez.pdf.

4.1.4 The tasks of both Advisory Councils were redefined by Decision 464⁽¹³⁾ which states that they can express their opinion to the Andean Council of Foreign Ministers, the Commission or the General Secretariat, attend the meetings of the Andean Council of Foreign Ministers and the Commission of the Andean Community, as well as the meetings of government experts or working groups connected with the Andean integration process, and participate in them with a right to speak.

4.1.5 The Andean Labour Advisory Committee has drawn up many opinions to date, some of which relate to the Andean Community's social agenda or external agenda. In particular, it is worth noting Opinion No. 27⁽¹⁴⁾ on Following up the conclusion of a possible association agreement between the EU and the Andean Community, in which the CCLA *'shares expectations for progress towards a political, economic and social alliance with the EU'*.

4.1.6 Meanwhile, the CCEA stressed, in one of its declarations⁽¹⁵⁾, that *'the issue of association with the EU is essential; the publicity given to these negotiations with the EU must be carefully designed so as not to endanger these negotiations.'*

4.1.7 Both the CCLA and the CCEA have stressed the need to step up cooperation with other civil society players in the Andean region, on the one hand, and with the European Economic and Social Committee (EESC) on the other, in order to coordinate common positions and boost initiatives aimed at guaranteeing basic labour standards in all agreements between the EU and the Andean Community.

4.2 Other methods of participation

4.2.1 In addition to the aforementioned forums for institutional representation of civil society, the Andean Community has other participatory instruments for social policy, such as the Simón Rodríguez Agreement (1973; one of the 'Social Agreements'⁽¹⁶⁾), which consists of a tripartite forum for debate, participation and coordination between labour ministers, employers and workers, in order to address socio-occupational policies at regional level.

4.2.2 This Agreement was one of the first instruments of Andean socio-occupational integration, and directly addressed the issues of social and labour development. The implementation of the Agreement was not devoid of success, attracting constant interest from all the sectors interested in making progress in the socio-occupational field. However, on balance, it is clear that adverse — mainly institutional — circumstances had a strong impact on the integration process and, in 1983, the Agreement came to a standstill.

4.2.3 The Agreement took on its current format with the Protocol of Substitution of the Simón Rodríguez Agreement

⁽¹³⁾ Cartagena de Indias, Colombia, 25 May 1999.

⁽¹⁴⁾ CCLA, Lima, Peru, 7 April 2005.

⁽¹⁵⁾ 7th ordinary meeting of the CCEA (Lima, April 2005).

⁽¹⁶⁾ Others being the Andrés Bello Agreement, which tackles education policy in the Andean Region, and the Hipólito Unanue Agreement, which addresses health policy.

adopted by the Andean Presidential Council on 24 June 2001. The Agreement aims:

- a) To put forward, and debate on, proposals on topics linked with the social and labour environment, which may signify an effective contribution to the development of the Subregion's Social Agenda, contributing to the activity of the other bodies of the Andean System of Integration.
- b) To define and coordinate Community policies on promotion of employment, vocational and labour training, health and safety in the workplace, social security, labour-related migration; as well as any other topics that the Member Countries may deem fit;
- c) To propose and design activities for cooperation and coordination among the Member Countries on Andean social and labour issues.

4.3 Role of NGOs and civil society organisations

4.3.1 National and global social dynamics are not excluded from the Andean dimension: in addition to the labour situation, the interests of society are also represented in other ways, based on specific areas such as human rights, rights of indigenous populations, women's rights, culture, the environment, consumers, family farming and smallholdings, etc.

4.3.2 These particular interests are represented in numerous 'various interests' organisations which already play a very active role in regional integration. Their role will become even more important in view of the future EU-Andean Community association.

4.3.3 The importance of other types of civil society organisation is also worth noting, whether they be associations or movements (of indigenous peoples, for example) and non-governmental organisations (NGOs), platforms and networks of NGOs, coalitions or platforms for action, research centres, universities, etc.

4.3.4 The social dynamic of these movements and of 'non-organised' civil society is very active in the Andean region, although its organisation and activities are often restricted to the national level, or it is unable to find channels for access or participation in the formal Andean integration system. In this context, the General Secretariat of the Andean Community has announced the forthcoming creation of a subregional Andean network of academic bodies and NGOs.

4.3.5 In order to help bring these other players within the formal dynamic of the Andean integration process, the Andean Community created various Working Groups. The Working Group on the Rights of Indigenous Peoples⁽¹⁷⁾ was established as a consultative body within the Andean Integration System to promote the active participation of indigenous peoples in the economic, social, cultural and political spheres of subregional

⁽¹⁷⁾ Decision 524, 7 July 2002.

integration. The Working Group deals with delicate issues such as the occupancy of communal and indigenous lands, rural communities and production, economic development, social equality and political involvement, cultural identity and institutionalisation, etc.

4.3.6 The Andean Working Table on Consumer Rights ⁽¹⁸⁾ was also set up as an advisory body within the Andean Integration System. Its aim is to promote the active involvement of public and private institutions working in the field of consumer rights in the Andean Community member states in the social consultation and decision-making processes relating to regional integration in their areas of interest.

4.3.7 These advisory bodies ⁽¹⁹⁾ are not allocated any of the Andean Community budget to support their operation. Therefore, the only organisations able to participate are those that can mobilise their own personnel and resources in order to attend meetings of Andean Community Working Groups and bodies.

5. EU-Andean Community relations

5.1 The first EU-Andean Community agreements

5.1.1 The first Cooperation Agreement between the European Community and Latin America was signed with the Andean Pact in 1983, 14 years after the latter was set up.

5.1.2 The agreement formed part of the so-called 'second generation of cooperation agreements'. Unlike the first generation, which was essentially trade-based (and non-preferential), this new generation of agreements was more comprehensive, including political and cooperation-related aspects, which would become key in later agreements. These treaties were also a clear indication of the importance that the European Community gave to regional integration in Latin America.

5.1.3 The dynamism of EU-Latin American relations in the 80s soon sparked the need for a new generation of agreements, as from 1991. In 1993, the EU signed a third-generation Framework Agreement with the Andean Group. One new feature of this agreement was the inclusion of a 'democratic clause' expressing the joint commitment to democracy, and a 'future developments' clause which would allow for cooperation areas to be extended.

5.1.4 In tandem, another issue was bringing relations with the Andean Community to the fore in the 1990s: the campaign

⁽¹⁸⁾ Decision 539: Andean Working Group on the Participation of Civil Society for the Defense of Consumer Rights, Bogota, Colombia, 11 March 2003.

⁽¹⁹⁾ A consultative working table of local authorities was also set up.

against drug-trafficking. The EU wanted to offer a different approach to that of the USA, which focused on crackdown tools. This approach was twofold: firstly, in response to a request from the Andeans themselves, it was agreed that the Generalised System of Preferences would be extended to include the Andean countries via a special scheme, GSP-Drugs, which allowed 90 % of Andean products to enter the EU without tariffs. Secondly, a High-Level Specialised Dialogue on Drugs was set up.

5.1.5 The 1993 agreement was quickly superseded by a new framework for relations which the EU began to promote during the mid-90s, when fourth-generation agreements were negotiated with Mercosur, Chile and Mexico. These texts were drawn up as the first step towards association agreements that would incorporate a free trade agreement. The Andean Community was hoping for a similar agreement, but the EU felt that it would be better to work gradually towards that goal, starting with an intermediate agreement; the EU's proposal was adopted at the Second EU-Latin America-Caribbean Summit held in Madrid in May 2002.

5.2 The 2003 agreement: an intermediate step

5.2.1 On 15 December 2003, the EU-Andean Community Political Dialogue and Cooperation Agreement was signed. While this was a step up from the previous agreement, it did not quite live up to the expectations of the Andean countries ⁽²⁰⁾. One of the problems that the Andeans had with this model was that it did not improve access to the EU market. However, this agreement does include one important new feature: the institutionalisation of political dialogue. It also includes new fields for biregional cooperation (migration, terrorism, etc.) and boosts civil society involvement therein ⁽²¹⁾.

5.3 EU-Andean Community trade

5.3.1 As illustrated in the table below, trade relations between the EU and the Andean Community have experienced a degree of stagnation. Although the EU is currently the Andean's second biggest trading partner, it barely represents 12-13 % of the region's external trade, compared to the USA's 40 %. Andean exports to the EU dropped from 19 % of total exports in 1994 to 12 % in 2004. As a supplier, the EU generated 19 % of Andean Community imports in 1994, compared to 13 % in 2004.

⁽²⁰⁾ Some authors refer to the agreement as 'third generation plus or fourth generation minus' in reference to its intermediate position between the 1993 agreements and those signed with Mercosur, Chile and Mexico: Javier Fernández y Ana Gordon, 'Un nuevo marco para el refuerzo de las relaciones entre la Unión Europea y la Comunidad Andina' (A new framework for strengthening relations between the European Union and the Andean Community), *Revista de Derecho Comunitario Europeo*, 1989, No 17, January-April 2004.

⁽²¹⁾ Article 52(3) of the Agreement provides for the creation of a Consultative Committee to 'promote dialogue with economic and social organisations of organised civil society'.

EU TRADE WITH THE ANDEAN COMMUNITY

(millions of Euros)

	Imports (Imp.)			Exports (Exp.)			Balance (for EU)	Imp+Exp
	Volume	Yearly % change	Share of total EU imports	Volume	Yearly % change	Share of total EU imports		
2000	8 153		0,82	7 020		0,82	-1 134	15 173
2001	8 863	8,7	0,90	7 908	12,6	0,89	-955	16 771
2002	8 853	-0,1	0,94	7 085	-10,4	0,79	-1 768	15 938
2003	7 911	-10,6	0,84	5 586	-21,2	0,64	-2 325	13 497
2004	8 904	12,6	0,87	5 988	7,2	0,62	-2 916	14 892
Average annual growth %		2,2			-3,9			-0,5

Source: Eurostat

5.3.2 The EU is the biggest source of direct investment in the Andean Community, although flows have decreased steadily since 2000 when they reached over USD 3.3 billion, against barely USD 1 billion in 2003.

5.3.3 The outlook for trade relations looks uncertain. The new GSP that came into force in 2006 does not seem to bring any significant increase in access to the EU market, although it does raise the number of products covered. Also, the extension of the scheme to ten years allows for greater predictability (which could boost investment). In this context, an association agreement would help to forge much stronger economic links between the EU and the Andean Community.

5.4 Towards an association agreement

5.4.1 Despite some significant progress, EU-Andean Community relations could become deadlocked in their current state — characterised by fairly substantial cooperation but stagnant economic links, and political dialogue with an institutional framework but no shared agenda. Therefore, despite the current difficulties, the EESC proposes that steps be taken as soon as possible towards an association agreement like those signed with Chile and Mexico and currently being negotiated with the Mercosur countries.

5.4.2 This agreement would include a free trade agreement, broader political dialogue and new cooperation possibilities. It should also include a more ambitious social dimension, with greater opportunities for the involvement of social players and civil society.

5.4.3 The agreement should also include the equally important subjects of boosting competitiveness, the legal certainty of investment and the development of a real Andean internal market in which business can operate with guarantees.

5.4.4 The European Union finally agreed to consider this possibility at the Third Biregional Summit in Guadalajara (Mexico) in May 2004, but it included a series of prior conditions (for example, any free trade agreement would take account of the results of the Doha Development Programme and a sufficient level of Andean regional economic integration) which would be jointly assessed by the EU and Andean Community.

5.5 The social content of the EU-Andean Community partnership

5.5.1 In line with the goal of full partnership, the negotiating parties must focus on the monitoring of fundamental socio-labour rights and the defence of democracy and human rights, and set up mechanisms for promoting all these rights, expressly showing their determination to fight drug trafficking and corruption, and to temper economic development with justice and social cohesion.

5.5.2 The future agreement should be organised in such a way that it meets the stated aim of political, economic and social partnership. The text should therefore include a social chapter which would complement and counter-balance the sections devoted to trade relations and political dialogue.

5.5.3 This social chapter should cover workers' and employers' rights, based on the criteria mentioned above, expressly mentioning freedom of association, social dialogue and social consultation ⁽²⁾.

⁽²⁾ This point is acknowledged in point 6.8.3 of the EESC opinion on Social cohesion in Latin America and the Caribbean: 'Strengthening independent representative economic and social organisations which are capable of compromise is a key condition for bringing about social dialogue and fruitful civil dialogue and, therefore, for the very development of LAC countries;' (O) C 110, 30.04.2004, p.55).

5.5.4 The clear lack of security affecting the exercise of human rights and freedom of the press and trade unions in some Andean countries makes it all the more necessary for there to be a stronger contribution from the EU.

5.5.5 The agreement should commit the signatory parties to biregional promotion of social rights through technical cooperation and other assistance programmes.

5.6 Cooperation

5.6.1 The EU has been a clear leader in the field of development cooperation with the Andean countries. Just over one third of EU cooperation with Latin America has been devoted to the Andean Community and its member states. Bolivia and Peru were among the top three recipients of official EU aid between 1994 and 2002.

5.6.2 The European Commission is currently drawing up a new subregional cooperation strategy for the Andean Community and a specific strategy for each of the five Andean countries, in order to give focus and direction to its efforts from 2007 to 2013.

5.6.3 The European Commission's draft Regional Strategy Paper for the Andean Community (2007-2013) is based on three areas: regional integration, social cohesion and the fight against drugs.

6. Participation of organised civil society in EU-Andean relations

6.1 This opinion aims to provide the EU institutions with the basic criteria for a social dimension and civil society involvement which the EESC believes should underpin relations with the Andean Community, and should be studied by the future negotiating committee for the association agreement.

6.2 Although there are no previous EESC opinions or resolutions on Andean Community relations, the abovementioned criteria could be based on the following:

- a) the points already set down in this respect in the Political Dialogue and Cooperation Agreement, especially Articles 42 (social cooperation), 43 (participation of organised civil society in cooperation) and 44 (cooperation against gender discrimination), which should be adapted to meet the objectives of the future association agreement;
- b) certain documents and declarations referring to the more general context of relations with Latin America produced by the EESC or by civil society in either region.

6.3 In this context, it is important to bear in mind the implicit commitment by participants in the Third Meeting of

EU-Latin American-Caribbean civil society, calling for 'agreements with the EU to contain a vigorous social dimension and provide for the promotion and reinforcement of the role of social organisations and participative and consultative bodies representing organised civil society' and reaffirming 'their determination to give impetus to relations between the regional consultative bodies within the LAC and between the EESC and these bodies' ⁽²³⁾.

6.4 Moreover, the EU and Andean Community countries have adopted the principles and values expressed in the ILO Constitution and its key social instruments, such as the Declaration of Fundamental Principles and Rights at Work (1998), the Tripartite Declaration on Multinational Enterprises and Social Policy (1977, amended in 2000) and the resolution of the International Labour Conference concerning trade union rights and their relation to civil liberties (1970). They also subscribe to the Universal Declaration of Human Rights (1948) and the International Pact on Economic, Social and Cultural Rights (1976).

6.5 The EESC and the Andean Advisory Councils should form the pillars of this joint action between Andean and European civil societies and their participation in negotiations between the two areas and involvement in the future consultation and participatory structures, which the EESC believes should be established through the future association agreement.

6.6 The three bodies have taken an important first step towards institutionalising their relations by signing an Interinstitutional Cooperation Plan. This plan will bring an improvement in the quality of understanding between the EESC and the Advisory Councils, in order to reinforce and stabilise mutual cooperation.

6.7 *The Interinstitutional Cooperation Plan sets out to:*

- 1) support the participatory civil society organisations of the Andean Community;
- 2) contribute to civil society dialogue between the Andean Community and the European Union;
- 3) promote the importance of including a social dimension in the future association agreement between the EU and the Andean Community;
- 4) support the CCEA and CCLA's initiative to work on the proposal to create an Andean Economic and Social Council (CESA);
- 5) achieve greater participation from Andean civil society organisations equivalent to those comprising the EESC's Group III;
- 6) forge stronger economic links between both regions.

⁽²³⁾ Points 4 and 5 of the Final Declaration of the Meeting.

6.8 The two Andean Advisory Councils have made a joint proposal⁽²⁴⁾ to the Andean Community authorities to initiate discussions that will, as swiftly as possible, lead to creation of the Andean Economic and Social Council.

6.9 The EESC welcomes this initiative and the consensus surrounding it, and believes that basing this Andean Economic and Social Council on a multipartite model, representing employers, workers and the various interests of organised civil society, would facilitate the recognition and creation of a much-needed joint consultative committee for the participation of EU and Andean Community civil society organisations in the institutional framework of the future association agreement.

6.10 On 3 March 2005, the European Commission organised an initial conference on the future of EU-Andean Community relations, which was attended by various social organisations and representatives of the EESC. With the initiation of negotiations a possibility, this event should be repeated and extended so that in the future it would include existing Andean civil society organisations (CCLA, CCEA, Andean Working Groups on consumers and indigenous peoples).

6.11 The EESC believes that in order to develop the partnership between the two regions, the organisations representing different sectors of civil society in the EU and the Andean Community should step up bilateral relations and joint action, building on the progress already made towards this objective⁽²⁵⁾.

7. Conclusions and economic and social proposals

7.1 In line with previous EESC opinions, stronger democratic stability will be contingent upon the reinforcement of state institutions and relations between state and society, the improvement of social welfare, the reduction of inequalities, the promotion of development and economic growth, social integration of sectors with a history of exclusion, and the creation of platforms for broad political dialogue at local, national and regional levels.

7.2 The EESC believes that it would be beneficial for the common interests of the EU and the Andean Community to start negotiations (without these having to depend on the result of the Doha Round) for an association agreement between the

⁽²⁴⁾ Fifth joint meeting of the Andean Business Advisory Committee and the Andean Labour Advisory Committee in Lima, Peru, 2-3 November 2004.

⁽²⁵⁾ On 7 April 2003, the European Trade Union Confederation (ETUC) and the CCLA signed a declaration establishing regular relations and announcing a cooperation agreement. On 17 February 2005, in Lima, the Latin American NGO network ALOP and the Catholic University of Lima organised a meeting of NGOs from the EU and the Andean Community.

two regions, and it urges the parties to take steps to achieve this.

7.3 The EESC considers that this agreement should lay the foundations for a full and balanced partnership, incorporating a free trade area and allowing for dialogue on political and cooperation-related aspects. The social dimension of this partnership should be expressly included in the text of the future agreement, based on the commitment to comply with the ILO conventions on fundamental rights and the other instruments cited herein.

7.4 In economic terms, the agreement should:

- a) re-evaluate the role of business in Andean society as a decisive factor in economic and social development;
- b) boost competitiveness through R+D and the development of infrastructure;
- c) promote investment and protect the legal certainty thereof;
- d) facilitate access to funding, particularly for SMEs, and other means of increasing economic growth rates;
- e) boost development of the social economy sector;
- f) promote the creation of a real Andean customs union.

7.5 In social terms, the agreement should particularly support and protect:

- a) education and vocational training and inter-university cooperation as a means to develop scientific research and higher education;
- b) equality and the absence of discrimination on grounds of gender, race, ethnicity, religion, disability etc.;
- c) gender equality in the workplace through plans for equal pay and other socio-occupational aspects;
- d) integration of migrants and respect for their rights, including guarantees for the sending of remittances to their countries of origin. On this basis the EU and the Andean Community should agree an immigration policy;
- e) plans for the eradication of child labour;
- f) social dialogue between employers and workers and the strengthening of their organisations;

- g) other types of occupational or social association (peasant workers, consumers, etc.) and all civil society organisations;
- h) fair working conditions with regard to occupational health and the environment, gradually eliminating informal work.

7.6 The European Union should build on its — already considerable — cooperation activity with Andean countries, as a key factor for improving conditions within these countries conducive to an association agreement, in line with the priority that the recent Commission Communication gives to social cohesion ⁽²⁶⁾. The EESC supports the proposal for the European Investment Bank to extend its funding for Latin America, so that a significant proportion of these funds goes to small and medium-sized enterprises. In order to achieve this and other goals, the Andean Development Corporation could be a useful partner.

7.7 The EESC also urges the Commission to closely analyse the European Parliament's proposal to set up a biregional solidarity fund, which would be particularly beneficial for Andean (and Central American) countries. The Committee also believes that the Ibero-American Programme of Institutional Cooperation for the Development of SMEs (IBERPyme) serves as a good example of boosting business activity and that the experience gained in this programme could be applied to a similar project between the EU and Andean Community.

7.8 Given the Andean Community's difficulties in implementing the twenty projects that make up its Integrated Social

Development Plan, it should receive technical or financial support from the European Commission, especially since EU ministers have congratulated the Andean Community on the plan, calling it a 'very useful instrument for driving social cohesion in the Andean Community' ⁽²⁷⁾.

7.9 The EESC highlights the decision taken by the CCLA and CCEA to set up an Andean Economic and Social Council similar to the European model, and will support this through the measures agreed within the Interinstitutional Cooperation Plan.

7.10 The EESC believes that a joint committee should be set up between the EESC and the Andean advisory councils (and, eventually, between the EESC and the Andean Economic and Social Council), which could be created prior to the signing of the association agreement under the terms of the Political and Social Dialogue Agreement of 2003, once this is ratified.

7.11 The European Commission and the General Secretariat of the Andean Community should — with the cooperation of the EESC and the Andean advisory councils — together promote a regular EU-Andean civil society forum where social organisations and associations from both regions could expound their views on EU-Andean Community relations.

Brussels, 5 July 2006

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

⁽²⁶⁾ Communication from the Commission to the Council and the European Parliament 'A stronger partnership between the European Union and Latin America' Strategy for a stronger partnership between the European Union and Latin America. Brussels, COM(2005) 636 final.

⁽²⁷⁾ EU-Andean Community ministerial meeting (Luxembourg, 26 May 2005).