Opinion of the European Economic and Social Committee on ‘Social cohesion in Latin America and the Caribbean’

(2004/C 110/12)

On 1 July 2003, in a letter from Mr Christopher Patten, the Commission asked the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, to draw up an opinion on Social cohesion in Latin America and the Caribbean.

The Section for External Relations, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 6 February 2004. The rapporteur was Mr Zufiaur.

At its 406th plenary session of 25 and 26 February 2004 (meeting of 25 February), the Economic and Social Committee adopted the following opinion by 94 votes to 5, with 11 abstentions.

Summary

i. The present exploratory opinion, requested by Commissioner Patten, sets out to express the views of European, Latin American and Caribbean organised civil society on social cohesion in Latin America and the Caribbean (LAC). It will focus in particular on how civil society organisations can contribute to this objective by means, for example, of social consultation, developing social protection systems or promoting corporate social responsibility. To this end, the EESC opinion should be fleshed out by contributions from Latin American and Caribbean organisations, and by the outcome of the proceedings at the third meeting of EU-Latin America civil society to be held in Mexico City in April 2004.

ii. The opinion does not seek to define the concept of social cohesion, but rather to point out its various dimensions – political, economic, social and territorial – so that account is taken not only of the usual macroeconomic factors, but also of others, such as education, institutions or access to essential public assets: these are fundamental to any analysis of the degree of social cohesion in LAC.

iii. As the opinion explains, the lack of social cohesion in LAC countries is most clearly illustrated by poverty and inequality. Although poverty figures have improved in relative terms over the last decade (affecting 48% of the population in 1990, falling to 43% in 2002), inequality has continued to worsen to the point where it has become chronic. Although the picture varies widely, Latin America as a whole is now the most unequal part of the world. Physical poverty is aggravated by intangible forms of poverty (access to education, spread of opportunities) and legal poverty (effective inequality before the law, weak civil, political and social citizenship and general insecurity in terms of life events). This generates violence, social breakdown and alienation, and undermines the credibility of institutions and the democratic system. A recent UNDP report (Report on democracy in Latin America 2004) highlighted the danger that the perception among Latin Americans that their democracies are irrelevant could spread.

iv. The lack of solid pillars which underpin any advanced society (infrastructure, education, health and tax systems, justice, social protection, framework for labour relations, etc.) is a common feature of all Latin American and Caribbean countries. The education system’s low quality, unequal access and dissociation from the economy, the inadequacy and unfairness of the region’s prevailing tax systems, and the lack of universal social protection schemes in most of the region's countries are three of the clearest expressions of this state of affairs. The result is drastic inequality and the exclusion of most of the population from cover under existing systems.

v. The opinion argues that one of the key factors to boosting social cohesion lies in achieving greater efficiency and democratisation within the economy, which is held back by the extent of the informal economy, the small size of markets, lack of economic diversification, underdeveloped infrastructure – especially in transport and communications – delay in agrarian reform, the lack of financial resources and the region’s ensuing external dependence in this area, the penury of different forms of social economy, poor employment quality and protection, and the virtual absence of labour relations systems based on compliance with basic labour rights, a balanced approach and trust.

vi. Similarly, the opinion points to an aspect of key importance to the EESC: securing higher levels of democracy, human development and governance in LAC depends on strengthening civil society organisations and involving them more closely in decision-making. This is a prerequisite for successfully boosting political democracy, achieving fairer distribution of material and intangible wealth and facilitating the integration into political, economic and social life of sectors of society and minorities, such as indigenous populations, who have been excluded for centuries.
vi. An initiative aimed at boosting social cohesion in the countries of Latin America. The starting point for the initiative – which is set to be a central theme at the summit of EU-Latin America and Caribbean Heads of State and Government to be held in Guadalajara (Mexico) on 28 and 29 May 2004 - is the observation that the benefits of democratisation and economic development achieved during the 1990s have failed to reach large sectors of the population, who continue to suffer from inequality and exclusion. This constitutes a barrier to further economic development and is a source of instability across the region.

1.2 The EU is ready to back a new consensus between the governments of Latin America and the Caribbean, which must take official form at the Mexico Summit with a firm commitment to achieving a number of targets relating to social, tax, economic development and social expenditure policy amongst others. The EU plans to contribute to this objective, which is an aspect of particular importance for the strategic association between the two regions, with a EUR 30 million programme aimed at transferring experience and know-how in defining and implementing social policies.

1.3 To kick-start this initiative, on 5 and 6 June 2003 the Commission and the Inter-American Development Bank (IADB) organised a seminar on Social Cohesion in Latin America and the Caribbean, the objective of which was to open a broad debate on the scope of the problem, its negative impact on development and stability, different policy options and steps that must be taken by Latin American governments to tackle problems arising from the lack of social cohesion, such as inequality and social exclusion.

1.4 On 1 July 2003, Commissioner Patten asked the EESC to draw up an exploratory opinion on social cohesion in Latin America in preparation for the third meeting of EU-Latin America civil society to be organised by the EESC, in conjunction with its Latin American and Caribbean counterparts, in Mexico on 13, 14 and 15 April 2004.

1.5 In Commissioner Patten’s view, the opinion should reflect the views of Latin American, Caribbean and European civil society organisations on social cohesion in LAC, build on documents drawn up in connection with the above-mentioned seminar in June 2003, take account of the role currently played by the social partners in Latin America and the Caribbean, and analyse – together with Latin American and Caribbean civil society organisations – how the social partners can contribute towards greater social cohesion in their countries. Possible answers could be social dialogue, joint management of social protection systems and the implementation by European companies that invest in Latin America of a policy of social responsibility (‡) that simultaneously improves business competitiveness and social cohesion for all those concerned.

‡ See letter from Commissioner Patten to President Briesch on 1 July 2003, which refers to ‘the role of European businesses that invest in the Latin American and Caribbean countries in demonstrating that ‘social policies’ practised by companies can be beneficial for competitiveness’. See also the EESC opinion of 20 March 2002 on the Green Paper: Promoting a European framework for corporate social responsibility (OJ C 125 of 27 May 2002), which describes the corporate social responsibility concept.
2. The concept of economic and social cohesion

2.1 The concept of economic and social cohesion is open to many interpretations. For the purposes of this opinion, we start with the concept that has been devised by the European Commission in its successive reports on economic and social cohesion in the EU, incorporating in the analysis a number of aspects specific to Latin America, such as hunger, indigenous peoples and informal employment, together with greater social determinism in access to equal opportunities.

2.1.1 According to Enrique Iglesias, IADB president, in order to achieve greater social cohesion, States need to be provided with the mechanisms and institutions to reduce inequalities and divisions. From this perspective, the concept of social cohesion is not limited to a set of socio-economic indicators, but encompasses various dimensions.

2.2 The political dimension

2.2.1 Social cohesion firstly has a fundamental political dimension which ranges from the quality of democratic institutions to grassroots involvement in public affairs, encompassing protection of social ties, establishment of more equitable societies and of social protection and solidarity systems, conservation of cultural heritage and natural resources, and active participation of economic and social stakeholders in economic and social life.

2.2.2 Improving social cohesion requires intervention by the State and public institutions, in terms of effective legislation and action: developing infrastructures, high-quality public services, independent courts, labour relations standards, etc. In short, public bodies have an essential role to play in promoting rights and civic, political and social citizenship. Social cohesion is therefore first and foremost a political issue.

2.3 The economic dimension

2.3.1 The economic dimension of social cohesion relates to wealth and its distribution, the growth of the production base (e.g., access to basic resources, increase in factors affecting productivity, favourable environment for the growth of investment and SMEs, etc.), research, development and innovation, the rate of employment and the quality of jobs, pay levels and existing pay differences. Among the obstacles to achieving these objectives are, in the case of the Latin American and Caribbean countries, the dual nature of the labour market, divided between formal and informal employment, the lack of productive investment and low skill levels among the region's human resources. High levels of economic inequality, such as those characterising Latin American societies, hinder economic development, resulting in economic backwardness and social de-structuring.

2.3.2 At the same time, there will be no major improvement in social cohesion in the LAC countries without sustained economic growth and social development. To this end, a greater degree of macroeconomic stability is needed – without this standing in the way of considerable improvements in social equity – as well as structural reforms to energise productive resources in the region, in particular providing company start-up incentives, training employees, distributing wealth more fairly and creating democratic frameworks for labour relations.

2.4 The territorial dimension

2.4.1 Social cohesion is intrinsically linked to territorial cohesion: the ability to generate synergies between all players in a given area; sufficient provision of all types of infrastructure, including new information and communication technologies; and access for all to essential public services (ranging from health and education to water supplies, transport, electricity and housing). Inequalities are reflected on the ground, between the centre and outskirts, between urban and rural areas, between coastal regions and the interior, and concerning sectors of society such as indigenous peoples, new migration patterns, etc.

2.5 The social dimension

2.5.1 The fair distribution of wealth, of the various sources of material and non-material wealth and of income, is inherent to the concept of social cohesion. The characteristic feature of the European social model (in terms of the common features of the various models co-existing in Europe: a high level of social protection expenditure, a regulatory role for the State and a key role for social stakeholders) has been the attempt to link economic and social development. In other words, defining the rules of wealth distribution (labour and social standards, social protection systems for old age, illness, unemployment, family protection, collective bargaining and the tax system) for the benefit of all and without waiting for economic results and such wealth to be produced.

2.5.2 The social dimension of the concept of social cohesion also relates to the very topical issue of horizontal inequality, which is related to discrimination on the grounds of gender, racial or ethnic origin, or other aspects identifying a specific social group. The main principles underpinning social cohesion are therefore security in terms of life events and guaranteed rights for all.
2.5.3 An all-inclusive interpretation of the concept of social cohesion, such as the one proposed in this opinion, opens up a wide spectrum of possibilities for strengthening it, whether through policies to be developed by Latin American and Caribbean countries or through EU-LAC relations. Firstly, material support and the experience acquired in the EU must be used to bolster strategic vectors that help raise social cohesion levels in Latin America and the Caribbean. Secondly, EU-LAC relations, as well as earmarking resources for development cooperation, ensure that the aim of promoting social cohesion in Latin America and the Caribbean is built into exchanges and commercial, educational, technological and social policies. This was upheld by the first two meetings of EU-LAC civil society organisations and expressed recently by a number of Latin American leaders, such as President Lagos of Chile, President Lula da Silva of Brazil and President Néstor Kirchner of Argentina.

3. The social deficit in Latin America

3.1 Any analysis of Latin America and the Caribbean must begin by acknowledging the considerable economic, political and social heterogeneity of countries in the region. However, while we are aware of the risk of simplification, this opinion will lay down a number of common guidelines for analysing economic and social cohesion levels in the region as a whole and drawing conclusions on how to address this cohesion deficit, which to a greater or lesser extent affects all these countries.

3.1.1 This opinion will analyse the situation in Latin America and the Caribbean on three levels: the socio-economic sphere, the political sphere and social discontent indicators.

3.2 The socio-economic sphere

3.2.1 Latin Americans consider poverty and inequality to be the worst problems affecting them. According to Latinobarometer, more than half the population considers the major problems affecting the region to be unemployment, low wages and poverty. In 2003 almost a quarter of Latin Americans declared that their income did not cover their basic needs. These problems are considered to be more important than other problems such as corruption and crime.

3.2.2 Poverty

3.2.2.1 According to the Economic Commission for Latin America and the Caribbean (ECLAC) (7), in 2002 the poverty level in Latin America and the Caribbean reached 43.4 % of the population while the level of extreme poverty reached 18.8 %. In absolute terms, this corresponds to 220 million inhabitants and 95 million inhabitants respectively. Forecasts for 2003 predict a 0.5 % rise in the number of poor people, which means that for a third consecutive year LAC poverty levels have risen. Between 1997 and 2002, the level of poverty stabilised at around 43.5 % of the population; however, in absolute terms, the number of people with an insufficient standard of living rose from 204 million to 220 million. This is due to poor economic growth in the past six years and, in general, to what has also been described by ECLAC as the 'lost half-decade'.

3.2.2.2 Poverty is more pronounced in rural areas, where the poverty level is twice that of urban areas (59.1 % compared to 26.1 %). However, in absolute terms, and owing to the growing rural exodus, poor people are distributed equally between the rural and urban population. Poverty is concentrated in homes where the head of the family works in agriculture or non-financial urban services (35.5 % and 29.1 % of the region's poor, respectively). Internal inequalities are also particularly blatant in many countries such as Brazil, Guatemala or Colombia, where the lack of territorial cohesion is a factor in stoking political violence.

3.2.2.3 Poverty affects women more than men. The percentage of women receiving no income is higher in both urban areas (45 % compared to 21 %) and rural areas (53 % compared to 20 %). In urban areas, the percentage of poor homes where the head of the family is a woman is higher than the percentage of homes where the head of the family is a man (30.4 % compared to 25 %). Poverty is also much more pronounced among people of indigenous origin or African descent than for the rest of the population. A number of studies on Brazil, Bolivia, Guatemala and Peru show that the poverty level in these groups is twice that for the rest of the population.

3.2.3 Distribution of income

3.2.3.1 The richest decile of the LAC population receives 48 % of total income, while the poorest decile receives only 1.6 %. Over the past three years, inequality, as measured by the Gini index, rose in Latin America and the Caribbean. An ECLAC study of eleven countries in the region (Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Mexico, Nicaragua, Panama, Uruguay and Venezuela) reveals an increase in the concentration of income in all these countries bar Mexico. However, it must be remembered that the distribution of income varies considerably from one country to another and is not related to the level of industrial development.

3.2.4 Hunger

3.2.4.1 In general, hunger (measured as the percentage of the population suffering from malnutrition) fell in Latin America and the Caribbean between the period 1990-1992 and 1998-2000, affecting on average 11 % of the population. However, it must be remembered that figures vary considerably from one country to another. The case of data for 1998-2000, for example, includes countries (Bolivia, Guatemala, Haiti, Honduras, Nicaragua and the Dominican Republic) where more than 20 % of the population suffered malnutrition, together with others (Argentina, Chile and Uruguay) where the figure was less than 5 %. According to ECLAC, malnutrition is caused - among other things - by unequal access to food supplies, scarce supplies and poor distribution of income.

(7) Social Panorama of Latin America 2002-2003, ECLAC (2003), Santiago de Chile.
3.2.4.2 Malnutrition affects children in particular and merits special attention given its long-term consequences. Although child malnutrition indicators improved for the period 1995-2001, they are still very high, with chronic and severe child malnutrition affecting 19.3 % of under five-year-olds.

3.2.4.3 Chronic child malnutrition is the main way in which under-development and poverty is passed from one generation to another, as a lack of food during the most critical years of a child’s physical and psychomotor development seriously compromises their intellectual capacity, performance at school, productive capacity and social integration, and has a major impact on society’s potential for development.

3.2.5 Education and access to education

3.2.5.1 Illiteracy levels are high compared to developed countries, but vary considerably across the region. In some countries, such as Argentina, Chile, Costa Rica, Cuba and Uruguay, the illiteracy rate is less than 5 % among over fifteen-year-olds. However, this rate exceeds 20 % in El Salvador, Guatemala, Haiti, Honduras and Nicaragua. In general, illiteracy is higher among women.

3.2.5.2 Access to basic education (pupils between seven and twelve years old) is very high in urban areas, with levels exceeding 90 % (although regular attendance in classes or over the school career is another matter: according to ECLAC (3), in 2000 almost 15 million young people between fifteen and nineteen years old, out of a total of 49 million, left school before completing twelve years of studies). School attendance levels are always much higher in higher income families, particularly in countries with a higher concentration of income and less relative development, such as Colombia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic. The relation between access to education and income level becomes even more apparent as the child grows older, as they are often required to work to supplement the family’s income. In most LAC countries, the level of school education is higher among women than men (for all income levels), in particular in the 20 to 24-year-old age group.

3.2.5.3 Educational problems in the LAC countries are concentrated in three aspects. Firstly, the quality of education on offer which, in areas such as primary and middle education, is very low, reflected in high drop-out and failure levels, low educational performance by pupils, poor school equipment, and low teacher motivation. Secondly, great inequalities exist in access to education: imbalances in enrolment rates and performances between urban and rural areas, in terms of ethnic origin or even gender are obvious. Lastly, there is a serious mismatch between the educational and training system and labour market needs, not only on account of the shortcomings of the labour markets, but also due to the weaknesses of, amongst others, middle and vocational education.

3.2.6 Health

3.2.6.1 Life expectancy varies from 59 in Haiti to 77 in Costa Rica and Barbados, with infant mortality ranging from 7 per thousand in Cuba up to 59 per thousand in Haiti (4).

3.2.6.2 In comparative terms, the life expectancy of people in Latin America is eight years below that for a European country such as Spain. The health gap is also reflected in the relatively high mortality rates which persist in the region, being seven times higher than those in Spain or Germany.

3.2.7 Social expenditure and social protection

3.2.7.1 Average social expenditure in Latin America and the Caribbean (under four headings only: education, health, social security and assistance, and housing) reached 13.8 % of GDP in the period 2000-2001, a 1.7 % rise on the period 1996-1997. Expenditure is distributed as follows: 4.2 % on education, 3.1 % on sanitation, 5.1 % on social security and assistance, and 1.4 % on housing and other areas. Average per capita public social expenditure is almost 30 times lower than the EU average.

3.2.7.2 Throughout the 1990s, LAC social expenditure followed a cyclical pattern, rising in periods of growth and falling in periods of economic crisis. For this reason, although public social expenditure in the region has not fallen, since 1998 it has increased at a slower rate owing to the slowdown in growth in the region.

3.2.7.3 In comparative terms, spending on social protection systems (old age, illness, disability) provides a very low level of cover. In the vast majority of LAC countries, only 10 to 15 % of the relevant population benefits from an adequate social protection system; even in the best-equipped countries cover does not rise beyond 50 % of the working population. A worrying downward trend has emerged as a result of the burgeoning informal economy.

3.2.7.4 The reforms of social protection systems carried out over recent decades – privatisation of pension and health scheme management and replacement of distribution-based funding systems by individual capitalisation – have failed to secure the expected results, undermined state control and revenue-raising capacity, boosted informal employment and are leading a growing majority of the population without cover by protection systems. The increasing intra-regional migration flows, produced by the on-going integration processes, are also helping to generate pockets of poverty and social exclusion given the lack of recognised social protection mechanisms.

3.2.7.5 The Ibero-American Heads of State and Government have declared 2004 as the Ibero-American Year of Disabled Persons. It is estimated that there are between 45 and 65 million disabled people in Latin America, most of whom suffer from social exclusion and poverty. This is often the case for their families too.

(3) Social Panorama of Latin America 2002-2003, ECLAC (2003), Santiago de Chile.

(4) Meeting the Millennium Poverty Reduction Targets in Latin America and the Caribbean, ECLAC, Santiago de Chile.
3.2.8 The labour market

3.2.8.1 The labour market in Latin America and the Caribbean is going through a period of deteriorating labour relations owing to a slowdown in economic growth in the last six years. Urban unemployment rose to 9.2% in the first quarter of 2002, the highest rate registered in the last twenty-two years. More than 70% of the region's households depend exclusively on income from employment; one in every two workers is in receipt of pay levels placing them on the edge of poverty. A growing majority of the working population is not covered by labour legislation; cover steadily declined throughout the 1990s.

3.2.8.2 Between 1990 and 2002 (1), there was a growing trend towards informal employment (seven out of ten jobs created since 1990 have been in the informal sector and informal employment accounts for 46.3% of Latin America’s total employment) and precarious working conditions (only six out of ten new jobs in the formal sector and two out of ten in the informal sector provide access to some form of social cover). It is estimated that 93 million LAC workers are without ‘decent work’ – 30 million more than in 1990 (meaning the 50.5% of the working population who, lacking proper employment, work in the informal sector, or who work in the formal economy but without social benefits or under precarious conditions).

3.2.8.3 Labour relations are marked by patchy and incomplete recognition of basic labour rights (ranging from countries with labour relations systems nominally comparable to those in Europe to others where dozens of trade unionists are murdered each year in the course of their work), under-developed systems for collective bargaining and consultation, low levels of trade union membership (only 14% of the urban work force) and few employers’ associations, and mistrust and conflict as the form in relations between workers and employers.

3.2.9 Migration

3.2.9.1 Migration has a huge impact - both positive and negative - on the socio-economic situation in LAC countries. The greatest migration flows from ALC countries have been northwards, i.e. towards the US and Canada, though in the last decade there have also been considerable flows towards the European Union.

3.2.9.2 The positive aspect of migration is that immigrants send money back to their countries of origin, often providing an important source of foreign currency for the country and alleviating the lack of resources in many sectors of the population.

3.2.9.3 However, migration also has many negative aspects. Here we refer only to macroeconomic aspects and do not touch upon the effect that abandoning country and being far from family has on people. The primary negative aspect is the loss of human capital, as it tends to be the most highly educated and enterprising people with the most initiative who emigrate. Moreover, migration flows over a long period of time create a certain ‘culture of emigration’, encouraging the idea that only by emigrating can a person prosper. This undermines the economic dynamics of society and favours social dislocation.

3.2.10 Growth, development and structural reforms

3.2.10.1 Economic conditions in the region are not ideal for ensuring sustained economic growth. The major improvements in recent years in macroeconomic stability in many countries in the region is an essential, albeit insufficient, step towards ensuring higher and more stable rates of economic growth.

3.2.10.2 The external side of Latin American economies continues to seriously hinder sustained growth. These economies are extremely dependent on external capital and this considerably limits internal development. Because of the volatile nature of these capital flows, which are at the mercy of international crises or changes in the investing countries’ economies, local economic stakeholders are excluded from the continuity and growth of productive investment. Such dependency also means that the cost for Latin American countries of financing their debt – the other area in which they suffer from external restrictions - is constantly fluctuating. That Latin American economies are so vulnerable to the external economic cycle is one of the most significant factors preventing them from being more dynamic.

3.2.10.3 However, the real reason for this high degree of external dependency and vulnerability is the weakness of local institutions themselves, the lack of diversification in Latin American economies, the burden of external debt and the inability to generate their own financial resources (savings). In this context, considerably strengthening the internal market (not to be confused, simplistically, with substituting imports) could open up new possibilities for economic development in Latin America.

3.2.10.4 In this light, boosting regional economic integration would help create larger markets, creating economies of scale and thereby providing an incentive for local production bases to expand and for attracting foreign investment.

3.2.10.5 At the moment, the region’s production base is extremely fragmented, characterised by a highly informal institutional framework and forced to operate in local markets which are often very small and enjoy some kind of protection from external competition. However, before subjecting these markets to external competition, we need to address why their productivity levels are so low.

3.2.10.6 The growth of small and micro enterprises faces insurmountable obstacles owing to an inadequate business culture, a lack of human capital, and the legal uncertainty of the institutional environment in which they operate. Moreover, the financial system has evolved little and its brokerage instruments are poorly developed.

3.2.10.7 In the same way, the unfair distribution of productive assets (from land to physical and human capital) exacerbates existing obstacles facing the business community in Latin America.

3.2.10.8 The expansion of business activity in Latin American economies is a pre-requisite for achieving sustained growth. However, reforms in this area come up against indifference among some business circles, a lack of credibility or continuity in government industrialisation or agrarian reform plans, the absence of political and social consensus on progress to a democratic society and, sometimes, resistance from certain local elites, who are more interested in how the profits from dismantling the now obsolete industrial State will be distributed than in creating a competitive industrial and productive fabric.

3.2.10.9 In this context, the social economy can play a key role as a factor that generates social fabric, economic development and social cohesion. It is also a valuable solution in times of economic crisis and industrial restructuring (e.g. when failing companies are taken over by their own employees) and an effective alternative for fostering local development (e.g. local development cooperatives, etc.).

3.3 The political sphere: political elements that define the quality of institutions and machinery for political participation.

3.3.1 Despite the emergence of democratic systems across practically the whole of Latin America, social citizenship has not increased (employment, welfare provision for old age, illness, unemployment and disability, education, housing, equal opportunities, civic security, better economic level, access to new means of information and communication). Many citizens have no basic civil and social rights. The inability or failure of LAC States to safeguard fundamental rights - such as fair taxation, access to justice, protection from different forms of violence, universal social protection systems, involvement of citizens in issues affecting them, etc. - has led some people to speak about absentee States and low-intensity citizenship.

3.3.2 The social fabric of Latin America is very weak. Civil society is not very well organised and the role of the institutions does nothing to improve this situation, as the political elite seems to have serious reservations about allowing civil society to participate in them. This simply results in a weak and vulnerable social fabric. It is, nonetheless, essential to be able to call on efficient and socially credible social partners and effective cooperation between the public and private spheres of action, in order to make social cohesion policies more effective.

3.3.3 Equal opportunities are created through social policies, i.e. investment in health, education, employment and housing. These policies also contribute towards a fairer distribution of income and enable people to be more actively involved in political decisions. This in turn strengthens democracy and governability.

3.3.4 In this context, LAC citizens are noticeably switching off from politics. This is expressed through increasing demands on democracy in terms of satisfying material needs and rising electoral absenteeism. This is particularly true of young people, who demonstrate a considerable level of political disaffection with political parties and other political organisations and institutions. According to a UNDP report, 54.7 % of Latin Americans would be prepared to accept an authoritarian government if this meant an improvement in the economic situation.

3.4 Social discontent indicators

Following on closely from the above, an analysis of social fragmentation in Latin America and the Caribbean requires knowledge about the levels of social dissatisfaction. It also requires considering different social expressions of rejection, e.g. urban violence, delinquency, and the emergence of parallel societies and ‘mafia legality’.

3.4.1 Discontent with institutions

3.4.1.1 According to Latinobarometer (6), people’s trust in all institutions, but especially in political institutions, is falling. There is no doubt that this affects the performance of these institutions and has a negative impact on citizens’ participation in the management of public affairs.

3.4.2 Equality before the law

3.4.2.1 This seems to be closely related to the evolution of social and economic equity in the region and to the lack of fundamental civic and political rights. For example, more than 50 % of Latin Americans interviewed by Latinobarometer said that the most important factor for determining confidence in institutions was ‘whether they treat everyone as equals’ (as well as wealth distribution issues, this may be influenced by discrimination – including in legally recognised forms – against certain social or ethnic minorities: this can help explain the rise of indigenous-population movements in several countries of the region and the survival of phenomena such as forced labour and slavery).

3.4.2.2 Although all the countries in the region have ratified international conventions on human rights, the number of human rights violations remains high. These can no longer be attributed to the actions of dictatorships, but to widespread violence practised by individual groups (e.g. drug traffickers and private militias, sometimes in collusion with repressive State apparatuses). It is therefore essential that a respected and autonomous judicial system, along with other related policies, is reinforced so that citizenship can be based on the rule of law. This must be done in such a way as to eliminate one of the major contradictions in LAC democracies, i.e. the gap between legislation and its practical implementation.

3.4.3 Corruption

3.4.3.1 Latin Americans’ faith in democracy as a form of government fell steadily throughout the 1990s (7). There is a clear correlation between the consolidation of institutions and the degree to which people accept them. However, for the latter to occur, the transparent management of public affairs is essential.

3.4.3.2 Political and economic corruption is a phenomenon that is found in almost every country in the world and, it must be remembered, always has two faces: the corrupted and the corrupter. Such corruption is considered to be one of the most serious problems affecting the region. This may explain the increasingly negative image of governments and the political parties that underpin them – but not democracy itself – the re-emergence of populist political groupings and the rejection of a number of economic reforms, including some of the privatisations of the 1990s.

3.4.3.3 Corruption and institutionalised unlawfulness break the basic ethical, legal and community-related bonds that hold society together. To mend these bonds, action must be taken in the area of education, rebuilding confidence in the credibility of the rule of law and effective legislation. Reducing social inequalities through policies on protection and inclusion, indigenous people, women, young people and, in general, extending and developing social citizenship for all is essential if development is to be sustainable and if South Americans are to have more confidence in political institutions and the democratic system.

3.4.4 Violence, crime and civic insecurity

3.4.4.1 The high level of crime and violence in the region is linked to social exclusion, extreme poverty and inequality. The UN's victimology index shows that LAC crime levels are among the highest in the world. A study commissioned by the World Bank in 2000 (8) reveals a close relationship between economic inequality and crime levels. In Latin America and the Caribbean, the number of violent deaths rose from 8 per 100,000 inhabitants in the 1970s to 13 per 100,000 inhabitants in the 1990s. Colombia tops the list, with 60 (non-political) murders per 100,000 inhabitants.

3.4.4.2 There are many complex historical and social reasons behind the violence that characterises everyday life in Latin America’s big cities and which has worsened in recent years owing to economic crises and weakened institutions. Apart from those countries in which violence has political roots, in the rest of Latin America the main causes of violence are the widespread presence of criminal organisations involved in drug trafficking, and social inequalities. Such widespread violence is a major obstacle to social harmony, democracy and productive development.

3.4.4.3 Drug trafficking is a source of insecurity and violence which affects the poorest sectors, weakens political institutions and destabilises economic systems and social relations. It also feeds corruption and civil wars, and exacerbates inequalities in Latin America. Finally, the eradication of networks and laboratories requires not only international police and judicial cooperation, but also a significant financial commitment by the countries concerned.

3.4.4.3.1 The roots of illegal crop production in Latin America, which continues to be a tricky subject in north-south relations, can be found in the extreme poverty of some rural areas, which have no other means of surviving.

3.4.4.3.2 Consumer countries should accept their share of the responsibility in combating drug cultivation instead of placing all the responsibility on producer countries, especially as it is in the former that the financial systems for laundering drug money are found.

3.4.4.3.3 The EESC calls on the EU to continue and step up trade liberalisation, in full compliance with WTO rules, with those Andean countries that are willing to reduce and replace illegal crops, and condemns the arbitrary destruction of crops from the air. This approach has clearly failed to achieve its objective, succeeding only in stirring up social and political violence.

3.4.4.3.4 In order to make crop replacement systems more efficient, these new crops need to be given financial and technical aid and promoted through local transport networks that make it easier to sell alternative products regionally.

3.4.4.4 Crime networks – particularly those found on the outskirts of cities – very often constitute parallel forms of social organisation that use violence to hinder and prevent the development of organised civil society, an essential component for building a democratic State that is satisfactory for the majority of citizens. By imposing their own rules on the area in which they operate, such parallel societies undermine and sometimes even call into question the democratic State itself.

4. The origins of social inequality in Latin America

4.1 In most Latin American countries, independence from empire failed to trigger a process of thorough-going social, economic and political reform. In general, it signalled a change of political elite without a significant overhaul of the institutional field. Many pre-capitalist social and economic structures lived on, keeping Latin American societies in a sort of economic timewarp.

4.2 The result of this colonial social and economic heritage and the successive failures to change it significantly has been a highly concentrated ownership of resources (land ownership is emblematic of this state of affairs in several Latin American countries), the political, economic and social marginalisation of entire sectors of Latin American society, the often parasitical appropriation of economic activity by ruling elites, with its familiar fall-out in terms of corruption and inefficiency of public action, poor market regulation, generating numerous negative externalities and, in particular, profoundly unequal distribution of income, and lastly, an increasing and unstructured level of urbanisation, in which the social bases of a market economy are dissolving into an informal economy.

4.3 Ever since decolonisation, LAC economic history (although to very different degrees between countries) has displayed a seamless sequence of deep crises, marked by external imbalances penalising the region’s attempts to promote development. In brief, three common phases can be distinguished in the economic dynamics of LAC countries over the last two centuries. For a substantial part of the 19th and the early part of the 20th centuries, Latin American economies developed according to the ‘primary exporter’ model, based on strong specialisation in exports of primary products. In the second phase, beginning in the 1920s and 30s, the powerful economic growth generated in some Latin American countries by the First World War, triggered a shift towards an ‘import substitution’ model, striving to replace the imports resulting from a process of integration, of national economies in the global trade environment with national products and to create a domestic productive fabric. However, the appearance of profound macroeconomic imbalances (inflation and balance of payments deficits) jeopardised these internal development efforts. Lastly, in the late 1970s and early 80s, the widespread implementation in LAC countries of economic policies at the urging of international organisations (the so-called ‘Washington consensus’) promoted the opening up of economies to the outside world, basing economic and social development on the market.

4.4 Over the last few decades, although the radical economic reforms in Latin America in keeping with the ‘Washington consensus’ have secured their third objective (privatisation, liberalisation and macroeconomic stability), overcoming high inflation levels and monetary instability, they have not produced substantial improvements in the variables of a real balance: employment, income growth and distribution. Indeed, as seen above, some of these parameters have actually worsened (especially in countries such as Argentina).

4.5 Not only have many of the policies advocated by the ‘Washington consensus’ become ends in themselves, rather than means for achieving sustainable and fair growth; in addition, other external factors are having a negative impact on the level of social cohesion in LAC countries. These include the double standards employed by the developed nations in their trade relations with the Latin American region; the structural adjustment programmes imposed by the international financial institutions which, in most cases, have aggravated the crises affecting LAC countries: the lack of appropriate and stringent legislation regulating foreign investment, or sometimes a failure to apply it, has in some cases had the effect of destroying local competition and creating monopolies instead of helping to enhance the productive fabric and social responsibility of companies; rising debts since the 1960s, which the debtor countries have more than cleared through interest payments; and official development aid, which is not always channelled to comprehensive, coherent projects, but occasionally simply serves as a tool for cultivating preferential commercial or diplomatic relations. These are all key factors which affect the progress of social cohesion in Latin America and the Caribbean.

5. Weaknesses in Latin American societies concerning the process of social cohesion

5.1 It can be seen from the above points that Latin American societies suffer a number of core weaknesses preventing them from meeting the challenge of achieving acceptable levels of social cohesion and which may be condensed into the five following shortcomings:

5.2 Shortcomings in the state’s function as a body responsible for upholding the common interest and promoting the common good, as a body for regulating the development of the market economy and the social pact, as an essential instrument for ensuring social cohesion since civil society alone does not have the necessary means for achieving and maintaining it. The state, in LAC societies, has not performed the role of modernising and stimulating economic development and social protection, a role which has been fundamental in other, now developed parts of the world. According to the point in time and specific circumstances of each country, LAC states have tended to be at the service of the spurious interests of certain social groups rather than the very different role the state has played in most developed countries, as a market economy regulator, a go-between in social conflicts, and a spur for economic activity by means of a framework of appropriate micro- and macroeconomic and social policies backing up the development process. In many cases, the weakness of the state has prevented it from implementing or even framing effective social cohesion policies.
5.3 Social inequality which, quite apart from wealth distribution statistics, acts as a brake on citizens’ social and economic mobility. In the absence of machinery for breaking out of pre-determined social moulds, more traditional patterns of perpetuating social groups and classes operate. In this context, the participatory instruments which are typical of democratic systems experience enormous difficulty in taking root and consolidating their position as means of social organisation.

5.4 The weakness of organised civil society. Setting up democratic institutions and establishing a market economy are not enough to produce economic development and social cohesion. Social change must come about, extreme poverty and exclusion banished, the conditions for equal opportunities created, and access to essential services such as health and education facilitated. This process cannot be dictated from within each individual country, or imposed from outside. Each country must assume its responsibilities. This will be impossible unless society is involved on a permanent basis in decision-taking, through its various outlets: political parties, employers’ associations, trade unions and social organisations. Fairer distribution of wealth – a precondition for social cohesion – always entails sharing power, which cannot come about unless organised civil society is strengthened. This weakness has a direct impact on the productivity of the economic system, since areas of disassociation pose a permanent threat to the foundations of legal and political stability which are needed for any economic institution to function adequately.

5.5 Globalisation-related imbalances. Latin American economies are particularly vulnerable to events beyond their borders. In some cases, their integration into the accelerating process of economic globalisation is accompanied by declining relative efficiency and international competitiveness among their production structures. This fuels what the Swedish Nobel-winning economist, Gunnar Myrdal, described as ‘circular causation’, especially in the recession phase of the international economic cycle, standing in the path of higher levels of economic and social cohesion.

5.6 The structural policies put into practice over recent decades, often under various forms of pressure from international organisations, have served to aggravate some of the traditional imbalances in these societies, particularly with regard to levels of social cohesion.

6. Possible vectors for social cohesion in Latin America and the Caribbean

6.1 The purpose here is to indicate some of the vectors which could, in the light of the European experience and taking account of the weaknesses in LAC economic and social development as identified above, also assume a strategic role in Latin American circumstances in achieving higher levels of social cohesion.

6.2 The state, institutions and policy

6.2.1 Discussion of social cohesion is meaningless unless all citizens are guaranteed equal rights which are in turn guaranteed by law, upheld in the courts and endorsed by specific economic and social programmes.

6.2.2 Neither can a modern state, fulfilling the functions required of it, be developed without a fair, efficient and adequate tax system. LAC tax systems are marked by weak management structures for tax collection and inspection, a general tendency for systems to revolve around indirect taxation, low tax pressure and high levels of evasion. This is therefore one of the main challenges for LAC societies and economies. Tax reform will probably encounter resistance from social and economic groups which are accustomed to economic activity without taxation, or basically regressive tax regimes, but it remains an essential requirement for social cohesion.

6.2.3 Similarly, social cohesion requires an active presence on the part of the state in promoting specific policies to redress social inequalities, implement policies based on redistribution and solidarity, and promote equal opportunities for all citizens, breaking down social exclusion. Universal social protection systems for this purpose are sorely needed in LAC countries: in most of them, such systems either do not exist or are marked by serious shortcomings or even inequalities.

6.2.3.1 Social cohesion is not achieved simply by drawing up action plans against social exclusion; social security systems are also needed to provide, inter alia, healthcare and pensions for the whole population. There is therefore a particularly urgent need to address the profound inequalities affecting the older segment of the population, who often border on destitution and/or social exclusion. The introduction of public pension schemes – funded by distributive mechanisms and providing general cover – is absolutely essential if a reasonable degree of social cohesion is to be attained. This is compatible with the existence of supplementary systems operating on different bases.

6.2.3.2 Social security systems should also analyse formulae for providing cover for the self-employed, false self-employed and people working in the informal sector – all of which are very important sectors in LAC – based on experience gained in some European countries.

6.2.3.3 Improving public health is another key vector for improving social cohesion in Latin America and the Caribbean. The social effectiveness of public health systems, financed according to the principles of redistribution, have proved themselves, in the European setting, to provide far more mutual support, to be less costly and more cohesive than schemes based on private insurance.
6.2.3.4 A number of LAC countries have, since the 1990s, introduced public sector social programmes intended to meet some of the basic needs of the most vulnerable communities. The programmes are conditional upon certain requirements or matching measures: educational programmes, for example, are tied to educational assistance to pupils, and food programmes to vaccination campaigns and food safety information. These programmes are promoted and operated by the country in question; their impact on wealth distribution, educational cover and health is mixed. In another sphere, some governments have set up initiatives to facilitate access to credit. In Brazil, for example, electronic cards have been distributed providing easier access to State-guaranteed micro-loans. The EU could support these kinds of innovative measures as part of a strategy for social cohesion in the LAC countries.

6.2.3.5 Complete social protection of labour relations in the formal economy, progressive extension of cover to workers in the informal sector, social protection for migration flows and the eradication of some of the underlying causes of infant mortality are major priorities for better social cover in LAC countries.

6.2.3.6 Some of the EU’s outermost regions, which are located in Latin America and the Caribbean, receive Community structural aid specifically geared to developing basic infrastructure. Their level of social cohesion, however, remains much lower than in Europe; their lack of integration into the Caribbean region poses serious economic challenges for their future and some of their basic products, such as in the farm and tourism sectors, may suffer from competition from ACP countries benefiting from preferential agreements, while being burdened with higher costs. Consequently, the EU’s new financial perspectives should take account of the need for continued specific aid for the Union’s outermost regions.

6.3 Economic infrastructure. Research and development

6.3.1 Providing all kinds of infrastructures (in particular, with regard to LAC, for transport, communications, drinking water and energy accompanied by commitments on sustainability and maintenance) is a basic condition for economic development, increased production and trade and, in short, improved productivity. Productivity is also improved by introducing more technology in productive processes and by training everyone involved in the productive system.

6.3.2 Efforts made by LAC societies to compete in the global economy must be accompanied by a concerted effort by public authorities and the private sector to develop the most advanced technology. This is essential if these societies are to bridge the gap between them and more developed countries, and meet the challenge of ‘top-down’ development, by generating added value in the global productive system.

6.3.3 To this end, efforts to improve ongoing training through vocational and university training systems are essential. This is an area in which the EU can contribute specific knowledge and experience in managing vocational training systems, harmonising professional titles and building educational infrastructure.

6.4 Education

6.4.1 Education is a key factor in removing the obstacles in the path of economic and social development, and is the essential element in ensuring equal opportunities and social mobility. In view of the educational conditions described above (poor quality, unequal access and dissociation from the economy), education in LAC may end up as a mechanism consolidating and perpetuating social inequality instead of representing a factor for progress, social mobility and greater justice. Without minimising the aspects of education which may be developed by private initiative, the state must therefore assume responsibility for guaranteeing a basic level of education of proper quality for all citizens, for guaranteeing discrimination-free access to higher levels of education, gearing education more closely to the labour market, promoting talent wherever it is and preventing the emergence of new forms of exclusions arising from the advent of the ‘knowledge society’.

6.5 The productive system and its dynamics

6.5.1 Social cohesion requires an efficient productive system which can generate employment and income for all citizens. In this regard, LAC countries must focus on the business fabric at local and regional level, which is made up of a network of small businesses, many of them currently operating in the informal sector and, since they are only tangentially involved with the national markets, offer little potential for growth.

6.5.2 The mushrooming informal economy is, first and foremost, a reflection of states’ lack of economic power to regulate markets capable of expanding. Rather than potential for growth, the informal economy most often reflects backward economies with little capacity for generating proper employment.
6.5.3 The social economy – i.e. cooperatives and community associations – is a very significant economic and social reality in several EU countries. In the Latin American countries, it could be an important vector for future consideration as an alternative to the informal economy in terms of economic development, job creation, social integration and the participation of broad sectors in the productive process, as explicitly acknowledged in the recent declaration by the countries of Latin America (1). Weaknesses in the area of financial resources represent one of the main bottlenecks in LAC productive systems. Low levels of saving combine with inefficient intermediary mechanisms to make it difficult to provide broader, improved access to funding for economic players, especially SMEs (approximately 80% of LAC companies are SMEs or micro-enterprises), the self-employed, cooperatives, etc. There is then a need to develop systems for micro loans and to improve the management capacity of small enterprises and the self-employed.

6.5.4 The primary sector continues to be relatively important in many LAC countries, placing it – together with a policy of vertical and horizontal industrial development aid – at the heart of pending reforms intended to boost economic and social development. The search for greater productivity levels in agriculture (which is a basic source of foreign exchange in many countries) must go hand in hand with an effort to solve deeply rooted social conflicts in LAC rural zones. Agrarian reform, which varies according to the country concerned, continues to be an essential factor in offering a solution to millions of farmers and day labourers living in poverty, increasing agricultural incomes and production, and thereby improving economic and social cohesion.

6.5.5 Regional economic integration - which encompasses not only market liberalisation but also compensation and solidarity mechanisms similar to the EU's Structural Funds - is gradually making headway in Mercosur, the Andean Community and between the two sub-regional groupings and represents an essential element in boosting LAC economic and social development. This applies in particular to the need for LAC economies to diversify and the need to build up competitive sectors of production and attract foreign investment.

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6.6 Expansion and quality of employment

6.6.1 According to their own citizens, unemployment is one of the most serious social problems in most LAC countries (e.g. Argentina, Colombia, Ecuador, Jamaica) and illegal employment, which has reached alarming proportions, continues to grow. Achieving higher employment levels and decent working conditions for the working population as a whole are two key and extremely urgent objectives for LAC public authorities and social players.

6.6.2 The objective of more and better employment calls for major intervention, agreed by consensus, in the functioning of labour markets. The labour reform carried out in many LAC countries has not met the stated objectives of generating employment and increasing decent employment; in many cases, it has even contributed towards more widespread precarious employment, as is demonstrated most clearly by the high levels of informal labour that have been observed.

6.6.3 In this context, there are a number of structural requirements that relate to the objective of more and better employment in LAC. These include: establishing macroeconomic policies designed to reduce the extremely volatile nature of their economies, perfecting mediation systems in the workplace, strengthening the link between the education system and job creation, developing appropriate mechanisms to protect employees from loss of income caused by continual changes in the workforce, providing more training for employees, complying with labour legislation and promoting labour relations based on negotiation and consensus.

6.7 Employment rights and social dialogue

6.7.1 The former President of the European Commission, Jacques Delors, defined the European social model as one which combines the state and the market, private initiative and collective rights, businesses and trade unions. In Europe, the existence of democratic frameworks for labour relations has been, and continues to be, an essential factor for economic competitiveness and social cohesion.

6.7.2 Labour relations systems of this kind are characterised not only by respect for human rights in the workplace (as set out in the basic ILO conventions), but also by the existence of representative trade unions and employers’ organisations, by collective bargaining procedures at various levels and, in some cases, by forms of tripartite consultation on economic and social policy guidelines (ranging from types of negotiated legislation to social pacts on pay levels) and by several means of worker participation in companies and social institutions (social security, vocational training, etc.).

6.7.3 The underdevelopment of fully democratic labour relations systems is one of the main factors in Latin American societies’ failure to strengthen social cohesion.

(1) XlII Ibero-American Summit of Heads of State and Government, Santa Cruz de la Sierra, Bolivia, 14-15 November 2003.
6.7.4 In July 2001 the European Commission published a Green Paper promoting a European framework for corporate social responsibility. This initiative, together with others, comes on top of the International Labour Organisation’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

6.7.5 The green paper establishes a number of criteria for defining the social responsibility of European companies: the voluntary character (therefore extending beyond the legal obligations to which companies may be subject) of the steps undertaken; the lasting nature of the commitment entered into (a new form of corporate governance rather than one-off actions); involvement of those affected, both within and outside companies, in matters of concern to them; the requirement for transparency when demonstrating practices related to social responsibility.

6.7.6 These criteria should be promoted so that all multinational companies in LAC countries, in particular European ones, take them on board voluntarily in such a way that they become a catalysing and exemplary factor in building up democratic structures for labour relations and responsible corporate practice in respecting labour and environmental rights.

6.8 A structured society. Strengthening civil society

6.8.1 Achieving higher levels of democracy, human development and governability entails boosting forms of social participation. Civil society involvement is an expression of public demands in securing the general interest, an incentive for more efficient public management, an instrument for public monitoring and a means of real participation in decision-making in public and private institutions. It is a precondition for sound democratic governance.

6.8.2 According to Latinobarometer, the most striking feature of Latin America culture is the low level of trust between individuals. Promoting collective projects is therefore a basic condition for giving political support to address the challenge of social cohesion in Latin America and the Caribbean.

6.8.3 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.

6.8.4 Civil society involvement in the European venture has historically rested on both the party system and the labour relations and social consultation systems referred to above, reflected in part in the establishment of economic and social councils or committees, as well as on the involvement of social actors in various social institutions (social dialogue, social protection, protection from unemployment, public employment and training agencies, etc.) at sectoral and cross-sector level.

6.8.5 The legal recognition of the social associative movement – as part of which NGOs have gained particular significance and relevance in recent years - has been another of the pillars on which civil society involvement rests, as has dialogue with the various organisations defending particular groups and, more recently, the development of civil dialogue.

6.8.6 The local sphere has proved particularly effective in giving shape to such participation and in facilitating interaction between representative social dialogue and civil dialogue organisations.

7. Relations between the European Union and Latin America and the Caribbean. Their impact on social cohesion

7.1 The EESC has drawn up a series of opinions on EU-LAC relations, the FTAA initiative and relations with a number of regional groupings or countries (Mercosur, Mexico, Chile) which assess the current state of such relations, especially from the point of view of the socio-economic dimension of the various association agreements.

7.2 More complete and balanced relations

7.2.1 In the EESC’s view, strengthening EU-LAC relations can, under certain conditions, be extremely influential in achieving greater social cohesion in LAC. The EU has therefore recently concluded Political Association Agreements with the Andean Community and with Central America. A timetable and deadline have also been established for completing negotiations with Mercosur.

7.2.2 The EESC has consistently advocated rapid completion of these negotiations with Mercosur – arguing too that they should not depend on WTO negotiations, which came to a standstill following the failure of the last summit in Cancún – as well as a balanced and satisfactory agreement that includes, amongst others, issues relating to agriculture and the trade in services.

7.2.3 Achievement of an agreement with Mercosur, and further development of the agreements with the Andean Community of Nations and the Central American Common Market, should contribute to more balanced economic relations between the EU and LAC, which are at present marked by the Latin American countries’ growing trade deficit with the EU.
In the EESC’s view, implementing a bi-regional strategic alliance, as proclaimed at the Madrid and Rio Summits of Heads of State and Government, requires a common agenda to be drawn up to enable negotiations to begin as soon as possible on an association agreement for the entire Latin American region.

The institutional instruments for EU-LAC relations are essentially limited to agreements and summits. A more operative agenda would require more structured relations. EU-ACP relations, for example, already have a Joint Parliamentary Assembly and a General Secretariat, based in Brussels. In the EESC’s view, EU-LAC relations need to be more flexible, permanent and structured in order to promote this Europe-Latin America alliance.

In short, EU relations require a strategic orientation in all aspects – development aid and cooperation, but also commercial, technological, political, educational, cultural, etc. aspects – so that they all include the objective of social cohesion in LAC.

The EESC believes that EU-LAC relations are not limited to trade agreements but are essential in order to strengthen the EU’s role as international player; to support a regional integration process in LAC which, unlike the original FTAA project, would provide the region and its various subregional groups with greater negotiating capacity on the international stage; and to promote a new international economic order and worldwide governance of globalisation. This type of governance must be of a multilateral nature and subject to international law, protect the environment, preserve peace and reduce the development gap between North and South on a global scale.

Strengthening and participation of civil society organisations

From the EESC’s point of view, EU-LAC relations must facilitate regional integration processes in Latin America which, mirroring the European experience, include not only larger markets in order to promote economic development, but also solidarity-based mechanisms and a set of social standards which accompany the completion of the single market and promote a higher degree of social cohesion.

The EESC also calls on the EU to draw upon the example of the project supporting Mercosur’s socio-occupational dimension and fund projects designed to strengthen the social dimension of sub-regional integration processes and civil society organisations throughout LAC.

The EESC also calls for all agreements between the EU and the various countries or sub-regional groupings of LAC to establish formal procedures – such as Joint Consultative Committees – to ensure that civil society organisations are involved and consulted when such agreements are drawn up. The EU should therefore encourage civil society organisations to be set up or developed in areas where they are either non-existent or embryonic, in order to meet this objective.

Promoting direct relations between socio-occupational organisations in the EU and LAC can contribute towards the transfer of experience and to economic, political, social and cultural exchanges, as well as stronger civil society organisations. The EESC is of the view that existing experiences – e.g. the EU-Mercosur Business Forum, forums for NGOs from the EU, Central America and Mexico, etc. – should be extended to other sectors such as trade unions (an EU-Mercosur Labour Forum has already been set up), the social economy and agriculture.

Similarly, the EESC urges the EU to create a budget line similar to those for promoting urban development and technology or training exchanges, and dedicated to reinforcing civil society organisations – e.g. trade unions, employers’ associations and social groups – in LAC countries.

The World Bank and the IMF should also participate in strengthening the organisations of social partners and civil society in cooperation with the EESC and other EU institutions as well as the ILO.

A developed framework for labour relations is an essential condition for achieving a form of social dialogue that promotes productive investment, decent employment with full rights, stable economic activity, changes to production processes and a better distribution of wealth. The European experience, business and trade union organisations, and a variety of bodies – at both EU and Member State level – could all help to strengthen the social partners, improve systems for negotiating and settling disputes, and step up company participation and dialogue between all social stakeholders.
7.4 Productive investment and corporate social responsibility

7.4.1 The European Union is one of the biggest investors in Latin America. The flow of direct investment from European countries is continuing to grow, presently accounting for the largest share of investment resources entering the region. EU-LAC cooperation is essential to creating the national and international conditions needed to guarantee high-quality and constant investment, in particular in infrastructure, in order to attract direct foreign investment. The EESC considers that the determined work on the part of European companies investing in Latin America, with the support of the Community institutions and the Member States, must be the cornerstone for relations with LAC and greater economic and social development.

7.4.2 Financial support to strengthen SMEs is of special importance in LAC, first and foremost in order to boost its physical, technological and human capital. In this connection, it would be particularly helpful to set up an SME fund for Latin America, financed by the Member States and the EU.

7.4.3 Increased European investment should go hand-in-hand with a greater voluntary undertaking on the part of companies investing in LAC countries to implement a policy of social responsibility exceeding the relevant national requirements, whether based on law or agreements, and the ILO’s basic employment standards. This could serve as a benchmark in the construction of democratic frameworks for labour relations.

7.4.4 A charter laying down the principles of corporate social responsibility for European companies operating in LAC – which companies based in the region would also be free to apply - would provide a powerful boost to social dialogue and respect for the environment and, therefore, to social cohesion in LAC.

7.5 Immigration

7.5.1 Migration flows from LAC to the EU have increased substantially over the last few years. The EU could contribute towards social cohesion in LAC through agreements facilitating legal immigration, integrating immigrants and their families in the EU Member States and framing a co-development policy (e.g. education and funding programmes for productive undertakings based on professional experience, savings, repatriated immigrants, etc.) between the countries of origin and the host countries. This would also help to alleviate the drain on skills and initiative which migration to the EU represents for Latin American countries.

7.6 Official development aid

7.6.1 The EESC agrees with the European Parliament’s recent call for the EU to set up and release the necessary resources for a bi-regional Solidarity Fund for Latin America (intended to support the management and funding of programmes on health, education and the fight against extreme poverty, inter alia), as well as increase the amount of ODA for Latin America (over and above the commitments already made by the EU and its Member States) and re-define the ways in which it is applied. Likewise, coordination with other regional or international financial bodies should be stepped up.

7.6.2 As explained above, the EESC believes that the EU should mainstream the strategic objective of social cohesion in all its relations (e.g. commercial, technological, business, educational, etc.) with LAC. However, both development aid and development cooperation remain highly important. The EU should spare no effort in defining a poverty reduction programme in the poorest LAC countries, ensuring that aid is channelled towards the central aim of combating poverty and promoting closer coordination between donors (Community ones at least). In the least relatively developed LAC countries, EU development cooperation should be directed to creating the conditions for these countries to enter the international arena under advantageous conditions, reducing their degree of external vulnerability and devising policies to redress inequalities and help legitimise institutions and root them in society. To this end, there should be a blend of political dialogue, technical assistance, financial cooperation and backing in the international arena.

7.6.3 In all cases, the EU and its Member States should strive to enhance the quality and efficacy of aid. This should be done firstly, by attempting to make public policy more consistent; secondly, by stepping up coordination between donors; and thirdly, by helping aid beneficiaries to take over ownership of development: it should be up to them to take the key decisions in planning and managing action.

7.6.4 In the EESC’s view, a proportion of Community aid should be earmarked for strengthening the negotiating capacity of the least developed LAC countries in multilateral forums, through assistance and support for the relevant institutions. The EU’s efforts should focus throughout the entire region on training human resources in line with labour market conditions, and on strengthening institutions.
7.7 Reducing the burden of external debt and funding development and social cohesion

7.7.1 External debt continues to seriously hinder development in many LAC countries. High external debt and poorly functioning financial markets are related factors affecting both foreign and national investment. With regard to debt, despite the World Bank and International Monetary Fund initiative to alleviate the debt of Highly Indebted Poor Countries (Bolivia, Guyana, Honduras and Nicaragua are among the Latin American countries benefiting from this initiative), the problems facing these countries have not been resolved. Even debt relief is insufficient if it is not accompanied by measures to promote productive investment.

7.7.2 The EU Member States hold over 50% of the debt of LAC countries. In the EESC's view, the EU and its Member States should therefore initiate moves in multi-lateral forums towards redefining the conditions for debt relief, drawing up debt relief formulae based on programmes for environmental, educational and other types of cooperation, and providing actual debt relief accompanied by investment commitments (e.g. rural development aid, support for SMEs, basic infrastructures, programmes to encourage returning immigrants to set up new productive undertakings, etc.).

7.7.3 It is practically impossible for LAC countries to raise funds on the international markets owing to their poor capacity for generating capital internally. Access to the financial markets under suitable conditions in terms of sufficiency and cost is determined to a large degree by rating agencies (risk rating). Such agencies operate in a de facto oligopoly, often causing financial instability on the national markets and undermining LAC access to international credit. An effort by the Community bodies and European financial bodies to make rating agency markets more competitive could help improve development and cohesion in LAC countries.

7.8 Strengthening the local level

7.8.1 Globalisation has reinforced the importance of the local level as a fundamental area for productive development, job creation and social integration, as well as more participatory forms of democracy. The experience and bodies of the EU and Member States (e.g. various forms of local dialogue, the Committee of the Regions, the Congress of Local and Regional Authorities of Europe, etc.) could provide a powerful boost to strengthening local bodies and action in this area.

7.9 Strengthening social protection systems

7.9.1 Social protection systems are key aspects of any strategy geared to social inclusion, poverty reduction and improved social welfare in South America. The EU could therefore contribute by promoting universal social protection systems, encouraging the various countries of LAC to sign international conventions and thereby coordinate their social security legislation, giving support to modernising the way in which social protection systems are managed, and promoting specialised training in this area.

7.10 Fostering a more balanced form of regional development in LAC

7.10.1 In the EESC's view, the EU could encourage greater and more balanced regional integration in LAC - a key factor for stepping up its development and autonomy - not only through association agreements, but also through technical assistance and investment in infrastructure, introducing formal procedures based on the experience of Community policies. It is not only the EU and national governments that should be given a key role in this, but also business, trade union and social organisations.

7.11 Sustainable development

7.11.1 It is generally accepted that sustainable development cannot be guaranteed in the medium- and long-term unless environmental protection is improved. In the context of its relations with LAC, the EU could help promote specialised forms of production to prevent the region's considerable natural resources being overexploited.

7.12 Defending human rights

7.12.1 There are many reports from international organisations highlighting the difficulties in LAC countries in terms of ensuring that human rights are respected. Human rights defenders are often persecuted, slandered, tortured or murdered. According to a UN report (2002), 90% of the human rights defenders murdered across the globe are from Latin America. Persecuting and criminalising perfectly legitimate social leaders seriously undermines attempts to combat exclusion and social inequality. In the EESC's view, an EU programme to protect human rights defenders in LAC would be very welcome.
7.13 Open-ended opinion

7.13.1 The present opinion is open-ended and will only be finalised following the debate on social cohesion in LAC to be held during the third meeting of organised civil society in Mexico in April 2004. This opinion puts forward a number of proposals concerning ways in which the EU can contribute towards greater cohesion in LAC. At the moment, however, it still lacks the views of LAC civil society organisations, which are called to act in various strategic areas, concerning the role of the following in boosting social cohesion in the region: the State and its institutions, fiscal policy, education, health, social security, economic infrastructures and industrial policy, frameworks for labour relations, participation of civil society and the protection of human rights. Once this contribution has been made and discussed, we will either add an appendix to this opinion or draw up a supplementary opinion in order to submit to the Commission ‘the views of civil society organisations in Latin America, the Caribbean and Europe’, as referred to by Commissioner Patten in the letter in which he asked for this opinion to be drawn up.


The President
of the European Economic and Social Committee
Roger BRIESCH