

Opinion of the European Economic and Social Committee on the 'Repercussions of the Free Trade Area of the Americas Agreement on EU relations with Latin America and the Caribbean'

(2004/C 110/11)

On 21 January 2003, the European Economic and Social Committee, acting under Article 29(2) of its Rules of Procedure, decided to draw up an opinion on the Repercussions of the Free Trade Area of the Americas Agreement on EU relations with 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 15 December 2003. The rapporteur was Mr Soares.

At its 406th plenary session, held on 25 and 26 February 2004 (meeting of 25 February), the Committee adopted the following opinion by 109 votes to 8, with 15 abstentions.

1. Summary of the opinion

1.1 The process of forging an Agreement on a Free Trade Area of the Americas (FTAA), launched by the USA, is a wide-ranging initiative designed to transform the American continent into one of the largest trade areas in the world, with a population of over 800 million, an overall GDP of over EUR 11 trillion and a trade volume of EUR 3.5 trillion.

1.2 Despite numerous setbacks to the process and concerns expressed over respect for the deadlines set by the agenda, the fact remains that, as it stands, negotiations are scheduled for completion in January 2005, with a view to the FTAA entering into force in December of that year. Moreover, the failure of the WTO Ministerial Conference held in Cancun from 10 to 14 September 2003 has given new impetus to the FTAA project, the next extraordinary summit of which was recently set for January 2004. A breakthrough was achieved in the deadlocked negotiations at the FTAA ministerial summit held in Miami in mid-November 2003, and the aim remains to keep to the official date for entry into force (December 2005). Nevertheless, the agreement reached at the meeting provides for a reduced form of the FTAA.

1.3 One of the features of the FTAA project, and the main criticism voiced by many sectors of Latin American society, is that it exclusively concerns trade, which would serve only to exacerbate existing imbalances in the region where the USA alone accounts for 77 % of GDP of the Americas and 62 % of all exports from the continent.

1.4 The positions taken by civil society in Latin America and the Caribbean (LAC) with regard to the FTAA project are very different. On the one hand, the business community sees it as a means of gaining access to the large American market, though some companies fear American and Canadian competition; on the other hand, some sectors grouped around the Hemispheric Social Alliance (unions, NGOs, universities) reject it, especially since their main concerns – respect for the environment, workers' rights, social exclusion, foreign debt, democ-

racy and respect for human rights, exploitation of minors and respect for indigenous communities – are insufficiently addressed in the project, if, indeed, at all.

1.5 It is vital for the EU to find a stronger political will to forge relations with LAC countries, particularly since it is in its own economic and commercial interests to do so. The EU must not forget that when NAFTA entered into force, it had significant negative repercussions for European businesses, which lost half their share of the Mexican market. Despite the Association Agreement rapidly negotiated between the EU and Mexico, the lost market share has not been fully recovered.

1.6 The current political and social backdrop in Latin America is conducive to the EU successfully concluding negotiations with its LAC partners, especially MERCOSUR.

1.6.1 The election of Luis Inácio Lula da Silva in Brazil and Néstor Kirchner in Argentina reflect the call for change in the region. Besides the strong interest which they share in developing MERCOSUR, even before concluding the FTAA, they have also expressed their willingness to promote relations with the EU.

1.6.2 Now more than ever there is a clear need for Europe in the troubled Latin-American/Caribbean continent. The EU continues to be perceived as a social model and political benchmark. The great challenge currently faced by LAC countries is to find an alternative economic and social model to the 'Washington consensus' and to the plans to integrate with the USA, which is seen as too hegemonic.

1.7 Nevertheless, although there does seem to be a call for greater European involvement in Latin American society, in particular from leading sections of society, the EU must make a concerted effort to involve civil society more closely in its strategy. Decisive political commitment, coupled with adequate and effective information, and the involvement of civil society, is the only way to show that the project is mutually beneficial. The EU must not make the same mistake as the FTAA.

1.8 The EU must also take note of the failure of the WTO multilateral negotiations in Cancun and bear in mind that its international partners, like the USA, have decided to use other means, such as bilateralism or bi-regionalism, to further international trade. In the eyes of the United States the Cancun failure is another reason for pressing ahead with the FTAA negotiations. Against this backdrop, it is clear to the EESC that the EU and MERCOSUR must show a stronger political will to conclude an Association Agreement by overcoming the hesitations and obstacles which any negotiations entail. With a view to achieving the same objective with the Andean Community (CAN) and the Central American Common Market (CACM), the Council of the European Union must give a mandate to the European Commission so that it can launch negotiations. Otherwise, the EU will see its hopes of being a strategic partner of Latin America diminish, potentially weakening its role in the process of devising new rules for international trade and global governance. For cultural, political and economic reasons, the LAC countries are natural allies and Europe needs them if it is to redefine its role on the world political stage.

1.9 Therefore the EU cannot afford to adopt a reactive policy to its LAC partners. It should not wait for progress in the FTAA negotiations before proceeding with the EU/LAC strategic partnership. The EU must show real leadership in its approach to this political and international trade issue.

1.10 The EU cannot remain indifferent to the aspirations and just concerns of the peoples of LAC and should therefore give a new political impetus to relations with this region and step up its efforts to fulfil the commitments agreed at the Rio Summit in 1999 and the Madrid Summit in 2002. The EU must therefore redefine its strategy based on the following points:

- the drawing-up of an action plan and an explicit negotiating timetable containing proposals that also respond to the interests of the LAC countries,
- trade liberalisation beneficial to the economies of both regions,
- greater involvement of organised civil society in all stages of the negotiations,
- pursuit of a policy supporting regional groupings in Latin America and the Caribbean,
- defence of a coherent social model in its relations with LAC aimed at promoting social cohesion,
- a significant increase in financial resources to reflect the strategic importance of the region,
- breaking the link between the conclusion of an EU-MERCOSUR Association Agreement and the end of the Doha negotiation round,

- swift conclusion of Association Agreements with the other regional blocs, such as the Andean Community (CAN) and the Central American Common Market (CACM),
- revitalisation of the inter-regional political dialogue and, consequently, a strengthening in the presence of European ministers in inter-regional forums, such as the meetings of the EU-Rio Group.

2. The Free Trade Agreement of the Americas

2.1 *The background to the FTAA project*

2.1.1 Although the idea of uniting all the countries of the Americas is a long-standing one, the lack of consensus between the countries has hitherto prevented it from coming to fruition. The Free Trade Agreement of the Americas (FTAA), which is currently being negotiated, is a serious attempt to achieve this. The process is now entering its final phase.

2.1.2 The project is based on a North American initiative of the 1980s. In May 1982 the Reagan administration launched the Caribbean Basin Initiative, with the aim of setting up an economic partnership programme oriented towards trade liberalisation and private sector initiative. In January 1988 the US government signed a free trade agreement with Canada. Talks on extending this agreement to Mexico were initiated by the Bush (senior) administration and formalised under the Clinton administration, with the conclusion of the North American Free Trade Agreement (NAFTA).

2.1.3 In 1990, President Bush (senior) announced his 'Enterprise for the Americas Initiative' (EAI) project, which aimed to create a free trade area for the hemisphere and establish an investment fund to encourage economic reform, attract international investment and alleviate the debt burden of the Latin American states.

2.1.4 For their part, the governments of the LAC countries embraced the idea of a broad economic alliance with enthusiasm.

2.1.5 On coming to power, the Clinton administration took up the idea of uniting the Americas via a free trade agreement. The first Summit of the Americas was held in Miami in December 1994 and was attended by the continent's 34 heads of state and government, with the exception of Cuba⁽¹⁾.

2.2 *Guidelines and key principles of the initiative*

2.2.1 At the Miami Summit, the participants adopted a Plan of Action and Declaration of Principles setting out the guidelines and key principles of the initiative, the primary objective of which is to establish a free trade area by phasing out barriers to trade and investment.

⁽¹⁾ The countries involved in the initiative are: Antigua and Barbuda, Argentina, the Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, El Salvador, Ecuador, the United States, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, the Dominican Republic, St Lucia, St Kitts and Nevis, St Vincent and the Grenadines, Surinam, Trinidad and Tobago, Uruguay and Venezuela.

2.2.2 The Plan of Action, which is intended to promote prosperity through economic integration and free trade, contained three other chapters: preserving and strengthening democracy; eradicating poverty and discrimination; and sustainable development and conserving the natural environment.

2.2.3 Revisions were made to the Plan of Action at the Second Summit of the Americas held in Santiago in April 1998, but its basic objectives remained unchanged. The four chapters were now: education; democracy, justice and human rights; economic integration and free trade; eradication of poverty and discrimination. Although the initiative continued to focus on economic issues, at the request of Brazil, in particular, emphasis was also placed on social issues through education and the alleviation of poverty.

2.2.4 The plan of action subsequently underwent further changes. The chapter on education, on which no progress was made in the negotiations, was dropped. However, at Canada's instigation, at the third Summit of the Americas, held in Quebec in April 2001, the theme of communications (access to new information and communication technologies) was included alongside those of strengthening democracy, increasing economic prosperity and developing human potential.

2.3 *The structure of the negotiations*

2.3.1 These summits of heads of state and government – which are held every three or four years and are designed to lend support to the main policy outlines drawn up at other levels of negotiation and signal the parties' political commitment – are part of the extremely complex structure of the negotiation process. The trade ministers, who meet every 18 months or so to set the overall priorities of the FTAA are the key political element in the negotiating structure.

2.3.2 The deputy trade ministers jointly form the Trade Negotiation Committee (TNC), which plays a decisive role by directing the work of the nine FTAA Negotiating Groups, taking decisions on the general outline of the future free trade agreement and institutional matters and guaranteeing the transparency of the negotiation process.

2.3.3 The remaining pillar of the FTAA is a technical one, comprising the nine Negotiating Groups of negotiators and experts in the areas of 1) market access, 2) investment, 3) services, 4) government procurement, 5) dispute settlement, 6) agriculture, 7) intellectual property rights, 8) subsidies, anti-dumping and countervailing duties, and 9) competition policy.

2.3.4 A Tripartite Committee formed by the Organisation of American States (OAS), the UN Economic Commission for Latin America and the Caribbean (ECLAC) and the Inter American Development Bank (IADB) provides technical and analytical support to the various groups.

2.4 *The phases of the negotiations*

2.4.1 *Preparatory phase*

2.4.1.1 The FTAA initiative has gone through several phases of negotiations since the Miami summit. The basic structure of the initiative was defined during the preparatory phase, from 1994 to 1998. Four ministerial meetings were held (June 1995 in Denver, March 1996 in Cartagena, May 1997 in Bélo Horizonte and March 1998 in San José).

2.4.1.2 The guidelines for the FTAA negotiations were adopted during this preparatory phase. It was decided that decisions would be adopted by consensus, that the FTAA would represent a single undertaking and that it would comply with WTO regulations and disciplines. At the insistence of MERCOSUR, particularly Brazil, but against the wishes of the USA, it was ultimately decided that the FTAA could be compatible with other regional or bilateral agreements and that states could accede to the agreement either individually or as a regional bloc. Thereafter, several regions spoke with one voice in the FTAA negotiating bodies, notably the Andean Community (CAN), MERCOSUR, the Caribbean Community (CARICOM) and subsequently also four countries from the Central American Common Market (CACM), known as CA-4⁽²⁾.

2.4.1.3 During the preparatory phase, the parties also took steps to gather information, acquire knowledge and lay the foundations for the future negotiations.

2.4.2 *The second phase*

2.4.2.1 At the Santiago Summit, the heads of state and government made a commitment to proceed with the Americas project. The ministers met twice during the second phase (November 1999 in Toronto and April 2000 in Buenos Aires) and announced that measures to facilitate trade would come into force in January 2001. In addition, the Negotiating Groups presented a preliminary draft agreement on the FTAA to the ministers concerned.

2.4.2.2 Following pressure from civil society, it was decided to make the preliminary draft agreement available to the public in order to make the process more transparent. The ministers reaffirmed their commitment to finalise the project by January 2005 so that it could enter into force in December 2005.

2.4.3 *Third phase*

2.4.3.1 The third phase of the negotiations began with the Third Summit of the Americas in Quebec in April 2001, when the heads of state and government issued a declaration setting out wide-ranging social and economic undertakings. A clause was adopted on democracy: i.e. agreement was reached that consultations would be held if a signatory country abandoned its democratic institutions. No sanctions were specified.

⁽²⁾ El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica did not join them.

2.4.3.2 The aim of the third phase of the negotiations was to prepare a more detailed version of the future agreement. Accordingly, at the 7th ministerial meeting held in Quito in November 2002, a new draft agreement was published setting out the guidelines for the negotiations over the coming 18 months. The ministers also agreed to launch a Hemispheric Cooperation Programme, aimed at strengthening the ability of the region's smaller economies to participate in the FTAA. The Quito meeting marked the beginning of the final phase of the negotiating process, which is being chaired jointly by the USA and Brazil.

3. Characteristics of the initiative and obstacles to its realisation

3.1 The FTAA would be one of the largest free trade areas in the world, with a market of over 800 million people, an overall GDP of over EUR 11 trillion and trade amounting to EUR 3.5 trillion.

3.2 However, one characteristic feature of this process is that it is asymmetrical and polarised towards the USA. For all but a few of the countries, the USA is the primary trading partner. The sole exceptions are Argentina, Paraguay and Uruguay, whose main foreign trading partner is Brazil.

3.3 In 2000, the North American economy alone represented 77 % of the GDP of the Americas as a whole, and 62 % of its exports. Brazil, Canada and Mexico represented, respectively, 6 %, 5 % and 4 % of the region's GDP, whilst the remaining 30 countries produced 8 %. Small countries such as Nicaragua and Haiti together represented only 1/2000 of the total. NAFTA and MERCOSUR represented 87 % and 9 % of total GDP and 90 % and 6 % of hemispheric trade, respectively.

3.4 The data also point to an asymmetry in per capita GDP: the USA is in first place, with a per capita GDP of EUR 34,400, followed by Canada (EUR 21,930), Argentina (EUR 6,950), Uruguay (EUR 6,000), Mexico (EUR 5,560) and Brazil (EUR 3,060). At the other extreme, the per capita GDP of Nicaragua and Haiti was EUR 745 and EUR 480 respectively. The project therefore incorporates very different economies with widely varying levels of development ⁽³⁾.

3.5 These asymmetries and inequalities raise the problem of the potentially profound impact of economic integration on the small economies, for whom no development fund or security net has been provided. The stakes involved in integrating these economies into the FTAA process are considerable. These 25 countries ⁽⁴⁾ face a number of handicaps in the negotiation process. One major obstacle is the lack of sufficient financial and human resources to pursue the negotiations. To

date, the only measure taken to compensate for these asymmetries is the introduction of longer deadlines for trade liberalisation in small economies.

3.6 The effects of the absence of a social clause are likely to be even more marked in view of the fact that, over the past ten years, orthodox structural adjustment policies have led to steep rises in unemployment and increased poverty in the LAC, where, according to ECLAC, the number of poor people amounted to more than 220 million, or 43.4 % of the population, in 2002 ⁽⁵⁾. The continent's social, economic and political problems have not facilitated the progress of talks since the Quebec Summit.

3.7 Despite a sustained twenty-year reform programme, the LAC economies are still finding it difficult to ensure rigorous, stable and competitive economic growth. A study by the ECLA shows that for the second year running, there has been negative growth in GDP, with a figure of -1.9 % for 2002, thus completing a period which it describes as 'half a lost decade for the region as a whole'.

3.8 The situation is particularly serious in Argentina, which has been facing an unprecedented crisis since December 2001. After the crisis broke, Argentina preferred to move closer to its MERCOSUR partners in order to strengthen regional integration, establish closer ties with Europe and distance itself from the strategy of automatic alignment with Washington. The President of Brazil, Luiz Inácio Lula da Silva, has also made the development of MERCOSUR and relations with the EU a priority.

3.9 Brasilia does not intend to make a drastic U-turn in its position with regard to the FTAA. Its strategy seeks, above all, to organise negotiations between MERCOSUR, the CAN (Andean Community), Chile, the Caribbean countries, Guyana and Surinam, with a view to establishing a Free Trade Area of South America (FTASA) that would enable LAC countries to strengthen their position in the FTAA negotiations. In December 2002 the parties involved in the project agreed on a timescale, including the abolition of customs barriers by the end of 2003 and the entry into force of the agreement by 2005. Consistent with this idea of 'linking the whole of South America to MERCOSUR' by the end of 2003, the Lula administration succeeded in getting Peru to sign an Association Agreement with MERCOSUR (August 2003) which is very similar to those concluded with Bolivia in December 1995 and Chile in June 1996. MERCOSUR also hopes to conclude an Association Agreement with Venezuela and launch another with Colombia. In terms of its objectives and timescale, this project offers an alternative to the FTAA process.

⁽³⁾ The source for all the figures is the European Commission's DG Trade.

⁽⁴⁾ Antigua and Barbuda, Bahamas, Barbados, Belize, Bolivia, Costa Rica, Dominica, El Salvador, Ecuador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, the Dominican Republic, St Lucia, St Kitts and Nevis, St. Vincent and the Grenadines, Surinam, Trinidad and Tobago, Uruguay.

⁽⁵⁾ Annual survey by the UN Economic Commission for Latin America and the Caribbean on the Social Panorama of Latin America 2002-2003.

3.10 For its part, the USA has not hesitated to use bilateral agreements – as demonstrated by the signature of an agreement with Chile in December 2002 – to push the FTAA forward, particularly since the adoption of the fast track or TPA ⁽⁶⁾ in July 2002. Following the WTO Ministerial Conference in Cancun, the trend towards bilateralism is likely to gather momentum.

3.11 However, the protectionist measures recently adopted in the USA are having an impact on the TPA. After increasing the tariffs protecting the US steel and wood product industries, the USA has adopted a Farm Bill which grants \$180 billion of subsidies to agricultural producers over ten years. These protectionist measures are re-igniting tensions between the USA and certain Latin American countries, principally Brazil.

3.12 Export subsidies have become one of the main obstacles to the successful completion of the FTAA. Many Latin American countries are pressuring the USA to lower their agricultural subsidies. However, the Bush administration is pushing for the issue of agricultural subsidies and use of 'anti-dumping' and compensatory duties to be discussed within the WTO. But the failure of the multilateral negotiations in Cancun illustrates the difficulties which rich countries, like the USA and the EU, encounter especially when agricultural issues are addressed in the context of international negotiations.

3.13 Recognising the failure of the multilateral trade negotiations, the USA announced at the closing press conference of the summit that it was prepared to work at bilateral and regional level. If the USA follows up these words, it is likely that the American negotiators will return to the agricultural negotiating table in connection with the FTAA project. That would enable the pan-American integration process to surmount one of the most difficult obstacles and, consequently, to make significant progress.

3.14 Nevertheless, despite the TPA, the executive's negotiating powers are constrained by the Congress. The Trade Act (establishing the TPA) provides for review procedures, which may well prove onerous, especially in connection with subsidies and 'anti-dumping' and compensatory duties. It also provides for a consultation procedure, which gives Congress a substantial right of supervision over the negotiations.

4. Civil society players and the Americas project

4.1 Institutional involvement

4.1.1 The FTAA's governmental process is followed by citizens' organisations, whose participation in the FTAA is envisaged. Going beyond that participation, these organisations meet alongside ministerial and presidential meetings in order to influence the course of the negotiations.

4.1.2 Civil society participation mechanisms are divided between the initiatives set up by the bodies involved in the

FTAA process and those emanating from social movements. As part of the FTAA process a mechanism has been set up by the committee of government representatives on the participation of civil society, in order to pass on the proposals originating from employers, workers, environmental groups and academic circles. This is an indirect form of participation. Indeed, these groups can write to the committee, which will then forward their recommendations to the Trade Negotiations Committee (TNC) or the appropriate negotiation group.

4.1.3 In order to encourage the participation of civil society, government officials responsible for the Americas project held a regional symposium on the FTAA at Mérida in Mexico in July 2002. This first regional forum for public discussion attracted 100 members of the public. The aim was also to provide information and explanations on the process itself.

4.1.4 A second initiative was taken at the ministerial meeting in Quito in November 2002: the trade ministers separately met representatives of the private sector and those of civil society (environmental groups, trade unions, parliamentarians and indigenous peoples). It was the first time that representatives of civil society had been able to address government ministers directly.

4.2 Stance of civil society on the FTAA project

4.2.1 Business circles in the Americas took an interest in the FTAA project very early on. Indeed, since the first ministerial meeting, in Denver in 1995, they have tried to organise meetings in parallel to the official process in order to promote the private sector's interests. More than 1,500 business people have been involved in these meetings through the Americas Business Forum (ABF) which groups together business circles on a sectoral and national basis.

4.2.2 The Americas Business Forum, which is in favour of the Americas' integration project, seeks to contribute to the debate by making technical and data analyses of the strategic objectives and the aspirations of the private sector. It also helps to distribute information on the process and establish personal and institutional links between heads of companies and the organisations of the Americas.

4.2.3 During the annual meetings of the Forum, conferences and seminars are held on key themes concerning the integration of the hemisphere. Although the annual meetings planned by the Forum are not included officially in the negotiating process, objectively speaking the work the Forum carries out has a strong influence on the shaping of the project. Indeed, the recommendations made by the private sector are taken into account by each of the negotiation groups. One of these recommendations concerns the rapid implementation of measures to facilitate trade, and the leaders have in fact agreed that the measures should come into force before the end of the negotiations.

⁽⁶⁾ The fast track, recently rebaptised the Trade Promotion Authority (TPA), is the authorisation given by the US Congress to the executive to negotiate trade agreements without having to return to Congress at each stage. Congress only ratifies or rejects the agreement once it has been concluded.

4.2.4 As regards the other sectors of civil society, such as the trade union movement, NGOs and university research centres, the contribution of trade is much less obvious. The social organisations have taken their own steps to get their views across on the integration process. Among the various initiatives is that of the Hemispheric Social Alliance (HSA), which is a major network of inter-American social organisations and movements. It also covers a wide range of positions which vary from reform to rejection of the FTAA project. Although this initiative materialised in 1997, civil society mobilised much earlier than that.

4.2.5 Just like the employers' sector, the trade unions took a very early interest in the Americas project. They, too, were present on the occasion of the ministerial meeting in Denver. The trade union movement, supported by the Inter-American Regional Organisation – the American branch of the International Confederation of Free Trade Unions (ICFTU) – set up a parallel conference at the end of which a declaration was drawn up setting out the concerns and demands of the participants.

4.2.6 At the next ministerial meeting in Cartagena, the trade union movement did not confine itself to drawing up a new document for consideration: it also sought to exert pressure on the government representatives. Moreover, in their conclusions the latter stressed the importance of encouraging better recognition and promotion of workers' rights and the need for their respective governments to envisage appropriate measures in this field.

4.2.7 The movement was extended to include other social groups. Thus, at the third ministerial meeting, in Belo Horizonte in May 1997, delegates of the coalitions opposed to free trade (NGOs, certain research centres, environmental associations, feminists and indigenous peoples) took part in the meeting of representatives of the trade union movement of the American continent, giving rise to the Hemispheric Social Alliance which appeared as such the following year when the Second Summit of the Americas was held.

4.2.8 To mark the occasion, the HSA held the first Summit of the Peoples of the Americas, from which emerged a document entitled Alternatives for the Americas. A second Summit of the Peoples was held to coincide with the Third Summit of the Americas in April 2001 in Quebec, bringing together more than 2,000 representatives of movements and organisations throughout the Americas, including Cuba.

4.2.9 Mindful of the objective influence of business circles in the context of the FTAA negotiations, the HSA seeks to promote a different type of project by proposing the inclusion of social and environmental measures in the future agreement. In this way it hopes to guarantee employment and the quality of jobs, and to avoid 'ecological dumping' by taking account of environmental costs in exports. But many of the Latin American and Caribbean (LAC) governments oppose measures of

this type, regarding them as a pretext for protectionism. In addition, since 2001 the American position has not been conducive to progress in these areas. In contrast to the developments with NAFTA, the plan to include clauses on employment and the environment lost ground in the official FTAA negotiations, with the USA repeatedly signalling its unwillingness to address these issues in the discussions.

4.2.10 The Hemispheric Social Alliance also made known its opposition to the systematic liberalisation of government procurement, health services, education and investment.

4.2.11 The HSA has also condemned the lack of transparency in the process. It is currently trying to organise a consultation on the FTAA project, to be carried out over a year between 2003 and 2004 and covering the whole Americas region.

4.2.12 In this movement of opposition to the creation of the FTAA, as at present negotiated, certain parliamentarians from the Americas have also sought to draw attention to their views on the project. Members of more than 164 provincial or national parliaments, as well as delegates from regional parliaments in 34 countries involved in the FTAA negotiations and Cuba, have met several times in a forum called the Parliamentary Conference of the Americas (COPA) in order to express their misgivings with regard to the Americas project.

4.2.13 In the declaration it adopted at its second general assembly in July 2000, the COPA called on the heads of state and government to take account of the level of development of the countries involved in the FTAA project, and to ensure that parliamentarians from all quarters took part, in order to encourage transparency.

4.2.14 Concurrently with the ministerial meeting in Quito, there was a continental meeting of parliamentarians who issued a resolution rejecting the FTAA and proposing that the governments should opt instead to strengthen the Latin American and Caribbean integration agreements, such as MERCOSUR, the CAN, CARICOM, the CACM etc.

4.3 *Concerns and expectations of civil society*

4.3.1 The attitudes of civil society groups in the LAC region towards the FTAA project vary. The groups which oppose the FTAA regret that key elements of civil society, such as unions and representative NGOs, have not been effectively involved in the decision-making process and that only the American Business Forum, which, by contrast, supports the FTAA project, has had direct access to negotiators and a clear influence on working documents during the negotiations.

4.3.2 The main fear is that the process will continue in a non-transparent way and that the results of the negotiations will be presented to civil society as a 'fait accompli', leaving them with little scope for influence.

4.3.3 The unions and other social players grouped around the HSA complain that government and big business are continuing to shape the future agreement to integrate the Americas without taking into account their main concerns: the environment, workers' rights, job insecurity, unemployment, poverty, social exclusion, the widening gap between the various economies of the continent, agricultural protectionism and American export subsidies affecting LAC countries, foreign debt, democracy (the call for governments to organise consultation on the FTAA), as well as respect for human rights, exploitation of minors and respect for indigenous communities.

4.3.4 Although the majority of social movements (NGOs, trade union organisations, research institutes, etc.) support the process of regional integration, they have expressed serious misgivings on integration agreements such as the FTAA. In their opinion, steps to achieve integration (such as MERCOSUR) are seen as a potential benchmark for integrating the Americas, as they include political, social, cultural and strategic aspects. On the other hand, the FTAA, in its current form, would only exacerbate the imbalances between the USA and LAC, especially when the former pursues protectionist policies affecting the international competitiveness of the latter.

4.3.5 The social players are in favour of integration that is not limited to trade and, in contrast to the great majority of LAC governments, they oppose an agreement that fails to provide any guarantees on social and environmental matters. They call for respect for human rights to be properly taken into account. They have stated that they would be less inclined to support a USA-LAC agreement than an EU-LAC agreement. They claim to value not only the emphasis that the EU places on social, environmental and human rights issues, both internally and at international level, but also the consistency with which these requirements are observed. However, they complain of the lack of energy and will demonstrated by the EU's strategy on Latin America.

4.3.6 The HSA also calls for governments to make the negotiations transparent and to hold an open debate on the FTAA with all components of civil society in order to examine the viability and potential consequences of such an agreement for the countries of the Americas.

4.3.7 As regards the business sector, many companies in the LAC countries, headed by agrobusiness, see the FTAA as a way of penetrating the vast US market. They feel that the FTAA represents an important means of breaking out of the vicious circle of debt of the 1980s, consolidating liberal reforms and emerging from international isolation. Others are less enthusiastic, however. This is the case, for example, with the petrochemicals sector in Latin America, which reiterated its opposi-

tion to the FTAA at its last meeting, held (on 11 November 2003) in conjunction with the annual petrochemical meeting of the Latin American Petrochemical and Chemical Association (APLA).

4.3.8 Some business sectors in Latin America, and particularly in Brazil, are reluctant to move forward in the FTAA negotiations. This applies particularly to some companies which are very concerned about the competition from American and Canadian firms which could result from the conclusion of the FTAA. In contrast, a large number of firms in the secondary and tertiary sectors in the USA and Canada see the FTAA as an opportunity to penetrate Latin American markets, particularly the Brazilian market.

4.3.9 Nevertheless, there are signs that the position of the Brazilian private sector is shifting. Although for a long time the national business community and the Brazilian foreign ministry shared the same negative view of the FTAA project, the former have started to warm to the idea of greater trade liberalisation and now profess to be willing to face external competition. The national private sector has begun to put pressure on the Lula administration to soften its stance in the FTAA negotiations so that the agreement can be concluded on schedule.

4.4 *Views and concerns of the political decision-makers*

4.4.1 There is a real gulf between the vision of civil society and that of government as to the course to be followed towards integration of the Americas. The LAC governments, which are predominantly concerned with economic liberalisation and, in particular, with penetrating the vast US market, are negotiating a continental trade agreement with the aim of encouraging the US to end its protectionist agricultural policy.

4.4.2 Following the example of MERCOSUR members, they believe the FTAA may encourage the EU to press ahead with its negotiations with LAC countries and with the WTO multilateral negotiations. In their opinion, the FTAA, the negotiations with the EU and the WTO are three inter-linked and inter-dependent processes. The firm position adopted by the developing countries, through the Group of 21 (G21, also called G20 plus), in the face of the reluctance of the rich countries to make concessions in the agricultural field during the Cancun Ministerial Conference and the breakdown of these negotiations could, to some extent, be interpreted as a setback for multilateralism. The stalled multilateral negotiations seem to have opened the way for regional, bilateral and bi-regional strategies. As was pointed out above, the USA makes no secret of its desire to push forward with such agreements. Emerging powers like China and Brazil have also indicated their willingness to move down this road.

4.4.3 The South American bloc is of the opinion that, in contrast to the offer made by the USA concerning agriculture, the EU's offer is far from clear. It feels that simple negotiation on agricultural products is not enough; export subsidies must also be tackled. On these issues, the FTAA appears to offer more hope than the EU negotiations. Nonetheless, the negotiations with the EU appear easier than those on the FTAA: the former entail bi-regional negotiations while the latter involve a large number of players and sometimes very different proposals. In the negotiations on the EU-MERCOSUR Association Agreement, the EU, whose common standpoint is represented by the European Commission, has consistently encouraged the MERCOSUR countries, with a measure of success, to establish a common position of their own. In bi-regional negotiations the proposals tabled by the parties are, in this way, limited to two, which makes negotiation easier.

5. Europe-Latin America/Caribbean relations

5.1 Background

5.1.1 As a result of various historical factors, certain European countries (in particular Spain, France, the United Kingdom, Portugal and the Netherlands) have had long-standing and more or less close bilateral relations with LAC countries. Despite the cultural diversity and heterogeneity of LAC countries, their cultural identity is deeply imbued with the values which shaped the character and history of Europe. The prevalence in this part of the world of such enlightened philosophical ideals as democracy, the rule of law, the idea of liberty and human rights are conducive to closer EU-LAC relations.

5.1.2 Despite this, formalising Euro-Latin American relations is a new development. Since the beginning of the 20th century, Latin American has developed unequal and almost exclusive diplomatic relations with the USA. On the other hand, Europe has always had formal relations with the Caribbean countries (except for Cuba), under the ACP agreements.

5.1.3 Although Europe's return to Latin America began almost thirty years ago, it was not until the 1990s that – largely as a result of the impetus provided by the accession of Spain and Portugal – the EC/EU (?) developed a strategy to forge relations with the entire LAC area. Acting on the European wish to develop preferential relations with Latin American countries, the EEC signed a series of sectoral, 'first generation' agreements in the 1960s, followed by 'second generation' agreements in the 1970s, covering a range of sectors.

(?) The Single Act transformed the European Economic Community into the European Community, which subsequently became the European Union with the 1992 Treaty of Maastricht.

5.1.4 The armed conflicts in Central America during the 1980s and the establishment of European political cooperation led the EEC to play an important political role as intermediary. The talks held in San José (Costa Rica) in September 1984 brought together the foreign affairs ministers from the EEC, Spain and Portugal alongside representatives from Central America. The talks aimed to restore peace and discuss measures to bring democracy to the continent and marked a renewal of EEC/Latin America relations (culminating in the 'San José process').

5.1.5 When Spain and Portugal became members of the European Community, this process of political dialogue was extended to the rest of the region, with the discussion partner being the Rio Group. The Rio Group was set up in 1986 by Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela as a forum for the discussion of political problems, the development of external relations and regional integration issues. It was subsequently joined by other Latin American countries. The Group was the natural negotiating partner for the EC/EU in Latin America in the field of political dialogue. Bi-regional dialogue started in 1987 and was institutionalised in 1990.

5.1.6 Relations between the two continents were further boosted by the end of bi-polarism, the will shown by Europe to make the Community a player on the world stage, political stability, the return to democracy and Latin America's adoption of a more open economic policy. Historic and cultural factors, common principles and legal and philosophical values also played a part in facilitating rapprochement between the two continents.

5.2 Features of relations

5.2.1 Whilst the USA established NAFTA and launched the FTAA project in 1994, Europe sought to secure a different type of partnership with the Latin American countries. Mindful of the diversity of Latin America, the EU tried to develop a strategy based on different approaches, according to national and regional situations. In other words, it tried to take account of the heterogeneity of the continent, which the FTAA does not do. Therefore the EU proposed a partnership based on dialogue organised in sub-groups at regional level, using a range of instruments tailored to the specific political and socio-economic situations of each group.

5.2.2 The new European strategy drawn up by Commissioner Manuel Marin from the Santer Commission and ratified by the Council in October 1994 sought to establish a form of association based on the third-generation and the new, fourth-generation agreements with Latin America. The former emphasise regional integration and cooperation and contain a future developments clause allowing signatories to step up their level of cooperation and a democracy clause guaranteeing respect for basic principles reflecting common values. The fourth generation agreements include these measures and also provide for the conclusion of trade agreements.

5.2.3 The austerity measures and privatisations carried out during the early 1990s in the Latin American countries attracted private investment from Europe, thereby promoting rapprochement between the two regions. Between 1996 and 1999, the EU provided the lion's share of inward investment into Latin America, which became the prime destination for European investment in emerging markets. Over this period, European investment grew from \$13.289 billion to \$42.226 billion. In addition, bi-regional trade doubled between 1990 and 2000. Export of goods from the EU to Latin America grew from EUR 17 billion to just over EUR 54 billion, and exports from Latin America to the EU grew from EUR 27 billion to EUR 49 billion. The EU thereby became the second largest investor and trading partner of Latin America, and the largest for MERCOSUR and Chile.

5.2.4 This doubly positive situation, i.e. confirmed political will on both sides and clear economic rapprochement, gave rise to the idea of boosting relations in qualitative terms by holding a summit in Rio de Janeiro in June 1999 bringing together the 48 heads of state and government of the EU and LAC, including Cuba.

5.2.5 The summit was a historic milestone. It showed the EU to be an increasingly mature player on the international stage and the growing interest of the industrialised countries in the LAC region. The summit also aimed to provide a response to the unipolarism of the post-cold war period and instead favour regionalism as a new force in international relations. Some were quick to see this as the first step towards the creation of a multi-polar world, no longer dominated by the USA.

5.2.6 The summit produced two documents: a declaration and an action plan designed to form the basis of a new strategic partnership between the two sides of the Atlantic. The 69-point declaration called for the strengthening of relations on political, economic, scientific, cultural, educational, social and human issues, with a view to establishing a strategic association. The accompanying action plan contained 55 priorities.

5.2.7 Owing to the number of areas covered and priorities defined, these documents failed to focus on a clear line of action. Consequently, the bi-regional follow-up group of high-level officials identified 11 priorities at its first meeting at Tuusula (Finland, November 1999) ⁽⁸⁾. Some progress has been made regarding priorities 5, 7 and 8. In the case of priority 5 the Bi-regional Coordination Mechanism was established to combat drugs. The progress made with regard to priority 7 is due to the signing of Association Agreements with Mexico and Chile. Finally, in the case of priority 8, a specific bi-regional dialogue on science and technology was launched. This led to the Brasilia Ministerial Conference (March 2000) and the adoption of the Brasilia Statement and an EU-LAC Action Plan on science and technology. The latter, which identified health and quality of life, sustainable development and urbanisation, cultural heritage and the information society as priority areas for action, was presented to the Second EU-Latin America/Caribbean Summit held in May 2002 in Madrid.

5.2.8 Nevertheless, despite the drawing-up of the Tuusula list of priorities and the achievement of some objectives, the lack of clear direction in bi-regional relations was again apparent at the Madrid Summit.

5.2.9 The Commission budget provides for EUR 323 million a year, on average, over the period 2000-2006 ⁽⁹⁾ for the whole of Latin America, which is clearly inadequate given the importance of the project and all that is at stake. Thus Latin America continues to be one of the regions which benefits least from Community aid.

⁽⁸⁾ 1. Deepen and enhance existing cooperation and consultations in international forums and extend them to all matters of common interest; 2. Promote and protect human rights, especially those of the most vulnerable groups, and prevent and combat xenophobia, manifestations of racism and other intolerance; 3. Women – adopt programmes and projects related to priority areas contained in the Beijing Declaration; 4. Enhance cooperation programmes in the area of environmental and natural disasters; 5. Drugs – implement the Panama Global Action Plan, including measures against illicit arms traffic; 6. Formulate proposals for bi-regional cooperation directed to establishing mechanisms to promote a stable and dynamic global economic and financial system, strengthening national financial systems and creating specific programmes to help the economically relatively less developed countries; 7. Promote trade, including SMEs and business forums; 8. Provide support for bi-regional cooperation in the fields of education and university studies as well as research and new technologies; 9. Cultural heritage, EU-Latin America/Caribbean cultural forum; 10. Establishment of a joint initiative on particular aspects of the information society; 11. Support activities related to research, postgraduate studies and training in the field of integration processes. Communication from the Commission to the Council and the European Parliament on the Follow-up to the First Summit organised between Latin America, the Caribbean and the European Union, Brussels, 31 October 2000, COM(2000) 670 final.

⁽⁹⁾ The total budget of EUR 2,264 million is allocated over the period as follows: 2000 – EUR 368.37 million; 2001 – EUR 336.25 million; 2002 – EUR 315 million; 2003 – EUR 310 million; 2004 – EUR 310 million; 2005 – EUR 310 million; 2006 – EUR 315 million.

5.2.10 Regarding the negotiations themselves, the Madrid summit, which was held in the political context of post-11 September, produced little in the way of tangible results. Thus the EU chose to focus on issues of security and terrorism which dominated discussions, whilst LAC countries were far more interested in economic and trade aspects. This divergence of priorities had already been noted at the Rio summit, at which Europe focused on the themes of governance and poverty, whilst the LAC countries were more interested in economic relations and their repercussions on employment. It is essential that the third summit, which will be held in Mexico in May 2004, define an agenda that is built around a true common denominator.

5.3 *Current state of relations*

5.3.1 The main achievement of Rio was undoubtedly the launch of trade negotiations between the EU and MERCOSUR. The agreement concluded between Mexico and the EU entered into force in 2000 while Chile concluded an agreement with the EU at the Madrid summit in 2002. These agreements included the three pillars of the European strategy for Latin America: political dialogue, cooperation and economic and commercial integration. Apart from the agreement with Chile, however, it is hard to say what progress was actually made in Madrid with regard to this new strategic alliance.

5.3.2 Paradoxically, the Latin America regional process, as advocated by the EU, has so far failed to conclude association agreements with Europe. At the Madrid summit, the EU proposed launching negotiations with the CAN and the CACM through political dialogue and cooperation, which came to an end in October 2003. On the other hand, the start of trade negotiations depends on the conclusion of the Doha Round of multilateral trade negotiations, which is scheduled for the end of 2004, and developments within the CAN and CACM.

5.3.3 For its part, MERCOSUR, which has forged the strongest political and economic ties with Europe, has still not presented its overall offer for the negotiations on the lowering customs tariffs, particularly on agricultural products. Should agriculture prove a major sticking point in the negotiations, it is up to the EU to ensure that any association agreement does not clash with the political objectives of the EU, such as public health, intellectual property and sustainable development.

5.3.4 Given the European strategy of negotiating with these regional blocs, it is surprising that the EU has given priority to Mexico and to Chile, both countries being far from the integrationist model and closer to Washington's plans for hemispheric integration. So, contrary to the Joint Declaration and Action Plan approved at the Rio summit, which sought to steer

EU-LAC relations towards a new strategic relationship, the EU's actions to date have been a reaction to the FTAA project.

5.3.5 Most regional groupings in Latin America wish to develop trade relations with other players on the world stage besides the United States, first and foremost with the EU. By diversifying their external relations and especially by developing political and economic ties with the EU, LAC groups, like MERCOSUR, hope to be perceived as much less peripheral in international affairs. A more active approach by the EU in this regard could make an important contribution to the continuation and consolidation of these regional groupings, and help to change the shape of alliances and increase the clout of LAC countries in the FTAA negotiations. This new strategic partnership could also enable both sides to make their views heard in multilateral forums, when their views and interests coincide.

5.3.6 However, the EESC takes the view that the preferential agreements which the EU will conclude with MERCOSUR, the CAN and the CACM must comply with Article 24 of GATT/WTO⁽¹⁰⁾.

5.3.7 These future agreements must also take account of the interests of large and small agricultural undertakings, both in Europe and LAC, and respect social harmony in the rural community.

5.4 *The role of organised civil society in EU/LAC relations*

5.4.1 Recognising the EU's strategic commitment to strengthening its relations with LAC, the EESC closely monitors developments in these relations. It has, on many occasions, expressed its views on the need for greater involvement of organised civil society in all stages of the process.

5.4.2 In various opinions on Latin America⁽¹¹⁾ the EESC has highlighted the need, with regard to political and trade issues, to strengthen the social aspects of relations between the EU and the regions of Latin America and the Caribbean in terms of both respect for human and workers' rights and strengthening social cohesion.

5.4.3 With a view to increasing the involvement of civil society, the EESC plays an active role in the preparation of meetings between representatives of organised civil society in the EU and LAC. Meetings were held in Rio de Janeiro (1999) and Mexico (2002) in conjunction with the summits of heads of state and government from the EU, Latin America and the Caribbean.

5.4.4 To the same end, the EESC is currently preparing a third meeting of organised civil society, to be held in Mexico in 2004 in conjunction with the next summit of heads of state and government.

⁽¹⁰⁾ Article 24 allows several contracting parties to discriminate against others when they enter into arrangements which meet the criteria for a customs union or free trade area. Specifically, the arrangements must satisfy the following criteria: elimination of customs duties and other regulations on the main part of the trade between the participating countries; customs duties and other regulations applicable to third countries or their incidence must not be higher of more restrictive than before the formation of the customs union or free trade area; all agreements providing for the progressive formation of a customs union or free trade area must contain a plan and a schedule for its completion within a reasonable length of time.

⁽¹¹⁾ OJ C 169 of 16.6.1999 (rapporteur: Mr Zufiaur); OJ C 260 of 17.9.2001 (rapporteur: Mr Zufiaur); OJ C 94 of 18.4.2002 (rapporteur: Mr Gafó Fernández). The Committee is currently drawing up an opinion on Social cohesion in Latin America and the Caribbean (rapporteur: Mr Zufiaur).

5.4.5 A good example of this strategy is the meetings held between the EESC and the MERCOSUR Economic and Social Consultative Forum (FCES). The purpose of these meetings is to promote greater involvement of organised civil society in all areas of the bi-regional negotiations conducted in connection with the future association agreement between the EU and MERCOSUR.

5.4.6 At the last meeting between the EESC and the FCES held on 5 and 6 May 2003, the two institutions called on the negotiating parties to strengthen the social aspects of the agreement under negotiation by making explicit reference to MERCOSUR's Workers' Rights Declaration (the Declaración socio-laboral), the EU Charter of Fundamental Rights and the ILO's Declaration of Fundamental Principles and Rights at Work of 1998.

5.4.7 The two organisations have also called for concrete forms of participation in the negotiations on the association agreement, arguing that the success of the process is conditional on the full involvement of representative civil society organisations from the two regions in all areas of discussion.

5.4.8 As regards other institutional meetings, those of sectoral organisations which seek to promote the Transatlantic Dialogue, such as the EU-MERCOSUR Business Forum and the newly established EU-MERCOSUR Labour Forum, and to influence policy decisions that affect their interests are likely to assume growing importance.

6. The strategic partnership between the EU and LAC in the post-Cancun world

6.1 *The repercussions of the Cancun failure*

6.1.1 Many Latin American countries are currently facing economic difficulties and are desperately seeking economic opportunities. Some of these countries which are also CAN or MERCOSUR members would be willing to give up their regional commitments in favour of accepting the proposals of the Bush Administration and signing bilateral trade agreements. Among these countries are Colombia, Costa Rica, Guatemala, Peru and El Salvador, who are giving serious consideration to this option in the post-Cancun world. These countries, together with Chile and Mexico, are now seeking to dissociate themselves from G21, following the example of El Salvador, which left the group shortly before the end of the Cancun summit.

6.1.2 Despite the first cracks in G21, it must be emphasised that, following the fiasco of the Seattle Ministerial Conference in December 1999, the world's leading trading powers, the United States, Japan and the EU, now have to rely on countries in the multilateral negotiations, such as South Africa, Brazil, China and India (referred to today as emerging powers), who are in a position to form coalitions, like G21, which are capable of blocking progress in the negotiations. Group 21 is supported in an ad hoc manner and for different reasons by a front of 90 poor, predominantly African, countries, which are not however members of Group 21.

6.1.3 One of the main reasons for setting up a coalition of this kind is the difficulty developing countries have in gaining access to rich countries' markets. The developing countries demand that the Americans, Europeans and Japanese abolish

their agricultural subsidies, which they consider to have a destabilising impact on their economies. Although the EU showed a willingness to compromise by proposing to isolate the use of subsidies which have been demonstrated to have a detrimental effect on farmers in developing countries, it refused to commit itself to a date for eliminating these subsidies, as provided for in the agreement which the Europeans and the Americans signed in mid-August 2003 in preparation for the Cancun summit.

6.1.4 A second source of contention which has emerged alongside agriculture is the issue of the 'Singapore subjects', so called because they were first discussed at the Ministerial Conference in Singapore in 1996. The Singapore subjects (investment, competition, transparency of public procurement markets and trade facilitation) are of great importance for the rich countries but problematic for the developing countries.

6.1.5 At Cancun some developing countries reiterated their opposition to the launch of negotiations on the Singapore subjects and the liberalisation of services. Faced with the dogged determination of the rich countries, the poorest countries, which up till then had always been marginalised in the negotiations because of their minor importance in world trade (less than 1 %), stood their ground on this issue.

6.1.6 The poor handling of the cotton issue reinforced this alliance, which had been formed in Geneva a few months before the Cancun summit. The final text offered nothing concrete on a subject of vital importance for the Sahel countries (Mali, Burkina Faso, Benin, Chad), which are among the world's poorest nations, while the negotiations that opened in Doha were made a 'development round', at the initiative of the EU. The United States refused to make any reduction in the \$4 billion worth of subsidies which it grants to its producers every year. Against this backdrop, the developing countries refused to fall into line.

6.1.7 Given such firmly entrenched positions, the fiasco of the multilateral negotiations in Cancun was inevitable.

6.1.8 The Cancun failure highlights not only the growing capacity of the countries of the South to organise to defend their interests but also a lack of judgement, particularly by the EU with regard to the G21 alliance. The failure of the talks is a further threat to global governance. Since the end of the Second World War, international relations have been regulated by a framework of rules and international treaties. This body of rules, often perceived as a spider's web which, as far as is possible, helps to bring the countries of the world closer together, was built around the UN. Despite its weaknesses and alleged failures, this organisation has succeeded in establishing a minimal degree of international order. From the start, the EU has made multilateralism the keystone of its external relations. The multilateral framework provides, insofar as is possible, a platform for the collective management of the planet.

6.1.9 Today, a shadow of doubt hangs over the global legal architecture and recently there has been a clear trend towards unilateralism, particularly in the USA, which is a serious blow against the international legal order patiently constructed over the last five decades.

6.1.10 The Cancun failure has added fuel to the crisis of global governance. At present, the USA is trying to circumvent the WTO by favouring bilateral alliances with its neighbours. Bilateralism is one of the methods the USA uses to push ahead with the FTAA project. Moreover, the Bush Administration has recently made it clear that, although the war in Iraq had distracted the USA from the LAC region, it would be resuming efforts to pursue the Americas project, a statement that was repeated shortly after the Cancun Ministerial Conference. As was noted in point 6.1, some Latin-American countries would be prepared to conclude bilateral agreements with the USA, thus abandoning their own regional commitments and undermining the Latin-American integrationist efforts supported by the EU.

6.2 Regional strategies in the Americas

6.2.1 The USA perceives the FTAA as a way of boosting its own global leadership in comparison with major world trade blocs such as Japan and the EU. The many dimensions of the FTAA project are proof of its scale. It commits countries to going well beyond a simple free trade agreement designed to stimulate trade in goods and services by dismantling customs barriers. It also aims to encompass issues such as investment and investor protection, financial markets, intellectual property, government procurement and competition policy in the discussions.

6.2.2 In reality, an institutional framework is being established, based on law and promoting a profound market-driven economic integration. This means that the plan for integrating the Americas involves both a process of opening up markets and the establishment of new laws, standards and regulations to govern world trade. Given the political and economic power of the United States, it is highly likely that these rules will be based upon American law and practice.

6.2.3 If this scenario were to become a reality, it would only accelerate Europe's loss of influence and complicate matters for European businesses operating in LAC countries.

6.2.4 The entry into force of NAFTA has already had very negative consequences for the EU as it has caused a shift in trade, with European businesses losing half their market share in Mexico. In 1990 Europe still accounted for 14.3 % of Mexican imports, but by 1997 its market share had fallen to 8.5 %. At the same time, the EU only accounted for 3.6 % of Mexican exports, compared to 12.6 % in the early 1990s. By contrast, the USA now accounts for 90 % of Mexican exports and has become the country's main trading partner. Despite the Association Agreement which the EU rapidly negotiated with

Mexico, the lost market share has not been fully recovered. Too accustomed to trading with the United States, Mexico is taking a long time to forge trade links with Europe. The great potential offered by the EU-Mexico agreement has not yet been exploited to the full by the two parties.

6.2.5 The NAFTA experience has shown the extent to which trading patterns can be shifted by such means. This is precisely the type of trade and investment shift which the FTAA could cause.

6.2.6 Even though the FTAA project is behind schedule, the trend to regionalise/continentalise trade in the Americas is already clear, as a result of the various free trade agreements negotiated on the continent. At present, 60 % of exports and 50 % of the total imports of 34 countries are carried out within the Americas, compared to 48 % and 41 % ten years ago. With the exception of MERCOSUR, whose main trading partner is the EU, the rest of the LAC region is strongly dependent on trade with the north of the continent. Almost 50 % of CAN exports, 45 % of CACM exports and 41 % of CARICOM exports go to NAFTA. The FTAA would reinforce this trend.

6.3 The EU/LAC strategic partnership

6.3.1 The EU must take due note of the United States' international strategy in seeking to build its own strategy. This does not mean that it should set itself up in opposition to the United States on the international scene but rather that it should pursue the European way of promoting the European model of regional governance to the rest of the world, whilst respecting existing international rules, with a view to ultimately building a multi-regional, and hence more balanced, world. The conclusion of preferential agreements with the various regional groupings in Latin America would enable them to strengthen their internal structures and be integrated as individual players on the international stage.

6.3.2 The EU cannot afford to neglect this world region since it needs partners to redefine its role in world politics. LAC is a natural ally for cultural, political and economic reasons, especially as there is a real desire for closer links with Europe. As the European Parliament report of October 2001 proposes, the EU must no longer make the conclusion of a free trade agreement with MERCOSUR dependent on the finalisation of WTO negotiations⁽¹²⁾. This is especially so as the date set for the conclusion of the Doha Round seems doubtful because of the difficulty the parties are having in finding a consensus for moving forward with the multilateral trade negotiations, as evidenced by the failure at Cancun.

⁽¹²⁾ European Parliament A global partnership and a common strategy for relations between the European Union and Latin America, Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (rapporteur: José Ignacio Salafranca Sánchez-Neyra), 11 October 2001, A5-0336/2001 final.

6.3.3 It is important for the EU to get to grips with the Americas project. If it wants to retain its position on the continent and play a part in developing new rules for international trade, the EU must as a matter of urgency find the political will and the financial resources to match its international ambitions and act as a single voice within international economic institutions (IMF, World Bank, etc.) in order to make its influence felt.

6.3.4 Now more than ever there is a clear need for Europe in the troubled Latin-American/Caribbean continent. The EU continues to be perceived as a social model and political benchmark. Europe must not lose sight of the fact that the great challenge currently faced by LAC countries is to find an alternative economic and social model to the 'Washington consensus' and to the plans to integrate with the USA.

6.3.5 It is clear that multilateral negotiations, eastward enlargement, developments on the international stage since 11 September 2001 and the crisis faced by Latin America have all contributed to a slowdown in relations between the two sides of the Atlantic. However, the EU does not have only economic interests in the region, it is a global player. It cannot therefore do without a consistent overall policy towards this region.

6.3.6 There is a strong demand for change in Latin America, witness for example the many demonstrations and expressions of popular discontent in Andean and South American countries in recent years as well as the election of Luis Inácio Lula da Silva in Brazil and Néstor Kirchner in Argentina, who have expressed their willingness to strengthen the region, even before concluding the FTAA, and to promote relations with the EU, as shown by the visits the two presidents made to various European capitals in July 2003.

6.3.7 This need for Europe has yet to be acted upon, which has provoked expressions of regret within Europe. In fact, some MEPs have been quick to point out that, although Europe has the necessary means to offer LAC an alternative to the FTAA, the political will has not been forthcoming. This was reiterated at the Sixteenth EU-Latin America Inter-parliamentary Conference in May 2003.

6.3.8 More emphasis must be placed on social and environmental aspects of relations. The EESC endorses Commissioner Patten's initiative, proposing that social cohesion⁽¹³⁾ be one of the main themes of the discussions at the next EU-LAC summit (Mexico, 2004).

6.3.9 Given the rise in unemployment, accelerating impoverishment and social injustices that LAC societies have experienced over the last ten years, it would be useful to include a

social clause – as well as a clause on the environment – in the strategic partnership to ensure that the trade agreements signed with Europe help reduce poverty and the extreme inequalities which mark the region, as well as mitigating the potential collateral social risks of trade liberalisation. The purpose of the social clause would be to enable LAC governments to use EU funds for income redistribution and thus combat the social disparities that are a scourge in this part of the world.

6.3.10 Moreover, as was pointed out above, the EU and LAC have so far found it difficult to define a real common agenda. There is a danger that the differences in agendas will continue at the next EU-LAC summit in Mexico. While Commissioner Patten wants to put the spotlight on social cohesion at this third summit, so as to help eliminate social inequalities and poverty in the LAC region, the latter believe that it is through better access to international trade that they can return to growth and thus fight poverty. As long as the Europeans and Latin Americans are unable to agree on a common agenda, or at least reduce the differences in priorities, they will experience many difficulties in trying to move forward in the ambitious strategic partnership initiative proposed at Rio. Although the EESC strongly endorses the social cohesion initiative, the EU must also pay due regard to the priorities of its partners so as to ensure the success of the Mexico summit. Mindful of the post-Cancun situation, the EU must not only devote itself to social issues, which enable it to make its mark on the international scene, but also respond to the expectations of LAC, which are to conclude preferential agreements with the EU. Europe must seize the opportunity offered by the Mexico summit to give much-needed impetus to the EU-LAC strategic partnership, some months before the completion of the FTAA negotiations.

7. The EESC's proposals

7.1 The Cotonou Agreement, which was concluded between the EU and the African, Pacific and Caribbean States in June 2000, requires dialogue to be conducted between the institutions and NGOs in a manner whereby the State and civil society have a complementary role in action taken in the development field. The White Paper on European Governance, presented in 2001, also underlines the importance of civil society for defining policies with an international dimension.

7.2 Therefore it is within a framework of participation by civil society that LAC must conduct its relations with the EU, both in the cooperation programmes and in the negotiations on agreements under preparation.

⁽¹³⁾ Patten C., 'Latin America: what has gone wrong? An EU policy proposal focused on social cohesion', Communication presented at the EU-Rio Group Interministerial Forum, Vouliagmeni (Greece), 28 May 2003.

7.3 Up till now, there has been no real, basic strategy for involving civil society in the negotiations between the EU and LAC; participation has been largely symbolic. Apart from meetings between the EESC and organised civil society in LAC countries, most notably at the summit of heads of state and government, very little has been done in this regard.

7.4 Given that active citizenship is a key aspect of consolidating democracy and an essential basis for sustainable development, and that it is therefore vital to be able to rely on civil society to provide legitimacy to the EU-LAC strategic partnership and avoid the mistakes made in the FTAA project, so heavily criticised by the societies of the Americas, the EESC makes the following proposals:

7.4.1 Defining a clear strategy

7.4.1.1 In a more complex world where there are an increasing number of risks, the European Union must have a global strategy based on the following values: peace, sustainable development and human rights, while seeking to build a fairer, more balanced world.

7.4.1.2 These values and this objective must be borne in mind in relations with Latin America and the Caribbean so that the people of this region understand that agreements with the EU can be a key factor in promoting their own development and their place on the world stage.

7.4.1.3 To give practical effect to this strategy, it is important that the EU increase its financial resources accordingly.

7.4.1.4 Thus, in the negotiations under way with MERCOSUR, the CAN, the CACM and CARICOM, the EU must, over and above trade and customs-related issues, take the above-mentioned global strategy into consideration.

7.4.1.5 The EU must also provide new impetus to the EU-LAC dialogue, not only because it represents one of the three pillars of the association agreements it has signed, or is in the process of signing, with LAC countries or regions, amongst others, but also, and above all, because it is the component which differentiates the association project which the EU is putting together with LAC from the FTAA. To achieve this, it is vital for the European ministerial presence at EU-LAC inter-ministerial fora, along the lines of the EU-Rio Group meetings, to be equal to the task in hand: bringing about a strategic bi-regional partnership.

7.4.2 Establishing an action plan and timetable

7.4.2.1 Given the failure of the WTO negotiations at Cancun and the North American decision to carry out negotiations aimed at achieving the timetable envisaged for the FTAA, the European Union must as soon as possible draw up a new action plan and timetable which are more in line with the new circumstances.

7.4.2.2 In particular, the European Union must consider the need for a new negotiating mandate which is not dependent on the conclusion of the Doha Round.

7.4.2.3 The EESC would like to see the Association Agreement with MERCOSUR signed (or at least announced) during the May 2004 summit of heads of state and government to be held in Guadalajara, Mexico.

7.4.3 Promoting greater transparency and information

7.4.3.1 Transparency in the negotiations and information about successes and obstacles encountered are essential for civil society to be involved in all stages of the negotiation process.

7.4.3.2 Europe must take initiatives with all sectors of civil society, explaining the thinking behind its proposals and the concessions it is ready to make to reach an agreement with the parties involved.

7.4.4 Supporting steps to strengthen civil society organisations

7.4.4.1 The European Union has broad experience in civil dialogue, the EESC being one of the most notable examples of this.

7.4.4.2 Without any intention of exporting its own models, the EU must support the establishment of similar institutions in regions which do not already have them or where they are less effective.

7.4.4.3 Likewise, support for more or less institutionalised contacts and relations with organisations on both sides of the Atlantic seems to offer a way of bringing the two sides together which is very positive for the European strategy.

7.4.5 Compiling impact studies and fostering policies to combat poverty and promote employment

7.4.5.1 All integration processes have repercussions affecting people's everyday life, particularly those who are the most vulnerable.

7.4.5.2 With this in mind, the EU must carry out studies into the effects of integration and the opening up of markets and, consequently, provide financial support for policies to counter poverty and social exclusion and promote employment.

7.4.6 Promoting a social cohesion policy

7.4.6.1 The European Union should not only view the agreements with LAC as a chance to gain access to new markets, but also as an opportunity for the economic and social development of the populations concerned.

7.4.6.2 The whole population must benefit from these agreements, not only those who are already benefiting. It would be a strategic error with the most damaging repercussions if the EU were to be linked to a policy which aggravated economic and social inequalities in LAC.

7.4.6.3 The requirement for a social cohesion policy backing up the whole process of agreements already negotiated, or in the process of being so, must be the component which differentiates the association project which the EU is putting together with LAC from the FTAA.

7.4.6.4 The EESC welcomes the Commission's initiative proposing that social cohesion be the topic for discussion at the Mexico summit.

7.4.7 Stepping up the EESC's role in transatlantic civil dialogue

7.4.7.1 In the protocol signed between the European Commission and the EESC in 2001, and in the wake of the

Nice Treaty, the EESC is recognised as the leading body for dialogue between the European institutions and civil society not only in Europe, but also with regard to organised civil society in non-Member States.

7.4.7.2 The EESC has made use of every opportunity to carry out this role, but acknowledges that it can – and must – go further in the dialogue with similar bodies in LAC and seek other ways of cooperating more closely and effectively.

7.4.7.3 So, at a key moment in relations between the EU and LAC, the EESC must:

- step up its links with MERCOSUR's ESCF (Economic and Social Consultative Forum);
- gain a better picture of the situation of organised civil society in other LAC regions; and
- involve civil society in LAC in its opinions on Latin American and Caribbean issues.

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