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The European Union and Latin America: Global Players in Partnership

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1. INTRODUCTION

The Strategic Partnership between the European Union (EU) and the countries of Latin America and the Caribbean (LAC)¹ was founded in Rio de Janeiro in 1999. Much has changed over the past ten years in Europe, in Latin America and at global level, creating new challenges and new priorities.

The Communication assesses the state of play of the Strategic Partnership with regard to Latin America and the results of the Commission's strategy for Latin America, as outlined in its 2005 Communication '*A stronger partnership between the European Union and Latin America*'². Over the past decade the two regions have cooperated on a joint agenda in a number of bi-regional, bilateral, multilateral and sector-specific fora on a wide range of issues. Today, the EU is Latin America's second largest trading partner and the EU is the biggest investor in the region. Over the past ten years, the European Commission has financed more than 450 projects and programmes accounting for more than €3 billion. On the basis of the experience gained, this Communication outlines the targets and objectives which should guide the Commission's strategy on the region in the coming years.

The Communication also addresses the bi-regional challenges posed by the global economic and financial crisis (hereafter 'the crisis'), climate change and other topics that have risen up the political agenda in the bi-regional relationship, as far as Latin America is concerned, notably migration.

This coincides with the Mid-Term Review (MTR) of the European Community's regional and country strategy documents for the period 2007-2013, and thus also presents an opportunity to adapt current cooperation instruments to new needs and circumstances.

The Communication is also a contribution to constructive preparations for the next EU-LAC Summit to be held in spring 2010 in Spain. It seeks synergy with other institutionalised political dialogues to which the EU or its Member States are party (e.g. the EU-Rio Group Ministerial Meetings and the Ibero-American Summits). This should help boost the EU-Latin America alliance.

2. STRATEGIC PARTNERS, GLOBAL PLAYERS: ACHIEVEMENTS AND NEW CHALLENGES

2.1. Achievements

In its 2005 Communication '*A stronger partnership between the European Union and Latin America*', the Commission sought to strengthen the bi-regional political and policy dialogue in a number of important areas. Its main objectives — which remain the EU's current strategic policy priorities — are to: promote regional integration and negotiations to establish Association Agreements with sub-regions in Latin America; steer development cooperation towards the reduction of poverty and social inequality and improve educational levels.

The main results of the bi-regional relationship can be summarised as follows:

- Increased coordination on strategic topics and political and sectoral dialogues

¹ The EU-LAC Summit Process also involves the countries of the Caribbean that are parties to the Cotonou Agreement. This present Communication focuses on EU-Latin America relations.

² COM(2005) 636 of 08.12.2005.

The EU-LAC Summit process is key to implementing the Strategic Partnership. It facilitates dialogue at the highest level, underscores the special nature of the relationship and fuels the bi-regional agenda. The most recent Summit in Lima in 2008 was a chance to discuss positions on strategic topics that are high on the bi-regional and international agenda, such as poverty and climate change. The same trend is noticeable at other high-level bi-regional meetings, such as the EU-Rio Group Ministerial Meeting that took place in Prague (May 2009) and focused on the economic and financial crisis, renewable energy and energy security.

In recent years, high-level bi-regional sectoral policy dialogues have intensified, notably on sustainable development issues, drugs and migration. In preparation for the Lima Summit, the Commission organised the first EU-LAC Ministerial Meeting on the Environment (Brussels, March 2008). Combating climate change has become an increasingly important issue in the bi-regional relationship and was one of the key topics of the Lima Summit. This Summit led to the launch of the EUroCLIMA Programme, a joint EU-Latin America initiative to promote bi-regional cooperation on climate change, with the aim of reducing its impact and helping to mitigate adverse effects. The Lima Summit also called for further development of a Structured and Comprehensive Dialogue on Migration, which was launched on 30 June 2009 and which will address issues related to regular and irregular migration, as well as migration and development. At sub-regional and bilateral level, too, sectoral dialogues are on the increase, for example on drugs, human rights, education, culture, science and technology.

Besides, the deepening of cooperation between Latin America and the Caribbean is an important component of the EU-LAC Strategic Partnership. Various summit declarations have called for the promotion of the consolidation of relations between the EU and the greater Caribbean. Different treaties and agreements are already linking both sub-regions. Cooperation among all countries bordering the Caribbean Sea also takes place through the Association of Caribbean States (ACS) to which the Commission became an observer in spring 2009.

Summits	Main Outcomes with respect to Latin America
1. Rio de Janeiro 1999	Launch of the Strategic Partnership between the EU and the LAC; EU-MERCOSUR negotiations opened.
2. Madrid 2002	Announcement of the EU-Chile Association Agreement (AA); launch of the ALBAN programme; launch of EU-LAC Common Higher Education and Knowledge Area concept.
3. Guadalajara 2004	Launch of the EUROsociAL programme.
4. Vienna 2006	Opening of EU-Central America negotiations on an AA; launch of negotiations on an AA between the EU and the CAN; EuroLAT set up.
5. Lima 2008	Launch of EUroCLIMA; concept of an EU-LAC Foundation; decision to start a Structured and Comprehensive Dialogue on Migration.

- Promoting social cohesion

Latin American countries are playing an increasingly important role in shaping new forms of economic and social governance at global level and have made considerable progress in improving social policies in recent years. Still, inequality and social exclusion remain burning issues for the region. This is why promoting social cohesion has been a key policy objective of the Strategic Partnership ever since its launch at the Guadalajara Summit. The mutual benefits of bi-regional dialogue on issues such as developing skills to meet labour market needs, youth employment, the extension of social protection and decent work, are self-evident.

Much has been done for promoting social cohesion in the region. Following the EU-LAC Vienna Summit in 2006, the first EU-LAC Forum on Social Cohesion was launched in 2007. A major part of the funds available for EC cooperation with Latin America has been allocated for social cohesion. Dialogue and cooperation between government authorities, international institutions and civil society has also intensified under the EUROsociAL and URB-AL programmes.

The Commission has had valuable cooperation with organisations such as the Inter-American Development Bank (IDB), the United Nations Development Programme (UNDP), the Economic Commission for Latin America and the Caribbean (ECLAC), the World Bank (WB) and the International Monetary Fund (IMF). This has provided a significant input towards the conceptual and operating activities of international institutions and development plans in the region, notably by helping to converge views on and approaches to social cohesion.

Bi-regional dialogues on fiscal policies got underway, which should promote better redistribution of income and wealth. Since 2008, two high-level EU-LAC Fora on Fiscal Policies have been held providing a platform for experience-sharing and demonstrating the concrete impact of Commission cooperation in this area. For example, with Commission support, Uruguay reformed its tax system in 2007, which generated increased revenue and in turn permitted a substantial increase in social expenditure.

- Strengthening relations with partners in the region

The bi-regional partnership is being strengthened in two ways: by stepping up relations with the sub-regions and with individual countries.

Encouraging regional integration remains a key policy priority in EU relations with Latin America and the Caribbean, as shown mainly in the negotiations on sub-regional Association Agreements. Negotiations with Central America progressed well until a political crisis struck Honduras. It is hoped, however, to resume them as soon as the situation has stabilised.

When negotiations came up against difficulties, the EU presented alternative approaches to support the countries and regions concerned. In the case of the Andean Community (CAN), an attempt to conclude a region-to-region Association Agreement was not successful. However, at the request of a number of Andean countries, the EU offered them the opportunity to conclude a trade agreement with a regional perspective, together with the option of expanding the 2003 Political and Cooperation Agreement.

After negotiations with MERCOSUR were suspended in 2004, progress was made on political dialogue and cooperation, further expanding the political agenda. The EU continues to attach high priority to re-launching the negotiations as soon as possible, also in areas where constraints are identified, and is exploring practical ways to further support integration and interconnectivity in the region.

At the same time, the EU is forging closer links with individual countries in Latin America and the Caribbean. Comprehensive agreements with Chile and Mexico have led to considerably stronger bilateral relations, enhanced political, economic, and trade ties and created the conditions for cooperation in a wide range of areas. The EU and Chile are working to establish an 'Association for development and innovation'. Strategic partnerships have been established with Brazil and Mexico and are being implemented with ambitious action plans and increased dialogue. Work on establishing high-level political dialogue with Argentina has advanced.

After years of stagnation in the relations, high level political dialogue has been launched and development cooperation re-established with Cuba which could eventually create the conditions for a contractual framework for EU-Cuba relations.

The rich and dynamic nature of parliamentary dialogue has been evident since EuroLat (Euro-Latin American Parliamentary Assembly) was set up at the Vienna Summit. Regular dialogues with civil society organisations have also been held to ensure they are involved in the Partnership and specifically in negotiations on Association Agreements.

2.2. New Challenges

Since 2005, the context in which the Partnership operates has changed. It has become more complex, and new global challenges have arisen that must be addressed.

Both regions have experienced the serious effects of volatile food and commodity prices aggravated by the economic and financial crisis. However, thanks to economic reform and sustained growth in recent years, Latin America is on a better footing to face this crisis than previous external shocks. Still, the crisis has also affected the level of foreign direct investment in and remittances to the region, while exports are decreasing. Reversing these trends is essential to restore economic confidence and overcome the present situation by, importantly, abstaining from protectionism. The social consequences of the crisis are also significant, particularly for the most vulnerable in society, and will make it especially challenging for many countries to promote social cohesion.

The negative impact of climate change is already felt in Latin America and is likely to become more serious over the next decade, which could greatly impair the prospects for sustainable development. Latin America's rich biodiversity and agricultural productivity are at great risk. At the same time, many Latin American countries are very important negotiating partners in the international climate negotiations and are well placed to take the lead in promoting low-carbon development solutions, energy efficiency and renewable energy domestically. On the side of mitigation, the fight against deforestation is of particular importance in this region and should consequently be given adequate priority in our dialogue and cooperation activities. For these reasons, cooperation with Latin America on climate change adaptation and mitigation, science and technology (S&T) and disaster risk reduction will be of the utmost importance.

More recently, crime has added to the region's most pressing concern of fighting poverty. Illicit drugs, human trafficking, organised crime and violence are on the rise and disrupt the stability, security, governance and development of the countries and regions affected. A key concern in this context is also the cooperation among all countries along the major trafficking routes.

Migration poses another challenge but also offers opportunities for the Partnership, since it has the potential to yield economic, social and cultural benefits to countries of both origin and destination. To this end, migration must be properly managed to benefit all countries and the migrants themselves, with full respect for human rights. The Structured and Comprehensive

bi-regional Dialogue launched in June 2009 is therefore of major importance, especially in view of the rising migratory flows from LAC to the EU. The Dialogue will provide a platform for exchanging views and reaching mutual understanding of each other's realities, challenges and needs. To achieve this, the Dialogue will have to address all aspects of migration in an open, balanced and constructive way, with Parties assuming their respective responsibilities for the management of migratory flows.

Enhancing effective multilateralism is both a joint commitment and a challenge for the Partnership. More should be done to harness the combined weight of EU and Latin America in tackling the many global issues on which policies converge. A greater impact is needed on the international scene, where the two regions represent about one-third of UN and G20 membership.

3. LOOKING AHEAD: NEW STRATEGIES, NEW RESPONSES

3.1. Stepping up Bi-Regional Dialogue

- The full potential of the Summits' political capital has not yet been entirely unlocked. This could be addressed by making Summits more result-focused. Therefore, dialogue should focus on operational targets and the means to achieve them. Summits should concentrate on a few concrete initiatives, becoming the main tool to plan bi-regional cooperation.
- Strengthening dialogue and coordination with other regional processes such as the Ibero-American Summits, Union of South American Nations (UNASUR), Organisation of American States (OAS), etc. should be envisaged.
- Dialogue and strategic coordination should be intensified in a number of key areas that are closely related to global challenges, including migration.
- Dialogue should be comprehensive, involving also the civil society, non-state actors, cultural and financial institutions, etc. This should be achieved with the support of the EU-LAC Foundation.

Proposals:

- Step up bi-regional macro-economic and financial dialogue.

Increase the convergence of positions to better address the challenges posed by the crisis, promote global trade and investment, reject protectionism and collaborate on financial regulatory and supervisory matters and the reform of international financial institutions consistent with the G-20 reform agenda.

- Step up dialogue on environment, climate change and disaster risk reduction, and energy.

Dialogue should continue within the UN framework and elsewhere to foster consensus and facilitate the successful conclusion and follow-up of international agreements, including the agreement on climate change in Copenhagen in December 2009.

- Step up dialogue on science, research, higher education, technology and innovation.

In preparation for the Summit in Spain in 2010, a dialogue on S&T should be held on issues of knowledge and innovation to make progress in developing an EU-LAC Knowledge Area.³ The recently formed EU Strategic Forum for International Cooperation (SFIC)⁴ can play a useful role in strengthening S&T cooperation with LAC. The V EU-LAC Ministerial Forum on Information Society in 2010 will review the on-going cooperation in the area of information and communication technologies (ICTs).

- Step up dialogue on employment and social affairs.

Bi-regional policy dialogue should help to advance the decent work agenda, including in the ongoing global debate on the employment and social dimension of the recovery from the crisis and sustainable growth, and address key employment policy issues, such as matching skills with labour market needs, youth employment and the extension of social protection.

- Step up bi-regional dialogue on migration.

Migration should be managed to the full benefit of the countries of origin and destination and of the migrants themselves. Dialogue on migration should provide a platform for regular exchanges of views to increase mutual understanding of both regions' realities, challenges and needs.

Recommendations

- Strengthen political dialogue by making the Summits more action focussed.
- Ensure consistency between the agendas of Summits and Ministerial Meetings.
- Crucially, step up political dialogue on priority areas related to global challenges, such as macro-economic and financial issues, security and human rights, employment and social affairs, environment, climate change and energy , higher education and technology/innovation.
- Develop and strengthen the EU-LAC Co-ordination and Co-operation Mechanism on Drugs and pursue the ongoing Structured and Comprehensive Dialogue on Migration in an open and constructive way, in line with the EU Global Approach to Migration.
- In addition to engaging in political dialogue, take a bottom-up operational approach by strengthening inter-connectivity and cooperation on knowledge and innovation.

3.2. Strengthening Regional Integration and Inter-Connectivity

- The EU should reiterate its commitment to regional integration in Latin America by pursuing the ongoing negotiations and supporting integration efforts within the region, including new institutional formations such as, for example, UNASUR.
- In order to give greater impetus to regional integration and make it an effective tool to foster sustainable development and growth, current support for developing sustainable infrastructure should continue. Special emphasis should be put on inter-connectivity. This implies devising joint initiatives and projects involving the public sector, the private sector and financial institutions.

³ 'Innovation and Knowledge' is also the key issue for the Iberoamerican Summit (Portugal, November 2009).

⁴ The Forum has been set up by the 2891st Competitiveness Council in December 2008.

- To this end, the Commission will set up the Latin America Investment Facility (LAIF). This initiative, which will be inspired by the Neighbourhood Investment Facility (NIF)⁵ will pool together grant resources from the Community and possible additional grant contributions from the Member States. The amount dedicated from the existing envelopes of the Community budget will be €100 million for the period until 2013. LAIF grants will have a leverage effect to mobilise resources from financial institutions to finance investment projects notably in three areas:
 - i. interconnectivity and infrastructure, in particular energy efficiency and renewable energy systems, sustainable transport, and communication networks;
 - ii. social and environmental sectors including climate change mitigation and adaptation;
 - iii. providing for growth of the private sector (in particular of SMEs)

LAIF will therefore not only provide a response to the crisis, but also promote more long-term development by supporting sustainable investment in the region.

Recommendations

- Pursue negotiations on Association Agreements and support integration efforts within the region.
- Take a bottom-up approach to support regional integration by strengthening inter-connectivity. Launch the Latin America Investment Facility (LAIF).

3.3. Strengthening Bilateral Relations: Taking Greater Account of Diversity

The Commission believes it necessary to develop a deeper relationship and a more structured and intense dialogue with individual countries in the region. However, this dialogue should bring added value. To that end, bilateral dialogue and cooperation should be intensified in areas of common interest, such as energy, transport, research, science and technology, and good governance in tax matters where the relationship can be strengthened. This means tailoring relations to each particular case in order to obtain the greatest mutual benefit. This approach complements and supports efforts to achieve greater regional integration.

Recommendations

- Take full advantage of existing Strategic Partnerships (Brazil and Mexico), existing Association Agreements (Chile and Mexico) and bilateral cooperation agreements.
- In particular, with regard to trade, complete negotiations to implement the evolution clauses in the existing agreements with Chile and Mexico.
- Strengthen bilateral relations with individual countries to complement EU support for regional groupings.

3.4. Tailoring and Adapting Cooperation Programmes

- The overall aim of EU development cooperation is to eradicate poverty and promote sustainable economic and social development, including the achievement of the Millennium Development Goals (MDGs). This applies both to Latin American countries

⁵ An innovative financial mechanism aimed at mobilising additional funding to cover the investment needs of the EU neighbouring countries for infrastructure in sectors such as transport, energy, environment and social issues. The Facility also supports the private sector, e.g. through risk capital operations targeting small and medium enterprises (SMEs).

and developing countries. However, this policy objective should be tailored to the region, as it also includes some emerging countries and upper middle-income countries.

- The merits of significantly diversifying the instruments and targets of EC cooperation should be explored. While concentrating financial resources on the poorest countries, the EU should look for new forms of cooperation with countries with higher levels of development. For all countries, this may entail putting more emphasis on cooperation in areas such as Climate change (mitigation and adaptation), higher education, multi-lingualism research, science and technology, including energy efficiency and renewable energy, to complement joint efforts. The Instrument for Industrialised Countries (ICI+)⁶, for which Latin American countries will be eligible, should facilitate this approach.
- The EU should continue cooperation on social cohesion, in particular through a renewed EuroSociAL programme. Greater focus should be placed on supporting social safety nets and other action yielding short-term tangible results and thus having a counter-cyclical effect. The Commission should assess the case for providing more opportunities for institutional partnerships in the context of ongoing policy dialogues (twinning).⁷ This should encourage the transfer of know-how and enhance exchanges of experiences and good practices between authorities.
- As a number of countries in the region have taken on cooperation with poorer countries, further opportunities for South-South and triangular cooperation should be explored. The EU could engage in triangular cooperation with partners from Latin America and other regions in order both to join forces to help achieving the Millennium Development Goals (MDGs) and to tackle trans-regional threats.

Recommendations

- Design cooperation programmes with Latin America to generate low-carbon, sustainable growth, employment and better income distribution and to mitigate the effects of the crisis.
- Use the Mid-Term Review to explore greater diversification in instruments and adapt Commission cooperation work to different needs, namely:
 - continue focusing financial resources under the DCI (Development and Cooperation Instrument) on the poorest countries and the needs of the most vulnerable groups;
 - improve cooperation, especially on social cohesion and regional integration, by targeting programmes on emerging needs and ensuring more tangible results;
 - look for strengthening cooperation in knowledge and innovation-related areas such as research/higher education, science, technology, and renewable energy;
 - mainstream climate change considerations, both on mitigation and adaptation, in our development and cooperation programmes, including as regards the fight against deforestation,
 - develop new forms of cooperation within the framework of the ICI+.

⁶ A revised Financial Instrument for Cooperation with Industrialised Countries (proposed by the European Commission), permitting to finance non-official development assistance (non-ODA) activities for developing countries.

⁷ Twinning is a joint project between cooperating partners committed to achieving concrete operational results.

- In the framework of a renewed EUROsociAL programme, explore opportunities for institutional partnerships and triangular cooperation.
- Increase cooperation in the field of justice, freedom and security.

4. TOWARDS THE NEXT EU-LAC SUMMIT, MAY 2010

The EU-LAC Summit in Spain will be a step forward in the renewed Strategic Partnership between both regions and will focus on innovation and technology as an engine for sustainable development and social inclusion. It will be an opportunity to assess progress on implementing commitments made at the previous Summit, such as creating the EU-LAC Foundation, designed to stimulate debate on common strategies, and action to boost the bi-regional partnership and enhance its visibility, as well as further advancing the EU-LAC Knowledge Area.

Recommendations

- Ensure that the Summit takes into account the impact of the crisis, in particular, on employment and social issues, and yields viable results.
- Launch the Latin America Investment Facility (LAIF).
- Step up dialogue and cooperation between both regions in the field of low carbon and green technologies and innovation with concrete action, including boosting institutional capacity for S&T cooperation in the region.
- Mark the creation of the EU-LAC Foundation.
- Encourage cooperation on issues of common concern between Latin America and the Caribbean.

5. CONCLUSIONS

Over the last ten years, the EU and Latin America have committed themselves to consolidating links in the framework of the EU-LAC Strategic Partnership. This Communication sets out a series of recommendations, implementation of which will depend on all concerned. The Commission calls on the Council and the European Parliament to examine these recommendations, particularly as part of preparations for the next EU-LAC Summit in Spain (May 2010). The Commission suggests discussing the Communication with our Latin American partners, as a means to stimulate a debate on ways to strengthen the alliance between the EU and Latin America.