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ECONOMIC COOPERATION BETWEEN THE EUROPEAN UNION AND LATIN AMERICA AND THE CARIBBEAN*

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* This document has not been edited.

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CONTENT:

Economic Cooperation between the European Union and Latin America and the Caribbean

1. Introduction:

The European Union (formerly Community)[1] with its twelve Member States is an important partner for the developing countries:
In the field of trade, the Community is the largest market for many Third World countries, and an important outlet for all of them. At the same time, developing countries, taken together, represent a bigger market for European exports than the United States or Japan.
As for development assistance, the European Community and its Member States are the largest donors of aid in the world. Out of every 100 dollars in aid going to the Third World, 36 come from the Community of the Twelve. This assistance is composed primarily of bilateral aid, aid from the Community as such and contributions to multilateral agencies.[2]
For reasons of history, geographical proximity and political priority, the volumes of European aid to the developing world are unevenly spread. Therefore, the closest cooperation between the European Community and a group of Third World countries exists with the African, Caribbean and Pacific Countries (ACP) - the former French, British and Belgian colonies - which are joined with the EC in the Lomé Convention. Most of the major recipients of the development aid are least developed countries in sub-Saharan Africa. The Lomé Convention is the core of the Community's development policy, and cooperation under this agreement accounts for 60 per cent of the Community aid.
Nevertheless, since the mid-1970s, a more balanced, worldwide approach has been followed, and the Community decided to extend its official aid to the non-associated developing countries in Asia and Latin America which were not associated with it, and as regards trade, the General System of Preferences was set up for these countries. However, it did not get very far, due to the political situation in these countries, most of which were under the heel of bloody military dictatorships in the Seventies. The accession of Spain and Portugal to the Community in 1986 and their historical, cultural links with the South American sub-continent gave the EC a fresh opportunity to intensify its relations with Latin America.
The eighties have been described as the "lost decade" for Latin America. But it was exactly in this decade, too, that the democratization process was enhanced and a profound economic transformation process was set into motion in the region. The European development policies tried to support the new democracies in Latin America, and, later, to support the subsequent adjustment and economic restructuring processes, either through measures in order to relieve the social costs, or through new cooperation procedures. The European Community tried especially to support the peace process in Central America, and political dialogue with the countries of the isthmus was institutionalized in the so-called "San-José" Conferences.

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[1]On 1st of January 1994 the European Community became the European Union. In this work EC and EU are used interchangeably
[2]Commission of the European Communities: "Official Development Assistance from the European Community and its Member States", Brussels, December 1990, p.3

Poltitical dialogue was also institutionalized later on with the Andean Pact and the Rio-Group. Nevertheless, the amounts of official development assistance which Latin America receives from the EU are not very significant as a proportion of total EC contributions to the developing world, which stands in curious contrast to the notable tightenung of political ties between the two regions.

As far as trade is concerned, during the last few decades economic relations between the EC and Latin America have lost ground, and this developing region was virtually marginated from the European visible trade circuit. Whereas the ACP states enjoy a lot of trade preferences, to the Latin American countries only the General System of Preferences applies. Often its export possibilities are restricted by the protectionism of the European Community: especially "sensitive" products like agricultural products and textiles are affected by tariff barriers and non-tariff barriers.

The focus of this study lies on the relations of the European Union with Latin America with regard to development aid and trade relations, and what role UNIDO could play as a partner for donor countries who are members of the European Union or even the EU itself.

Point two of this study examines the development policy of the European Community in general, how it came into being, how it is organised and what are the priorities and the geographical distribution of development aid. The third chapter focuses on the cooperation schemes of the European Community with Latin America. The fourth chapter investigates the cooperation of those EU Member States which are the main donors for Latin America: their programmes and priorities of cooperation in the region.

The fifth chapter will investigate the trade relations between Latin America and Europe. It investigates also the influence of the preferential treatment of products from the ACP-states on the trade relations between Latin America and the EU, and the General System of Preferences. Special attention will be paid on the trade in agricultural products, manufactures and there especially textiles and wearing apparels.

The sixth chapter highlights the activities of the EC and its Member States through UNIDO, showing what kind of projects they finance, and it shows UNIDO's activities and strategies in the region.

In the final chapter, I will give a brief summary and draw the conclusions, which are the areas where UNIDO and the European Community or its member countries could work together in future.

2. The development policy of the European Union in general

2.1. The colonial roots

For many years the EC concentrated its attention on areas of "natural" influence, namely Africa and the Medterranean basin. The European development policy grew out of the need not to cut off from their "mother countries" the areas dependent on the European colonial states through the formation of the European Economic Community in 1958. The "association" provided by the Treaties of Rome in principle gave goods from the associated countries customs-free access to the EEC. As a complement to this the European Development Fund (EDF) was set up which to this day is financed directly by the member states (and not out of the EU budget). After the association partners gained their independence in the early 60s, continuation of the special relationship was agreed, first in the Yaoundé Convention (1963 and 1969) and, after Britain's accession to the EEC in 1973, in the Lomé Conventions (from 1975). With the signature of the first Lomé Convention it broadened its horizons to the Caribbean and Pacific countries. The cooperation practised under these agreements with meanwhile 69 African, Caribbean and Pacific (ACP) states represents the core of the EU development policy and is regarded internationally as the model for North-South cooperation. The agreements run for several years (hitherto five, since Lomé IV 10 years).[3]

The Lomé IV Convention has an allocation of ECU 12 billion for the first five years (plus roughly the same amount for across-the-board measures financed from the Community's general budget). The cooperation under Lomé accounts for 60 per cent of the Community aid. Among the main innovations brought in by Lomé IV, there is the support for structural adjustment policies, which is in addition to traditional long-term development measures. The grant element of the sixth EDF amounted to 75 per cent. Since Lomé IV, with exception of the European Investment Bank (EIB), all loans given are nonrepayable. The grant element of the present EDF is 92 per cent.[4]

Latin America lies at the outer limits of the Community's development reach. Relative to that of sub-Saharan Africa and the Mediterranean, the position occupied by Latin America in the scale of development cooperation priorities pursued by the Community has not changed much since the 1950s. Even though the Latin American countries had also been former Spanish and Portuguese colonies, they don't enjoy the same advantages as the ACP-states: when Spain and Portugal began to negotiate for entry the Commission of the European Community requested them to clarify their relationships with Latin America in order to prevent obstacles from arising later to the application of the common trade policy. In other words, the Community made sure that Spain and Portugal wouldn't request, as France, Belgium, and the United Kingdom had done, special treatment for countries which once formed part of their empire. The region has remained a marginal concern for the Community, notwithstanding the attempts made at different times to expand the geographical reach of EC development cooperation.[5]

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[3]Lingnau, Hildegard: "An Exemplary Partnership - The Development Policy of the European Union"; in: Development and Cooperation " 2/94, p.24

[4] "The European Community's Development policy; in: The Courier No 141, September/October 1993, p.52ff.

[5]Grilli, Enzo R. "The European Community and the Developing countries", Cambridge university press, 1993; p.225

Whereas in the period between 1986-1990, the ACP countries recieved 72,6 per cent of the total Community's development aid, Latin America recieved only 4,5 per cent. In the next period from 1991-1995, the share will be 62,5 per cent, and 5 per cent, respectively. Since the Gulf War the "updated Mediterranean policy" has been allocated ECU 4.4 billion for the period from 1992 to 1996. That means that the share of the Mediterranean countries grew significantly: from 13,8 per cent in the first period to 23,1 per cent in the second. These data show clearly that the Latin American countries come least in the European Unions scale of preferences.[6]

COUNTRIES	**1986-90**	**%**	**1990-95**	**%**
ACP countries	8.500	72,6	12.000	62,5
Mediterranean	1.618	13,8	4.450	23,1
Asia	1.069,5	9,1	1.787,5	9,3
Latin America	522,5	4,5	962,5	5,0
Total	**11.710**	**100**	**19.200**	**100**

(Source: Agencia Española de Cooperación Internacional: "El vínculo iberoamérica Comunidad Europea", Madrid 1992)

The unequal treatment of the various regions of developing countries is the biggest flaw in the EU development policy: When called to justify this low interest in Latin America, EC officials used to resort more and more to notions such as the political and economic fragmentation of the region, the lack of reliable interlocutors for the Latin American continent, and the want of realism in the expectations entertained by Latin American leaders about the Common Agriculture Policy or financial assistance from the Community. Moreover, Latin America is seen as a region at an intermediate level of development, and the EU gives priority to the least developed countries. On the other hand, Latin American countries are felt to be in an area that is clearly linked with the US.

As development policies will be conducted jointly in the EU, it will be important to "globalise" development policy, i.e. to transfer the Lomé experience to the development cooperation with Asia, Latin America and the Mediterranean developing countries.

2.2. Organisation:

Policy at EC level is coordinated at regular meetings of the Council of Development Ministers. They convene twice a year and make the fundamental decisions about the development policy of the EU. In six committees in which the Member States are represented at working level the projects and programmes of the EU are approved by qualified majority.

The Commision, comprising the Commissioners and the general directorates, forms the executive. Its key functions comprise the right to propose, the elaboration of strategies and concepts and the implementation of EU development policy.

Responsible for the development cooperation are Commissioner Manuel Marin (responsible since 1993 for the development cooperation with all developing countries) and the general directorates I and VIII. General Directorate I ("Foreign Relations") in addition to general foreign policy is responsible for North-South relations, Mediterranean policy and relations to

[6] Agencia Española de Cooperación Internacional: "El vínculo iberoamérica Comunidad Europea", Madrid 1992, p.52

the Asian and Latin American developing countries (ALA countries); the General Directorate VIII ("Development") for the Lomé cooperation. In addition the GD VIII administers food aid for all regions, immediate aid and co-funding of NGO projects.

In contrast to most bilateral donors the EU has no implementing organisations of its own; implementation of projects and programmes is contracted out to consulting firms and non-governmental organisations. There are many different types of cooperation agreements and intervention instruments, as well as trade policy and financial and technical cooperation. As far as operating methods are concerned, some agreements are negotiated, others are unilateral, they can be with individual countries or with groups of countries, some cover specific matters while others are framework agreements, and some are more binding than others, but the underlying principle is always political dialogue. In the developing countries the "Delegate" represents the EU in all development cooperation matters.

Of little importance in the area of development cooperation is the European Parliament which has no law-making power. In the Lomé cooperation sector it may merely ratify the convention and in the communal development cooperation it may merely set down the budget framework. The main controlling function is exercised by the European Audit Office which draws up annual reports about the development policy of the EU.

In financial volume the development cooperation of the EU is about the same as that of a medium donor. The expenditures of the EU comprise approximately equal parts of expenditures from the EDF (Lomé cooperation) and from the EU budget. The importance of the EU development aid nonetheless becomes clear when one adds up the expenditures of the EU and the Member States, with a share of 40 per cent of the ODA given worldwide, the EU is then by far the biggest donor, followed by Japan and the USA with 17 per cent each.[7]

2.3. Funds Managing

Projects for the Asian and Latin American developing countries are usually identified and chosen at the request of the recipients, be they countries or regional groupings.

There are sometimes requests from other donors too, such as the Member States of the Community and, less often, international organizations, but the projects which the Commission runs as part of financial and technical cooperation are always discussed in detail with the relevant local authorities beforehand.

The budget situation may be such that the Commission has to choose between a number of projects, in which case the selection is made in the light of both income, needs and priorities of the countries concerned and previous experience of other projects and the way they were run.

The Community can only commit a project if it has the favourable opinion of a Committee for Aid to the Asian and Latin American developing countries, on which the Member States are represented, which meets under the chairmenship of a member of the Commission and takes its decisions by a qualified majority.

The Commission, which is responsible for all the financing operations, is the management body and maintains close contact with the Member States, thereby ensuring that the schemes which it and they run are coherent.

Overall, the Member States bilateral aid is far greater than the aid at the Community's disposal and they make for better use of the funds available by pooling their efforts. In 1976 -

[7]Lingnau, Hildegard: "An Exemplary Partnership - The Development Policy of the European Union"; in: Development and Cooperation " 2/94, p.26

1989, more than 100 of the 389 projects financed were in fact cofinanced, an average of two thirds of them with Member States of the EC.[8]

2.4. The consequences of the Maastricht Treaty on the EU development policy:

EU development policy assumes an altogether new dimension in the context of growing europeanisation. One consequence of the Maastricht Treaty on European Union has been to make cooperation policy a Community policy. The Treaty demands a development policy coordinated between the Member States and the EU and coherent with other fields of policy. The coordination command raises hope for administrative simplifications, synergy gains, reduction in bilateral dependencies and possibly the abandonment of supply tying. The aims to which the Treaty on European Union (Article 130u) obligates the EU development policy are:

- sustainable economic and social development of the developing countries, especially the most disadvantaged ones,
- harmonious, gradual integration of the developing countries into the world economy,
- fighting poverty in the developing countries,
- further development and strengthening of democracy and the rule of law,
- observance of human rights and fundamental freedoms.

In a concept paper presented by the Commission in 1992 the aims are operationalised. Accordingly, sustainable and economic development is to be achieved by "a consistent drive to liberalise domestic economic activity". Sustainability is not defined more closely. The "Horizon 2000" paper suggests complementing the economic criteria of allocation of development cooperation inputs with efficiency criteria and calls for a solidarity pact between Africa and the Union.[9]

The Maastricht Treaty reafirms the 0.7 per cent aid target of the Member States and the EU which currently only few Member States reach and the EU as a whole does not. In 1992, the European Community's total ODA reached US$ 4.5 billion, an increase of 10 per cent over 1991. Its aid programmes are primarily funded from the European Development Fund through the Lomé Conventions for the ACP countries and the EC budget for Asia-Latin American countries. The European Commission manages the bulk of the Community programme, but the European Investment Bank also manages some Community aid. With regard to the development cooperation funds controlled by the Commission, no increases are to be expected in the near future; the 1993 budget allocations for development cooperations were 11 per cent lower than those of 1992 and there is little likelihood that the 8th EDF will show increments of the nominally 50 per cent that have been usual.[10]

[8]EU- 7-S.32

[9]Lingnau, Hildegard: "An Exemplary Partnership - The Development Policy of the European Union"; in: Development and Cooperation " 2/94

[10]Lingnau, Hildegard: "An Exemplary Partnership - The Development Policy of the European Union"; in: Development and Cooperation " 2/94

3. The development policy of the EU in Latin America

3.1. The extension of European development aid to Latin America and the Caribbean

It was almost 30 years after its establishment that the Community decided to extend its official aid to developing countries which were not formally associated with it. Only in 1976 did it begin to channel this aid, on an experimental basis, to the countries of Asia and Latin America, and it was little more than a token gesture. A clear enunciation of its fundamental objectives had to wait until 1981, when the Council of Ministers of Cooperation of the Community finally laid them down as "improvement in the living conditions of the most needy sections of the population of the countries concerned", with special attention paid "to the development of the rural environment and to improving food production". When it did this, the Community decided to take the low level of resources which it could mobilize into account and concentrate on the poorest nations - since called the developing countries of Asia and Latin America, or ALA developing countries.

Cooperation between the EEC and the ALA developing countries, unlike Lomé cooperation, had been laid down autonomously, not being covered by any multi-annual agreement with the recipient countries, until 1990. The Community decided what the annual guidelines for it will be and how much of the budget is to go to the recipient countries with which it wishes to cooperate.

In 1987 the EC Council adopted a first "conclusion" on relations with Latin America. When closely examined, the guidelines adopted by the Council did not amount to much in the economic sphere: (a) continuation (and unspecified improvement) of official development assistance, as always, concentrated on the least developed countries of Latin America; (b) support of regional integration; (c) possible broadening of access to the Community's market through more effective use of GSPs; (d) support of trade and a promise to take account of the export interests of Latin America in the Uruguay Round of GATT trade negotiations; (e) special emphasis on industrial cooperation "in the broad sense"; (f) support for training administrators or technicians; and (g) possible expansion of export credits. The Community did not promise more aid in support of South American democracies, nor did it appreciably improve Latin America's access to EC markets. Neither the Multifibre Agreement nor the Common Agricultural Policy barriers to Latin American exports to the Community were mentioned by the Council, let alone reduced. The Multifibre Agreement had kept the textiles and clothing sector out of the main GATT disciplines and was imposing export-quotas on each country. It was seen by the devloping countries as a restraint upon their export in a field where they have a competitive advantage. The Common Agricultural Policy applies non-tariff-barriers to temperate-zone crops and also to exports of some tropical products such as bananas, as a means of reserving preferential access for exports of Caribbean and African countries. The debt problem of Latin America was only barely acknowledged. Nothing was offered in the way of assistance, either region-specific or general, in the area of debt.

Intended by the Commission for distribution according to the average income levels of the recipient countries, financial aid to Latin America has been extended over the years to eleven countries: those of the Central American Common Market (Honduras, Nicaragua, Costa Rica, El Salvador and Guatemala), those of Hispaniola (Haiti and the Dominican Republic), and Bolivia, Ecuador, Colombia and Peru in South America. Aid to Columbia and Ecuador was minuscule. Disaster relief aid was granted to Mexico once. In addition, financial aid was given to regional organizations, especially the Junta of the Andean Pact (JUNAC) and various bodies related to the Central American Common Market. Between 1976 and 1989, 70 per cent of the EEC's technical and financial aid to Latin America was for countries running structural adjustment programmes. Aid for regional integration became more and more important from 1983/84 onwards, reaching 28% of the aid directed to Latin America. Between 1981 and 1989 70% of these funds were destinated to Central America, and 23% to the Andean Pact. The political drive for regional integration is strong in Latin America, for the states need to maintain democracy in a community of interests, and the countries in this part of the world have small populations, but they create markets of useful size when they get together.

The sectoral distribution of EC financial aid was kept more strictly in conformity with the Council's 1981 guidelines: 67% of the aid committed to Latin American countries in 1976-87 went to agriculture, 13% to trade and industry, 8% to services, and 7% to reconstruction schemes. Within the agricultural sector, 40% of EC aid was devoted to integrated rural development programmes and about 30% to support for agrarian reform, goals whose importance was specifically underscored by the Council in its annual guidelines to the Commission.

In relative terms, the share of the Latin American and Caribbean countries in development aid from the EC has grown in the eighties, from 5% in 1979/80 to almost 12% in 1989/90, although it had been less for 1990/91 (10.1%). In fact, Latin America and the Caribbean was the region that did best in raising its share of development aid in this period. On the other hand, EC share in total ODA flows to the region changed little, from 12% to 13%. Thus, the relative importance of ECs development aid did not augment from the Latin American point of view.

Between 1976 and 1991, two sub regions, Central America and the Andean Pact, received the lion's share of the EC development aid to the region, 41% and 32% respectively (regional aid included). Two beneficiary countries received almost one quarter of the ODA given to the region: Nicaragua (13%) and Bolivia (11%). Other important recipient countries of the region were Peru (10%), Honduras (6%), and Haiti (5%). Cooperation schemes with Latin America have often been run on an individual basis rather than in a contractual framework, and until recently they were in the form of guidelines and annual budgets.

Various Delegates have been placed in the region since 1988 as permanent representatives of the Union, in addition to the one that already was in Caracas: in Brasilia, Buenos Aires, Lima, Mexico, Montevideo, San José and Santiago.

After twelve years of cooperation with the Asian and Latin American developing countries, an evaluation made by the Commission demonstrated the difficulties which arise from the annual planification of the budget to around 40 countries, which are located on two different continents characterized by tremendous differences in respect of geography, climate, socio-economic factors, politics and culture.

Since 1990 there has been a multiannual approach in order to make aid predictable, give it continuity and steadily increase it, for which ECU 2.75 billion has been earmarked, 35% of it for Latin America and 65% for Asia, which are being administrated seperatly now. The EU gives the Asian developing countries priority over the Latin American countries, especially with regard to development assistance and co-operation, because of their low level of per capita income. Nevertheless Latin Americas share has grown in the last years, because the EC is now taking into account, that even if Latin American countries are in the medium-income categories, some indicators are those of very poor countries, like the rate of savings and the importance of the agricultural sector for production and employment. The EC is now also taking into account the huge differences in income distribution, which has even become worse during the economic crisis of the eighties. The EC also wants to support the democratization process in the region.

3.2. A new approach of development policy in the nineties

For the present five-year period, the Commission has established some new guidelines for the cooperation with developing countries in Asia and Latin America. Two principles are of importance: "**development aid**" (financial and technical cooperation, food aid, humanitarian aid) for the poorest countries- absorbing the bulk of funding - and "economic cooperation" (export promotion, promotion of European investment, training, industrial cooperation, etc.) for the relatively developed countries which is of mutual interest.

The first concept includes seven areas of activities: support of the rural sector (the greatest part - 80% - of the Community's cooperation is allocated towards the agrarian sector via financial and technical aid and food aid), environment, battle against drug traffic, social development, structural adjustment and institution building, regional integration and emergency aid. In the light of the growing problems faced by the developing countries in these two regions, the Commission intends concentrating its development aid on the poorest population groups and countries. The operational principles will be overhauled with, for example, the introduction of structural activities, and more allowance will be made for certain specific problems: role of women in development, demographic problems, urban problems, the environment.

In order to respond to the diverse nature of existing situations and in the light of the evolution in aid methods, the Commission has suggested several main lines of action:

- general rural support,
- the environment,
- the structural dimension of development,
- regional cooperation,
- reconstruction aid.

For the strategy in Latin America, Commission experts comment: "Given the huge gap between the richest and poorest social strata in the majority of Latin American countries, which is a cause of social and political tension, Community aid will be focused in particular on the poorest groups in the countryside".

"As a consequence, special emphasis will be placed on the production of basic foodstuffs, on support measures for national agrarian reform laws and on programmes enabling basic communities, notably indigenous communities, to assume responsibility for their own development." they add.

A particular effort will be made to help these countries along the path of regional or sub-regional integration.

New aims proposed for the Community aid include:

- measures to combat drug abuse
- support for the development of micro-businesses in towns
- environmental protection, notably defence of tropical forests
- development of Latin American skills in science and technology, where European demand is growing fast

In addition to development aid, the Commission is proposing that structured, effective **economic cooperation** with the developing countries of Latin America and Asia be stepped up. This is in the mutual interest of Europe and of these regions. Such action is justified because within these groups, there are countries or regions with high growth potential. Economic cooperation must give priority to direct contacts between operators, who are the source of economic dynamism. It would thus fit in well with the favourable changes in many Latin American or Asian countries, where the private sector is beginning to play a wider role, market forces and disciplines are starting to take the upper hand and the economies are moving towards international trade, modernisation and extension of infrastructure, the optimistaion of human ressources through education and research, effective mobilisation of national savings and incentives for productive investment.

The Commission intends working at three levels:

- the strengthening of the scientific and technological dialogue with these countries, and promoting information exchanges and technology transfer;
- the improvement of the economic environment in these countries, rendering it more favourable for investment and development through adapted institutional and regulatory support; as well as export promotion,
- raising the competitiveness of undertakings through better training, particularly technical, and facilitating of technological trade, better market access and the promotion of European investment in these countries.

The Commission believes that a stronger presence in Latin America is vital, for many economically advanced Latin American countries are partners of consequence "for joint investments and transfers of know how and of technology, provided that the macro-economic environment - and the main factor here is the debt level - improves as is the case in certain countries which have begun structural reforms and policies of opening up their economies.".

These principles are included in the so-called cooperation agreements of the "third generation", which have been signed in the 1992/93 with Argentina, Chile, Uruguay, Mexico, Paraguay, Brazil, Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and the Andean Pact (Bolivia, Colombia, Ecuador, Peru, Venezuela).

Increasingly, the trend is to make outright grants to finance economic, financial and technical cooperation; at the same time, more use is being made of risk capital (EC-IIP). The EC International Investment Partners (EC-IIP) helps small and medium-sized European firms to invest in the developing countries with local partners. It was set up, on an experimental basis, in 1985. The Community has signed agreements with various financial institutions and it supplies them, free of charge, with funds, some of which are used to locate operators and sectors suitable for investment, so, when two or more firms in Europe and the ALA developing countries decide to get together on an industrial or services project, they can be provided with starting (risk) capital.[11] The Community may also hold shares in the joint venture. In practice, the financial support which the Community provides usually amounts to no more than ECU 500 000 per investment project. It has recently been made possible to apply for EIB loans, though none has so far been taken.

The EC is interested in strengthening the democracy in the region and therefore asigned 10 million ECU (5.8 million for Central America, 4.8 million for South America) for the modernization of the administration and public institutions in order to improve their

[11]Commission for the European Communities: "The Europe Latin America Dialogue - Financial and Technical Cooperation 1976-1989", Luxembourg 1991

effectiveness, and for the respect of human rights. In the cooperation agreements of the third generation, the cooperation is tied to the democratization process in the partner country. The EC also supports the structural adjustment measures undertaken in the region.

Also in the field of regional integration, the Community gives institutional support, like for example to the Junta del Acuerdo de Cartagena (JUNAC), the Corporación Andina de Fomento (CAF) for investment promotion, or the Secretaría Permanente del Tratado General de Integración Económica Centroaméricana (SIECA) and the Banco Centroamericano de Integración (BCIE) in the Mercado Común Centroamericano.

The Commission earmarked 10 per cent of its spendings for the **protection of the environment**. This budget shall be used especially for the conservation of forests and species in danger of extinction, to prevent desertfication and the deterioration of cultivable land. Between 1980 and 1991, the funds destinated for the protection of the environment had increased ten-fold, but they were still only 4 million ECU or 1.3% of the total ODA from the European Community to Latin America.[12]

ODA flows from the Community to Latin America are not only small in absolute amounts and in most cases minuscule in relation to population, they are also quite small compared to those from other sources. They make up only about 8 per cent of total ODA reaching both Central and South America. Much more important is bilateral aid from EC countries, especially in the case of South America where it is more than 40 per cent of total ODA.

Direct EC financial assistance to Latin America has therefore remained a limited affair not only for the region as a whole, but also for most of the poorest countries within it, on which it was originally supposed to be concentrated. While recognized as an essential instrument of the "global" cooperation experiment started in the late 1970s, financial assistance to non associated countries in Asia and Latin America was never assigned sufficient resources to become a significant factor, they do not receive a very significant proportion of the total Community contribution (1991-1995: 14,3%).

Thus, Latin America only gained access to the benefits of development aid from the EC at a late stage, and the amounts it has managed to obtain are not very significant, not only compared with the developing regions that have preferential relations with the EU, but also compared with other areas which are not formally associated with the Community. The reasons behind this attitude of the Community are, on one hand, the fact that the EU sees Latin America as a region at an intermediate level of development, while on the other hand the Latin American countries are felt to be in an area that is clearly linked with the United States.[13]

[12]Baragiola, Patrick/Club de Bruxelles: "North-South:The EC Development Policy", Bruxelles 1991, p. 3.3
[13]Grilli, Enzo R.: "The European Community and the Developing Countries", Cambridge University Press 1993, p.235-236

Accumulated Development Aid of the European Community to Latin America 1976-1991

	million ECU
DEVELOPMENT AID	
Technical and Financial Cooperation	898,7
Cofinanciation NGOs	175,2
Food Aid/NGOs	546,7
Subtotal	1.631,6
ECONOMIC COOPERATION	
Commercial Promotion	48,6
Training	29,0
Cooperation in the field of energy	30,4
Scientific Cooperation	32,8
Investment Promotion	18,3
Regional Integration	7,2
Environment	7,2
Subtotal	198,3
HUMANITARIAN AID	
Emmergency Aid	22,2
Refugees	58,2
Food Aid	13,2
Subtotal	107,4
SELECTED YEARS:	
1988	255,1
1989	238,6
1990	257,0
1991	290,1

(source: SINTESIS 18, Madrid 1993, p.156)

3.3. The cooperation agreements

There are two types of co-operation agreements between the EU and Latin America. On the one hand there are those which the Community has signed with various subregions of Latin America because of the Community's interest in establishing agreements with groups of countries considered to be relatively similar. Two such agreements are currently in effect: one with the Andean Pact and the other with the Central American countries. The agreements signed with the Andean Pact and the Central American countries serve to foster economic growth and especially to support the battle against the drug traffic: shares of a wide range of manufactures, textiles and agricultural products with origin in these countries can enter the European Union free of customs duties.

In addition, the EU has signed individual co-operation agreements with some Latin American countries: Brazil, Mexico, Uruguay, Chile, Argentina, and Paraguay.

All these agreements are more along the lines of framework agreements, since they do not contain specific commitments, even with regard to technological collaboration, but serve as basis for dialogue to stimulate economic cooperation.

These agreements have not fully satisfied Latin American expectations, since their effects have been restricted by the limited instruments and resources available to the Community with respect to the countries which are associated with it. In particular, the agreements signed with the Latin American countries do not contain financial protocols, in contrast with the agreements in effect between the EU and the Mediterranean countries, for example.

Nevertheless, an intensive political dialogue has been embodied chiefly in the framework of contacts with the Rio-Group and in the San José Conferences. Both of these fora were inspired by the problems of the Central American isthmus.

The Rio Group, made up of Argentina, Brazil, Colombia, Mexico, Peru, Uruguay and Venezuela (Panama left the group in 1988), has the same constitution as the 1986 Contadora Group and the Contadora Support Group. Initially set up to support the peace process in Central America, the Rio Group of countries has gradually evolved into a "permanent mechanism for consultation and political coordination" with an enlarged action scope.

The political weight of the Rio Group derives from the fact that it represents more than 80% of the population of Latin America. It has the lion's share of Latin America's GNP, intra- and extra-regional trade and external debt, the latter standing at more than 400 billion dollars. One of the group's major characteristics is that all of its members have a democratic political system.

In accordance with the Council Resolution of June 1987 on the reinforcement of relations between the EC and Latin America and in response to the wishes of the Rio Group, the Community has established regular dialogue with this group. The dialogue is however of an informal nature and is not shackled by a rigid structure.

Meetings held thus far have discussed the major problems faced by Latin America, its relations with the European Community and the main international issues: the Central American conflict, economic difficulties, external debt and its effects on the stability of democracy, East-West relations and so on.[14]

[14] Baragiola, Patrick/Club de Bruxelles: "North-South:The EC Development Policy", Bruxelles 1991, p.3.8;

3.3.1. The Cooperation Agreement with Central America

In the early 1970s the EC decided to extend financial aid to Latin America, though only to the poorest countries of the region. From the beginning, therefore, EC priviledged Central American countries, a characteristic that never changed. They continued to be the target of a preponderant share of EC development aid - more than half of the financial contributions allocated to Latin America are going to Central America -, given first as a direct country aid, then as a regional aid.[15]

The efforts of the European Community to achieve peace in Central America initiated a series of annual conferences, the so-called "San José" conferences, named after the capital of Costa Rica where the first such conference was held in 1984. These meetings between the Ministers of Foreign Affairs of the Community and the five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) initially concentrated on ways of bringing peace to the region. This expression of political will by the EC to back the Contadora Group, marked the beginning of a phase in the political relations between the two continents, that certainly had no precedent.

They subsequently evolved into an inter-Ministerial dialogue covering all the political and economic aspects of cooperation between the EC and the Central American countries. Representatives of Colombia, Mexico and Venezuela, the "Contadora Support Group", were invited to discussions of political questions (Panama also took part in the first conferences).[16]

In the light of the initiative of the Contadora Group the Community signed the first EEC-Central America cooperation agreement (on development cooperation and economic and commercial cooperation) with the Central American Common Market in 1985. The overall purpose was to help resolve the problems of the Central American isthmus, which have, in particular, been worsened by the effects of the current economic recession, provided that the Contracting Parties shall undertake to promote the harmonious development, diversification and qualitative improvement of their trade, with a view to maximizing such trade. This cooperation agreement encouraged regional integration with integrated rural development operations, common training schemes and projects to make for greater self sufficiency in food and improve the public health situation in the region. In 1988 at the Hamburg Conference, the EC member countries decided to support the plan for the reconstruction and development of Central America presented by the isthmus countries.

The communitarian aid to Central America is tied to conditions which the member countries of the Central American Common Market had always declared to be their aims, like the pacification and regional integration. Another condition is the implementation of measures to help the most disadvantadged and needy strata of the population, in accordance with the ECs conviction that one of the reasons for the conflicts in Central America had been the vast difference between the income of rich and poor. Some projects were started with the aim to achieve economic growth with the necessary attention to the serious social problems the region suffers from. The programme "PAPIC" was started to strengthen small and medium industries via commercial credits and thus promote economic growth, another programme was designed to strengthen Central American cooperative societies and to support agrarian reform. A lot of emergency programmes were set up for food aid and the repatriation of refugees.

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[15]Grilli, Enzo R.: "The European Community and the Developing Countries", Cambridge University Press 1993, p.235-236

[16]Baragiola, Patrick/Club de Bruxelles: "North-South:The EC Development Policy", Bruxelles 1991, p. 3.9

In the matter of economic cooperation, the two parties agreed to promote industrial firms and sectors and encourage European investments in Central America.

Lastly, trade cooperation accords the most favoured nation clause to both parties and commits them to consult each other if difficulties arise and, most important, to take trade promotion and vocational training measures in Central America. The cooperation agreement was renewed on 22 of February in 1993, including Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and this time also Panama.[17]

The agreement signed with the Andean Pact in order to fight drug-trafficking (see below) was also extended to the Central American countries, for four years. Exceptional, temporary assistance was granted to them, by extending to their agricultural exports generalized tariff preferences similar to those granted to Bolivia , Columbia, Ecuador and Peru. Common Customs Tariff duties had been totally suspended for special products and originating from Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. This measure had been implemented because the countries of the Central American isthmus were being increasingly used as a staging post on the route of narcotic drugs from the Andean region to North America, and the illegal cultivation of poppies and cannabis and the production of drugs and other psychotropic substances in the countries of the Central American isthmus was expanding alarmingly.[18]

3.3.2. The Cooperation Agreement with the Andean Pact

Official relations between the European Community and the Junta del Acuerdo de Cartagena (JUNAC), the technical and administrative integrating body of the Andean Pact, began back in 1970, but it was not until 1983 that a preferential economic and commercial cooperation agreement was signed, which is managed by a joint committee. Even though, the cooperation agreement came only into power the 1st of February 1987. Pact members' exports have been covered since 1971 by the Generalized System of Preferences, which favours industrial products which have undergone various stages of processing in the different countries of the organization.

The Community, the JUNAC's main funder, began by backing specific (rural technical cooperation, food technology and industrial) projects in 1977-83 and then, in 1984, moved on to financing the three-year programmes on aspects of sectoral policy such as the food security-strategy, industry and subregional trade which are still going on today.

The social changes now occuring in the Andean countries, with rural areas being abandoned without the necessary job creation in the towns, is forcing the Pact to speed up economic integration. Like the Twelve, the Pact hopes to benefit from the removal of frontiers and get Community support for agriculture and industry. With the development of its industry (and the creation of jobs and the reduction of imports) in mind, it is looking at the rationalization and modernization of production and investigating ways of making the real state of the "common" market more transparent. The Community gave help, in 1985, with an ECU 7 million project to boost productivity, particularly in the SME-SMI, promote investment and innovation, transfer technology and improve trade and business. Andean experts from both public and private

[17]EC Bulletin 1/2-1993

[18]Council Regulation (EEC) No 3900/91 of 16 December 1991 suspending Common Customs Tariff duties for products covered by Regulation (EEC) No 3833/90 and originating in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama

sectors have been in Europe to study progress towards the single European market of 1992 and received advice on setting up an Andean customs union.

One project (ECU 7.3 million, 1988-93) was aimed at boosting regional integration in the light of the Quito Protocol (1988), which amends the Cartagena Agreement and gears the integration process to development, with equal stress on agriculture and industry (small and medium-sized firms and capital goods). The range of schemes in this project, involving such things as reactivating trade, promoting science and technology and running integration and socio-economic development studies, was even wider. The Simon Bolivar University of the Andes (set up by the Andean Pact in 1985) is getting financial support of ECU 3.7 million to improve its cooperation with the other universities in the region and with the European institutions. The research network which has been set up caters for the priority which the Andean countries give to the dissemination of technological innovation and diversification of agriculture, mining and energy. It also means that the effect of European progress in the fields of biotechnology, new materials, new energy and information technology can be exploited.

Another type of operation provided for in this project is groundwork for the harmonization of the legislation relating to consumer protection, the rules of competition and the elimination of unfair competition.

The cooperation agreement with the Andean Pact has been renewed in April 1993. Nevertheless, it has to be admitted, that the success of the Community's cooperation with the region was rather limited.

In November 1989, Colombia unveiled to the international community a "Special Cooperation Plan" to support its halt to drug trafficking. Drug trafficking in Colombia and in other Andean Pact countries had moved beyond simple criminality to become a fully-fledged parallel economy, even a State within the State. It is estimated that at world level, international drug trafficking represents 500 billion dollars and that the total exports of Colombia were worth around 5 billion dollars.

Colombian drug traffickers had succeeded in corrupting a large part of the state apparatus and in convincing small farmers to switch from traditional crops to coca. They did not need much pursuading, for the money which can be earned from drug growing is immeasurably more than that of coffee or any of the other agricultural products. The traffickers moreover appealed to their Third World consciousness, claiming that the industrialised countries were only fighting the cultivation of coca because it took place in the developing countries.

The aims of the "Special Cooperation Plan" are to:

- boost export capacity to help the country cope with an unfavourable international economic situation (plummeting prices for coffee, the main export product);
- fight coca growing through the implementation of the national rehabilitation plan;
- strenghten democracy and civil liberties;
- develop action in favour of the young people of Colombia.

In November, this plan was officially submitted to the European Commissiones for relations with the Latin American countries, particularly Colombia, and expressed a wish that all means would be developed to contribute to the success of their efforts. The Council reiterated the need to open negotiations rapidly on a new International Coffee Agreement.

Taking the Member States at their word, the Commission presented a proposal:

i. Considerable increase in the funding made available to Bogotá. From 1980 to 1983 and 1984 to 1988, the Community's average annual support amounted to respectively 1 and 4.5 million ECU per annum. The Commission was suggesting that an allocation of 60 million Ecus be made for the period 1990-1993. This would mean that the EC would have tripled

the aid paid to Colombia in 1989 under financial and technical cooperation and would have increased tenfold the average Community contribution of the last 12 years.
This money would be used to improve the economic structure so that a foreign investment, notably from the EC, could pick up. It would also help to diversify agriculture, promoting alternative crops to coca. These two lines of action are already implemented by the Commission in the framework of the cooperation agreement between the EC and the countries of the Andean Pact. A third type of action would be developed, namely specific measures to combat drug abuse, especially among young people.

ii. The Commission had proposed that the Andean countries, Colombia, Peru and Bolivia, be granted the status of least developed country under the GSP. Their industrial and agricultural products could consequently enter the Community at zero customs duty. The main agricultural products which would be covered by this measure would be coffee, tobacco and cut flowers. This proposal has finally been adopted and looks like being renewed next year.[19]

In 1990 the Commission aproved the Communitarian Plan for the fight against drug-trafficking, which allows the agricultural products originating from Bolivia, Colombia, Ecuador and Peru entry in the Community at zero customs duty and without shares, in order to halt the growth in the production of, and trade in, cocaine, which threaten their social integrity and so damage their economies that their development is at risk. This regulation was extended until the end of 1994.

This year, the European Union has promised to renew economic assistance and trade benefits to the Andean Pact trade group and endorsed the economic reform and drug fighting efforts of its member countries. EU representatives said the preferential tariff system offered to Colombia, Ecuador, Bolivia and Peru was likely to be renewed and expanded to include Venezuela. The final decision by the European Council is expected befors the end of the year.

Despite open access to the European market, Andean Pact exports to the EU have not increased or diversified over the past four years. A trade surplus of Ecu 1.3bn (US$1.6 bn) in 1990 turned into a deficit for the pact in 1993.[20]

[19]Baragiola, Patrick/Club de Bruxelles: "North-South:The EC Development Policy", Bruxelles 1991, p.3.10
[20]Colitt, Rymond: "EU to renew Andean Pact trade benefits", in Financial Times 4th October 1994

3.3.3. Cooperation Agreements with selected Latin American countries

The cooperation between the European Community and the rather developed countries of the region is almost inexistent, due to the priority given to the less developed countries. Nevertheless, since the "Declaration of Rome" in 1990, the EC promised to enhance its cooperation with the countries of the Rio Group, which includes Argentina, Bolivia, Brazil, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela. The new programme of "economic cooperation" seems to be addressed towards these countries. Investment promotion, the promotion of enhanced commercial activities and the strengthening of scientific and technological know how could become crucial aspects of the Community's cooperation. The field of environment is of mutual interest for both regions.

Cooperation Agreements	country/group	signature
first generation		
	Argentina	8.11.1971
	Uruguay	6.11.1973
	Brazil	19.12.1973
second generation		
	Mexico	15.07.1975
	Brazil	18.09.1982
	Andean Pact	17.12.1983
	Central America	12.11.1985
third generation		
	Argentina	8.10.1990
	Chile	20.12.1990
	Uruguay	4.11.1991
	Mexico	26.04.1991
	Paraguay	3.02.1992
	Brazil	29.06.1992
	Central America	22.02. 1993
	Andean Pact	25.04.1993

(source: Cristian L. Freres, Alberto van Klaveren, Guadalupe Ruiz-Gimenez: "Europa y América Latina: la búsqueda de nuevas formas de cooperacíon", in: SINTESIS 18, Madrid 1993)

3.4. Cooperation with the Caribbean

Cooperation with the Caribbean takes place within the framework of the Lomé Conventions between the EU and the African, Caribbean and Pacific countries. In the Caribbean all islands are included except Cuba, as well as Belize, Guyana and Suriname on the continent.

The Caribbean is one of the seven sub-regions of the ACP states. The Lomé IV Convention puts main emphasis on regional integration. The Community and the ACP states realise that integration is vital if there are to be viable, coherent areas of development and are therefore anxious to commit themselves to devising proper regional economic integration strategies, based on the liberalisation of intra-regional trade, better payment and trade financing arrangements and regional coordination of sectoral policies.

The Convention provides support for schemes and organisations which encourage the coordination of macro-economic and sectoral policies from the programme formulation stage onwards. Lomé IV also provides for the field of regional cooperation to be extended and so has introduced or stepped up schemes for the environment, scientific cooperation, research and training, women's status as an aspect of cultural and social cooperation , drug control, the development of services (particularly transport and tourism) and support for intra-ACP technical assistance.

The main areas of regional cooperation are:
- Transport and communications infrastructure is by far the biggest sector of the intervention
- Rural development (herding, fishing and farming)
- Industry, energy and mining
- Social development (teaching, training, health, hydraulic engineering and housing)
- Environment, prevention of desertification and the control of endemic cattle diseases

A look at all the regional programmes reveals the focal sectors to be:
- transport and communications;
- food security and the preservation of natural resources;
- development of trade and investment;
- development of human resources.

In the field of economic cooperation, the Centre for the Development of Industry (CDI) was set up as an assistance body for the creation and /or improvement of small and medium sized industries in ACP states. The CDI aims to create long-lasting ties of cooperation between SMIs in ACP countries and businesses within the EU. Industrial partnership may take a variety of forms: joint ventures, management contracts, marketing agreements, licensing, franchising, technology transfer, technical assistance, sub-contracting, etc.

The spread of the projects in terms of the different regions is fairly evenly balanced and in direct proportion to their size: in 1993, 18% of all the projects were placed in the Caribbean, where the building materials sector accounts for 2/3 of the projects, and the agri-foodstuff sector about 1/4. In April 1993 a professional meeting on non-metal minerals in the Caribbean region was organized, which took place in Trinidad & Tobago.

CDI Projects in the Caribbean in 1993

BAHAMAS	Garments	Travel Assistance
		Assistance to negotiation
BARBADOS	Rum cream liquor	Diagnostic mission &
		Technical assistance
	Furniture	Marketing assistance
	Home furnishings	Marketing assistance
BELIZE	Matches	Technical management ass.
DOMINICA	Soap/Skin cream	Marketing assistance
	Rum	T.A. on fermentation
	Timber	Rehabilitation /
		local co-ordination
DOMINICAN REPUBLIC	Building material	Patent check

	Fruit juice	Pre-feasibility
	Garments	Local partner identification
GRENADA	Juice	Project Substantiation
	Liquor	Product formulation
		Marketing assistence
GUYANA	Alloy Foundry	T.A. & Training
	Sodium Silicate	In-depth evaluation
JAMAICA	Furniture	T.A. & Training
	Furniture	Marketing assistance
	Organic salts	In-depth evaluation
	Marble quarry	Resources evaluation
ST. VINCENT & GRENADINES	Sausage	Feasability
SURINAME	Dehydrated fruit	Marketing assistance
	Frozen snack foods	Start-up/Technical assist.
TRINIDAD & TOBAGO	Foundry	Technical assistance
	Foundry	Market development
	Brickworks	Rehabilitation study
	Brickworks	Marketing/Training assist.
	Ceramics	Technical Diagnostic
	Limestone	Travel assistance
	Special sands	Travel assistance
	Special sands	Technical assist.&Training
REGIONAL	Spices and condiments	Diagnostic and
		Identification Mission
	Non-metallic minerals	Professional meeting

(source: CDI 1993 annual report).

Development aid from the EU to the Caribbean:

In accordance with the constraints and advantages of the region, Regional Indicative Programmes (RIP) concentrate on alleviating problems resulting from the huge distances between the various ACP countries by implementing projects in the fields of transport and telecommunications, and on contributing to enhance the value of regional assets: agriculture, marine resources and tourism. Under Lomé IV, the RIP (ECU 42 million) continues with the principle of this strategy, while adapting it to new needs: environmental protection and human resources development. Projects have been implemented in support of fisheries, tourism, agriculture, regional air transport and human resources development. The AIDS programme initiated by the South Pacific Commission is supported from budgetary resources up to ECU 400.000.

The Overseas Countries and Territories (OCT) of the European countries have always been among the main beneficiaries of the European ODA to the region. OCTs are: Anguilla, Monserrat and the British Virgin islands, Cayman Islands and the Turks and Caicos Islands (British OCTs); Martinique and Guadaloupe (French OCTs); and Aruba and the Netherlands

Antilles (Dutch OCTs). Between 1987-88 they received 22% of the ODA/EDF destinated to the region.[21]

The group of donors to the **Eastern Caribbean Region** comprising countries of Europe and including the EC itself made identified contributions of US$ 11.8 million or 25 per cent of the aid received on a multi-island basis in 1992. The EC provides mainly funds to finance projects in economic and social infrastructure fields (road rehabilitation, water distribution as well as education and health services), tourism and trade promotion projects, small businesses promotion, human resource development, agriculture and rural development.[22]

Belize: From Lomé I to Lomé IV, total programmed and non-programmed assistence allocated to Belize by the European Union has amounted to more than ECU 40 million. Under Lomé IV, the bulk of the National Indicative Programme (NIP) funds, which amount to ECU 9 million, has been earmarked for economic infrastructure, to continue the improvement of the Humming-bird Highway. Other projects financed from programmed resources relate to social sectors. Moreover, ECU 2.5 million may be made available through the European Investment Bank intervention in the form of risk capital.

Guyana: Under the first three Lomé Conventions, European assistance concentrated on the economic, social infrastructure and mining sectors. For the past ten years, the European Union has provided help to the transport sector, hydraulics and water supply system.
Under Lomé IV, rehabilitation of economic infrastructure is the main priority sector with 85% of the ECU 26 million National Indicative Programme (NIP) set aside of it. Other actions include support for the Sea Defence programme (ECU 12.75 million), water supply system in New Amsterdam (ECU 4.5 million), rehabilitation of the Demerara Harbour Bridge (ECU 8 million), and assistance to the private sector (750 000 ECU). The European contribution under the Structural Adjustment Facility amounts to ECU 4.5 million, in form of a General Import Programme.
Moreover, the European Investment Bank might contribute through the ressources it manages to the financing of projects in production sectors, of which ECU 5 million risk capital has been committed so far to the mining industry.
Guyana benefits from special Lomé Protocols on Sugar and Rum. In 1992, rum exports to the European Union (UK and the Netherlands) represented 68.6% of total production and 90.7% of total exports of rum.

Suriname: Suriname has benefitted from European Union aid since the first Lomé Convention. Under Lomé II and III, assistance (more than ECU 65 million) was mainly concentrated on agricultural and rural development, as well as infrastructures.
As with the three former NIPs, the National Indicatice Programme funds of Lomé IV (ECU 27 million) are intended essentially for rural development and basic infrastructures. In this latter sector, financed projects mainly concern the renovation of port installations and road equipment in the country's coastal belt. Programmed resources are also designed to support institutional strengthening and the implementation of a micro-projects programme.

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[21]European Commission: "EU - ACP Cooperation 1993",Brussels, April 1994
[22]UNDP: "Development Cooperation - Eastern Caribbean, 1992 Report", Barbados 1993

Dominican Republic: The Dominican Republic was late joining the ACP States Group, at the fourth Lomé Convention in 1989. Before then, the Dominican Republic benefitted from European aid as part of cooperation relations with Latin American countries. From 1976 to 1989, the country received almost ECU 26 in aid; this was mainly to support agrarian reforms and urban social infrastructure (water and electricity distribution) and health care.

The first National Indicative Programme (NIP), under Lomé IV, amounts to almost ECU 85 million. Actions to be funded with the programmed ressources are the protection and exploitation of natural ressources and support for the health and education social sectors. The other projects financed are for the supply of technical assistance, cultural cooperation and the implementation of a support programme for the private sector. Support for structural adjustment plays a significant role, with an allocation of over ECU 31 million, of which ECU 23 million was from the Structural Adjustment Facility (SAF) and 8.5 million from the NIP.

Under Sysmin, the Dominican Republic was allocated ECU 23 million to support the implementation of a geological and mining programme.

The European Investment Bank also might contribute, from the resources it manages, to the financing of projects in the production sectors, of which ECU 3 million has already been committed under risk capital.

Haiti: Haiti joined the fourth Lomé Convention in 1989 at the same time as the Dominican Republic, following the establishment of the democratic regime that replaced the long dictatorship of Duvalier.

The September 1991 coup has led to the suspension of the European Union's cooperation with Haiti, except for humanitarian operations. Because of this, the Lomé IV national Indictative Programme (NIP) for which ECU 106 million was reserved, has not yet been signed.

Before it joined the Lomé Convention, Haiti benefited from the European assistance in the framework of the EU's cooperation with Latin American developing countries: from 1976 to 1989, more than ECU 82 million was devoted to the country's development.

Jamaica: Under the first three Lomé Conventions (1976 -1990), European assistance to Jamaica amounted to a total of ECU 110 million and concentrated on support to small coffee producers and live stock farmers, as well as support for water supplies in rural areas and road rehabilitation. Over the same period, Jamaica also received nearly ECU 45 million through the European Investment Bank intervention, of which ECU 37 million in the form of loans from its own resources.

Under Lomé IV, the bulk of the programmed funds is devoted to agricultural and rural development and infrastructure. The National Indicative Programme of ECU 46 million includes several projects in road transport, trade promotion (Target Europe Programme) rural development and, human resources development. Support for the country's structural reforms amounted to more than ECU 7 million, of which ECU 2.5 million under the Structural Adjustment Facility (SAF) and more than ECU 4.5 million from the NIP.

Furthermore, the EIB also contributed, under the Convention, to the financing of projects in the energy and SME sectors up to ECU 26 million from its own ressources and ECU 3 million in the form of risk capital.

As regards trade, three key products that are vital to small farmers and rural workers of the country - bananas, sugar and rum - benefit from the Lomé special Protocols which guarantee preferential access to the European market.[23]

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[23]European Commission: "EU - ACP Cooperation 1993",Brussels, April 1994

The various stages in the Community's Development Policy

1958	The Treaty of Rome founds the EEC
1958	The first European Development Fund is set up
1963	The first Yaoundé Convention is signed with 18 African countries
1969	The Community undertakes to make annual contributions to the FAO's food aid policy Yaoundé II is signed
1971	The Community brings in its Generalized System of Preferences (GSP), at UNCTAD's instigation, to encourage industrialization in the developing countries Bilateral Trade Agreement with Argentina
1972	The Paris Summit Conference starts defining a proper, worldwide development aid policy for the Community
1973	Bilateral Trade Agreements with Uruguay and Brazil
1974	At the Council's invitation, the Commission presents a report suggesting that Community aid be extended to non-associated countries.
1975	The first Lomé Convention is signed with 48 countries of Africa, the Caribbean and the Pacific Cooperation Agreement with Mexico
1976	Financial and technical cooperation with the ALA developing countries is included in the Community budget for the first time and then implemented, on an experimental basis, with the active support of the European Parliament.
1977	The Mediterranean agreements are signed with each of the countries of the Maghreb (Marocco, Algeria and Tunisia) and the Mashreq (Egypt, Jordan, Syria and Lebanon) and Israel
1980	The first "regional" agreement (with the countries of ASEAN), the first agreement with China and various non-preferential trade agreements with Asia (India, Pakistan, Bangladesh and Sri Lanka) and Latin America (Mexico, Uruguay and Brazil) are signed. Lomé II is signed
1981	The Council Regulation laying down the cooperation policy for financial and technical aid to non-associated developing countries is adopted.
1982	Cooperation agreement with Brazil
1983	The agreement between the EEC and the Andean Pact is signed.
1984	The Compex System, to compensate for losses in export revenue in the least developed ALA, is brought in.
1985	The EEC-Central America agreement is signed. In view of the tensions in this part of the world, this agreement includes a political dialogue (the San José Conferences) Lomé III is signed
1986	Spain and Portugal join the EEC, giving fresh stimulants to the Community's Latin-American policy
1987	The EC Council adopts a first conclusion on relations with Latin America
1988	The EC International Investment Partners, a Community financial instrument, is set up to promote joint ventures in Asia, Latin America and the Mediterranean.
1989	The Commission brings out its report on 13 years of cooperation between the EEC and the developing countries of Latin America and Asia. Lomé IV is signed
1990	Multiannual targets are proposed for the EEC's cooperation policy with the developing countries of Latin America and Asia. Cooperation agreements with Argentina and Chile
1991	Cooperation Agreements with Mexico and Uruguay
1992	Cooperation Agreements with Paraguay and Brazil
1993	Cooperation Agreements with Central America and the Andean Pact

4. Cooperation of the EU Member States with Latin America

All the Member States of the European Community make funds available for the development in other parts of the world, either through the Community itself, for programmes financed by the Community budget and under the Lomé Convention, or directly in contributions to mulitlateral organisations, NGOs and individual developing countries. National policies vary, reflecting the traditions, priorities and financial capacity of each country. There are some objectives all EC donors share, however: the promotion of democracy and respect for human rights, economic reforms via structural adjustment, the eradication of poverty and the development of human resources in the developing countries. All the Community Member States also belong to the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD).[24]

The poverty-oriented development policies of the European donors make that also bilateral aid to Latin America is quite small; 11.3% of the ODA from the seven most important European donors in the 1989-90 period. But, the region is also one of the developing areas that depend least on ODA, which represented only 0,4% of the region's GNP in 1989-90. Still in some Overseas Countries and Territories (OCTs) of some European countries and in nations like Bolivia and Haiti, the ODA represents quite an important share.

On the other hand, in 1990, 80% of the ODA to Latin America was given bilaterally. Among the member countries of the DAC, Germany ($490 million), Italy ($340 million) and the Netherlands ($200 million) were the most important donors in 1990. France is a special case, as it spends just as much as the three major donors together, but dedicates 80% of this amount to its overseas territories in the region. Spain spent $170 million to Latin America in the same year.

The European countries seem to be determined to continue the cooperation with Central America in order to foster the peace-process and the social and economic reconstruction, and they have an obvious interest in fighting drug trafficking and the protection of natural resources of the region, especially the tropical forests. Moreover, as Latin America is a medium-income region, it is in a good position to enjoy the advantages of the new instruments of economic cooperation, which could also serve European interests. Therefore, the Member States of the CE still are one of the main sources of ODA for Latin America.

The four most important European donor countries for Latin America are Germany, Italy, the Netherlands and Spain. Germany and Italy are two of the big contributors in absolute terms, the Netherlands are among the biggest donors in terms of GNP share (0,86% in 1992). Germany and the Netherlands are very experienced in the field of development cooperation. Spain and Italy only started very recently to contribute development aid, but Italy has soon become one of the biggest donors in the DAC, and Spain - although it is a rather small donor - allocates an important part of its contributions to Latin America, because of its historical and cultural links to this continent.

Two other big donors, France and the United Kingdom, contribute large amounts to the ODA flows to some Caribbean islands.[25]

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[24]Squarci, Lorenza: "EC Member States in the front line"; in: The Courier no. 141, Sept./Oct. 1993, p.60
[25]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.118 ff.

4.1. Spain's Development Policy

In a few years, Spain has progressed from recipient of international assistance to one of the most active donor countries. Similar to the other industrial countries, geographic priorities and forms of cooperation are influenced mainly by historical relations and trade ties.

In 1985 the State Secreteriat for International Cooperation and Iberoamerica (Secretaria de Estado para la Cooperación Internacional y Para Iberoamérica, SECIPI) was created as a department of the Foreign Ministry. The department consists of three divisions: international economic relations, scientific-technical cooperation, and cultural relations. It oversees the Spanish Agency for International Cooperation (AECI) founded in 1988, which is composed of three regional institutes: for Latin American Cooperation (ICI); for Cooperation with the Arab World, and for cooperation with the EC and all other regions. The SECIPI gives priority to general tasks like the strengthening of the ties with Latin America, to exert more influence in the formulation of development policies of the EC, and to gain more political weight and international profile according to Spain's economic importance in the world. The main instruments to reach these goals are the bilateral technical aid, multilateral ODA, co-financing of projects of Spanish NGO's, food and emergency aid and other actions.

Since 1986, an interministerial commission for international cooperation has been in existence in addition to the State Secreteriat to provide guidelines for cooperation and to set up the Annual Plan for International Cooperation. This commission is composed of representatives of all ministries involved in development cooperation problems (mainly the Ministries for Industry, Commerce and Tourism, and for Foreign Affairs). Concurrently, agencies for technical cooperation were established in most Latin American nations and in some African countries. In December 1991, Spain joined the Development Assistence Committee (DAC) of the OECD, so that Spain will have to raise its share of ODA in terms of GNP, which was only 0,23% in 1992. But Spain has already declared that its goal was to reach an allocation of 0,7% of GNP for development aid in the long term, and in the short term at least to get to the average of the DAC members, which is about 0,35% at the moment.

The accent of Spanish development policy is on Latin America: Between 1987 and 1990, approximately 37% of bilateral Spanish expenditure for development assistence went to this region, and in 1991, this share amounted to 41 per cent (other DAC donor countries allocated about 10-12 per cent). In fact, between 1987 and 1989, the ODA directed to Latin America increased 80%. Within Latin America, the focus of Spanish development cooperation was on Central American and the Andean Pact states - 27 per cent and 30 per cent respectively. Also Cuba was one of the main beneficiaries of Spanish development aid. However, if financial aid is excluded, bilateral aid of Spain showed a slight preference for Africa. Moreover, 1990 was the first year, in which none of the Latin American countries was among the five main recipient countries - this seems to indicate, that the adoption of EC principles has already had some effects.

Most of the aid is given bilaterally, only about one third via multilateral institutions. In 1990, 90 per cent of bilateral aid consisted of credits granted by the development assistance fund (Fondo de Ayuda al Desarrollo, FAD) and subsidies for technical and cultural cooperation. The balance was spread between food and emergency aid and subsidies for non-governmental organizations.

The FAD, which disburses approximately 60 per cent of Spain's bilateral development assistance, makes commercial loans at favourable terms for projects which will contribute to the development of the recipient country. The Ministry for industry, commerce and tourism supervises the allocation of FAD-loans, and thus controls most of the financial aid given. It puts main emphasis on the promotion of Spanish trade, and the loans given are tied to spanish exports to the recipient countries. Thus, the loans could be regarded more as subsidizes for Spanish exports than real development aid. Loan maturities are between 10 and 20 years, at interst rates of 1,5 and 5,5 per cent. FAD loans increased by more than 30 per cent in 1991. Latin American countries, such as Argentina, Bolivia, Ecuador, Honduras and Mexico were the main beneficiaries.

The focus of Spanish development cooperation is on four areas. In the production sector, technical assistance is provided for agriculture, food supply, fishing, public buildings, and other industrial branches. Typical for the technology sector are the construction of the satellite Hispasat and the scientific cooperation projects to foster an exchange of know-how between Spanish and Latin American scientists on many fields within the framework of the "CYTED-D" programme (Programa de Ciencia y Technologia para el Desarrollo), which was set up in 1984. Financial aid is used to help the most highly indebted countries, for instance through participation in the multilateral investment fund of the American Initiative for America and in the newly created fund to celebrate the 500-year anniversary of the discovery of America. The purpose of institutional assistance is to improve administrative sectors.[26]

With a capitalization of approximately US$ 500 million, the Fund for the 500-year celebration of the discovery of America is to finance a long term and broad based development programme for the region. The sectoral priorities established in the programme correspond more closely than before with the kind of development policy envisioned by the recipient countries: Among others, they include macro-economic balance, industrial and technological innovation, and regional integration.

Since 1989, Spain has adopted a new instrument of development cooperation: General Agreements of Cooperation and Friendship, that have been signed with Argentina, Mexico, Venezuela, and Chile, among others. These agreements define the different types of cooperation, and considerably increase the financial contributions of Spain - more than half of the ODA allocated to the region in 1991, compared with 14% in 1989. A big share of it has been granted as FAD-loans to Mexico. It is remarkable, that these agreements also include the principles of respect of human rights and democracy.[27]

As to the substance of Spanish development cooperation, its linkage with commerce and trade interests is immediatly obvious: The first annual plan for international development demands that "funds appropriated for development cooperation ... must make a positive contribution to economic development and employment in Spain ... 60 per cent of bilateral public funds spent on development cooperation are to benefit Spanish goods, services, and wages". This concept is reflected in the criteria for approval of FAD loans, which are concentrated in the geographically fovoured regions of Spanish foreign trade, mainly Latin America and North Africa. Loans are tied to the import of Spanish high-tech products or goods with great productive multiplier potential. The commercial orientation of assistance is further evidenced by the fact that annual grants depend on the repayment of earlier loans. In some cases this leads to negative cash flows. The social and economic situation of the recipient country is taken into account only in that the financial requirements for the extension of loans or credits depend on its per-capita income.

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[26]Mainardi, Stefano: "A bridge to Latin America - Spain's Development Policy"; in: D+C, 3/93, p.27 ff.
[27]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.126

In the multilateral sector, Spain's economic cooperation in the last few years has been influenced by its membership in the EC, and its inherent obligations within the framework of the Lomé Agreement. In turn, Spain's specific interest in Latin America has contributed to an expansion of the EC's Latin America policy.

Among others, this has led to the signing of cooperation agreements between the EC and Argentina, Chile and Mexico; to an expansion of the Lomé Agreement to Haiti and the Dominican Republic, new guidelines for the cooperation between the EC and Latin America in 1987 and for the cooperation with the ALA countries in 1990, the use of the European Investment Bank for financing projects in Latin America and Asia, the increase of the share of non-associated countries in ODA, as well as the intensification of the political dialogue with the region. If this positive trend continues, it is reasonable to expect that Spain wil be able to strengthen its role as intermediary between the favoured nations of Spanish development cooperation and the industrial countries.[28]

In the case of Spain, Latin America is not only important with regard to the historical, linguistic and cultural links. Moreover, these relations strenghten the image of Spain in the world. Thus, the Spanish cooperation turns out as a fundamental component in an external policy with special attention to Latin America that tries to render Spain in an interlocutor between the North, in particular the EU, and Latin America, which should also have a positive effect on its relations to the US.[29]

4.2. Italy

After a long period, when development aid represented only a matter of minor importance of Italians external politics (0,12% in terms of GNP between 1976-80), its importance increased in the eighties and the contributions augmented annually about 15% between 1983 and 1989. Thus, it became an important aspect of the image of the Italian state and an important foreign policy instrument vis-á-vis the developing world. Italy remained the world's fifth biggest aid donor in terms of quantity in 1992, behind the USA, Japan, France, and Germany, with $3,78 billion-worth of aid. This figure, 0,31% of GNP represented a 7% increase in real terms over the previous year's figure and reflected a decline in bilateral aid offset by a 38% increase in contributions to multilateral organizations.

However, in an attempt to trim the public sector deficit the 1993 budget has been reduced by no less than 40%, a swingeing cut of proportions which suggest that a structural and strategic change could well be afoot in the country's development aid.

And indeed, just as many aspects of Italy's policy and institutions are being held up to question at the moment, there are also plans to reform the system and aims of official development assistance. The reforms, proposed but not yet passed, involve making a greater distinction between aid objectives and commercial objectives, introducing management procedures (in particular a system of programming by country) and expanding staff resources. In fact, just as it is the case in Spain, development aid seemed to be regarded rather as an export-subsidy and source of employment in Italy than serving the purposes of the developing countries.

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[28]Mainardi, Stefano: "A bridge to Latin America - Spain's Development Policy"; in: D+C, 3/93, p.27 ff.
[29]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.126

The report of a Special Commission of university teachers and top civil servants who had elaborated new proposals for Italy's development cooperation in 1993, regards this cooperation as an essential instrument of Italy's external policy. They add, that it is important for the authorities of the developing countries to be able both to meet the demands of the moment, and, above all, to participate in the international activities of the industrialized nations and defend their own interests.[30]

The most important governmental organization for development aid is the General Directorate for Development Cooperation (DGCS) within the Ministry for Foreign Affairs. Financial Cooperation is carried out through the statal Bank "Mediocredito Centrale". 50 to 60 per cent of the loans given are tied to imports from Italy, with priority to the agricultural and industrial sector. The Foreign Ministry is supported by various committees: an inter-ministerial Commission that establishes the general guidelines for development aid, a committee for development cooperation that defines the criteria for taking action and approves the projects (in which also representatives of the private sector are included), and a consultant committee including civil servants from the government and representatives from private organizations.[31]

Italy was keen on cultivating its historical and ethnic ties with several Latin American countries - Argentina, Chile, Uruguay, Peru and Venezuela among them - and kept a benign eye on their interests whenever they were affected by common EC policies. Yet, despite the role played in the establishment of the Community, Italy's influence on its affairs was not too great, and certainly not comparable to that of France or Germany.[32]

In the 1990-91 period, Latin America received 21 per cent of the total ODA flows from Italy which means a significant increase compared with only 5,8% in 1975-76, mainly due to the growing economic and commercial interest. Governmental plans indicate that these contributions could still increase during the next years.

Italy is one of the few member countries of the DAC that includes more than only one Latin American country in the list of the 25 most important recipient countries, with Argentina ranging on the second place in the 1990-91 period. Italy is - together with Spain - the main donor for Cuba, and for Argentina, Ecuador, Chile and Peru (1989). As regions, Italy prefers the Mercosur (37%) and the Andean Group (34%).

The sectoral distribution is quite evenly spread, and none of the sectors predominates excessively in the payments. In the 1989-90 period, priority was given to the economic infrastructure (23%) and social infrastructure (18%), corresponding to the average of the DAC, although Italy emphasizes more the importance of agriculture (17,5%) and industry (12,1%) than other donor countries.

Italy sees Latin America as a region in the developing world, to which it is tied by historic, political and cultural links, as this region was one of the main destinations of the big Italian emigration. For sure it has not been pure chance, that the three first cooperation agreements of Italy had been signed with Argentina, Brazil and Venezuela, which absorbed most of the Italian migrants. Moreover, Latin America becomes relevant with regard to the internationalization of the Italian private sector, offering markets for Italian products. Obviously, although Rome

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[30]Squarci, Lorenza: "EC Member States in the front line"; in: The Courier no. 141, Sept./Oct. 1993, p.62

[31]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.130 ff.

[32]Grilli, Enzo R.: "The European Community and the Developing Countries, Cambridge University Press 1993, p.229

usually stresses the political and cultural links, the economic interests seem to be predominant, especially due to the economic problems existing in Italy.[33]

4.3. The Netherlands

In a paper on aid policy entitled "A World of Difference: A New Framework for Development in the 1990s", the Dutch Government in 1990 announced sustainble poverty alleviation as the central goal of its development cooperation. Authorities are taking a number of initiatives to adopt the Dutch aid programme to the evolving world situation and enhance its effectiveness. Among the most important elements are: greater emphasis on recipients' policy performance, supported by a more flexible aid allocation by country; project eligibility criteria that include poverty alleviation, environment, and women in development; the introduction of "spearhead" programmes in the areas of environment, women in development, urban poverty, and development research.[34]

In 1991 new policy orientations had been introduced: In deciding allocation of aid, the authorities are now paying greater attention to the issues of good governance, human rights, and excessive military expenditures.

The geographical distribution of the Netherland's development aid reflects both the links between the Netherlands and its former colonies and a desire to support the poorest countries of the world. The main emphasis is put on poverty alleviation, and therefore development aid is allocated mainly to the least developed countries (62% of total ODA in 1990-91), and there to the most disadvantaged groups of the population. The main part of ODA was allocated to sub-Saharan Africa (36% in 1990-91), followed by Latin America and the Caribbean (23%). In the same period, Bolivia, Nicaragua and Peru were among the 25 main recipients of development aid. By the end of the 1980s the Netherlands had started a regional approach, focusing two areas in Latin America: the Andean region, receiving 26% of ODA to the region (Colombia, Peru, Ecuador, Bolivia and Chile), and Central America receiving 18% of the ODA given to the region (without Panama but including Jamaica) and, for obvious reasons giving priority to the Caribbean with 31%. The Netherlands are the primary donor for its ex-colony Suriname and the biggest communitarian donor for Nicaragua (1989). The main sectors of activity in the 1989-90 period were social infrastructure (28%), economic infrastructure (14%) and agriculture (15%).[35]

Besides containing poverty, the aid policy focuses on developing social infrastructure and human resource development, supporting local NGOs and involving women in development. Assistance is allocated on a regional basis, and stresses the importance of dialogue and the participation of target groups in the development process.[36]

The protection of the environment is also becoming more and more important: In its programme for Central America, the Dutch government considers the protection of the natural vegetation as a component of rural development programmes, that need to include elements of reforestation. The Netherlands were active in preparing an action plan for the tropical forest in

[33]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.130 ff.

[34]OECD/DAC: "Development Cooperation: efforts and policies of its members", Paris 1992

[35]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.127 ff.

[36]Squarci, Lorenza: "EC Member States in the front line"; in: The Courier no. 141, Sept./Oct. 1993, p.60

Honduras, in order to stimulate the participation of the campesinos in reforestation programmes. In 1990 the Netherlands allocated US$ 3,7 million to the environment programme for Latin America: the countries that benefitted most were: Peru (29%), Nicaragua (17%), Bolivia and Costa Rica (6% each).[37]

The guidelines for the 1990s stress the importance of the private sector, and the relation between cooperation and the respect for human rights. The Netherlands were one of the first nations to design a programme in order to support the democratization processes in the developing countries in 1987. In this regard, cooperation with Latin American countries was quite important.

Bilateral development aid and contributions to multilateral institutions are carried out through the General Directorate for Development Cooperation (DGIS) within the Ministry for Foreign Affairs. The DGIS has considerable autonomy in the distribution of bilateral aid and multilateral contributions.

Financial cooperation is admitted through two banks: the Dutch Bank for Investments in Developing Countries (NIO Bank), and the Dutch Financial Corporation for Developing Countries (FMO). In both the Dutch State holds a share of 51%. The NIO Bank administrates the funds for development aid and supervises their utilization. The FMO tries to stimulate investment, gives loans for the purchase of capital goods and to finance technical assistance. The latter institute cooperates exclusively with the private sector in the developing countries. The economic and technical criteria applied are rather strict, and the main areas of action had been Asia (42%) and Africa (38%). Latin America received an average of 20% of its loans, but its future prospects are good, especially for Chile and Mexico.

Another institution is the Centre for Promotion of Imports from Developing Countries (CBI), which fosters industrial exports from these countries by giving technical assistance, market information, training courses and seminars, subsidizing the participation in international fairs, a.s.o.

Latin America has never been, nor is in present, a region of priority of the Dutch Foreign Policy, besides Suriname and its territories in the Caribbean. Nevertheless, the Dutch development policy is not strongly tied to the external politics, but can act quite autonomously.[38]

4.4. Germany

In Germany the Development Policy is coordinated by the Federal Ministry for Economic Cooperation and Development (BMZ) in consultation with the Ministry for Foreign Affairs. The BMZ negotiates and plans the agreements with the developing countries, finances and coordinates actions with private organizations and keeps the contact with other donor organizations, and it decides about the annual budget and the distribution of the funds.

The projects of technical cooperation are carried out through the German Society for Technical Cooperation (Gesellschaft für Technische Zusammenarbeit, GTZ). About 16% of its funds between 1988 and 1990 were destinated towards Latin America with the major recipients being: Brazil, Paraguay and Ecuador. Germany is the donor country that gives most

[37]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.143
[38]there, p.127ff.

of its development aid to the region on form of technical cooperation, which was two thirds in the 1987-88 period.

Financial cooperation is carried out through the Credit Institute for Reconstruction, "Kreditanstalt für Wiederaufbau" (KfW) which gives loans to finance investment programmes, to support credit institutes that give loans to small and medium-sized enterprises, to purchase goods and services, and to implement structural adjustment and training programmes. Only 7% of this financial aid are dedicated to Latin America, with Brazil and Peru being the main beneficiaries. The German Society for Development Aid (Deutsche Entwicklungshilfe-gesellschaft, DEG) allocates financial aid to foster direct private investment. In this area, Mexico and Brazil benefit most.[39]

Germany considers its development cooperation an essential contribution to worldwide efforts to achieve and ensure peace and security. It seeks to address major causes of conflict - disregard for human rights, lack of democratic reform, explosive population growth, migration - through assistance for human resource development, including education, health care, food security, environmental protection and voluntary family planning.[40]

The basic criteria to select the recipient countries are: (1) the level of development, (2) their potential to develop, (3) their willingness to create favorable conditions for international cooperation.

In 1991, the Federal Minister of Economic Cooperation formulated new policy criteria related to developing-countries policies concerning human rights, rule of law, popular participation, moves towards market-oriented economies, and more generally, development-oriented government action and a reasonable balance between expenditure for social infrastructure and military purposes. Efforts are also being made to ensure stronger participation of target groups in recipient countries, with increased emphasis on women, in the design, implementation, and benefits of German assistance.[41]

The German bilateral programme emphasizes rural development, infrastructure, environmental protection, and poverty alleviation through actions with a high participation of the people involved. The German Government supports programmes and projects of reforestation and for the preservation of the tropical forests, where it spends about US$ 200 million annual through the FAO, 35% of which are directed to Latin America. For example in Brazil a key-area programme was set up, giving priority to advising and supporting environmental bodies. During the 1980s more attention was paid to the private sector, favorable conditions for German investments were established and the "political dialogue" with the recipient countries was intensified. This means, that the ODA given was more tied to the possible benefits for the national as well as for the German economy.[42]

Like the Netherlands, Germany has established an export promotion project, called PROTRADE, which fosters exports from developing countries, by giving technical assistance, market information, training courses and seminars, and subsidizing the participation in international fairs. This project is only working with small- and medium-sized enterprises in the following sectors: textiles and wearing apparels, jewelery, furniture and timber products, technical products (especially software and environment technologies), accessoires and gifts, tropical fruits, biological spices, essential oils.

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[39]there, p.120ff.

[40]"Konzept für die Entwicklungszusammenarbeit mit Lateinamerika", in: BMZ aktuell no. 022, p.1ff.

[41]OECD annual report "Development co-operation", Paris 1992, p.104

[42]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.120ff.

Besides the guidelines of the Federal Government, the Ministry for Economic Cooperation and Development worked out a concept for cooperation with Latin America in general, and papers for each of the countries in the region. The German ODA contributions - bilateral and multilateral - to Latin America come to about 1 Mrd. DM per annum. The share of Latin America in bilateral payments is about 13 per cent. About three quarters of bilateral aid is spent for technical cooperation, one quarter is for financial aid. On principle, Latin Americas NIC's don't get financial aid. Nevertheless, despite their relative advanced stage of development, there still exist certain know-how deficits that can be overcome within the framework of technical cooperation.[43]

Germany supports all the four sub-regions evenly, with a certain preference for the Andean Group: Central America, the Caribbean and the Mercosur receive about 21% of the ODA allocated to the region, and the Andean Group receives about 35,4%. From the point of view of the Latin American countries, Germany was the biggest donor worldwide for Colombia and Uruguay in 1989, and the biggest communitarian donor for Brazil.[44]

The aim of future cooperation must be to support reforms for a peaceful and sustainable development, the strengthening of democracy and the rule of law, economic and social progress, the broad participation of all sections of the population, and responsible dealing with the natural resources. The donor countries should support the reform process started in almost all Latin American countries through appropiate programmes and projects. Therefore it is of importance to strengthen local authorities, to promote the know-how transfer and to include local know-how and experts. This is the reason why German development cooperation with Latin America puts the main emphasis on the alleviation of poverty, improvement of the economic efficiency and competitiveness, development of environment protection and the building up of an efficient education system. In the four areas, women are especially favoured - given the appropriate support, they can benefit and at the same time enhance the development process.[45]

All in all, the region as a whole assumes less importance than in the case of Spain or Italy. Moreover, there exists a certain tendency to consider the region more suitable for cooperation with the private sector than for ODA, and more and more use is made of mixed credits admitted by the German government, to encourage German enterprises to participate in this cooperation. It is probable, that the changes in Central and Eastern Europe will cause a loss of importance in the priorities of German external politics, but the interest in the protection of the environment could weaken this tendency.

The German cooperation with the Caribbean is mainly carried out via the Caribbean Development Bank and regional organizations.

[43]"Konzept für die Entwicklungszusammenarbeit mit Lateinamerika", in: BMZ aktuell no. 022, p.1ff.

[44]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.136

[45]"Konzept für die Entwicklungszusammenarbeit mit Lateinamerika", in: BMZ aktuell no. 022, p.1ff.

4.5. France

The major components of French aid are: i) aid to developing countries within the ambit of the Ministry of Cooperation and Development, essentially to Africa, ii) aid to "non-ambit countries" which receive project or balance of payments aid from the Treasury (loans or grants which may or may not be associated with private credits, or benefit from technical cooperation provided by the Ministry of Foreign Affairs); iii) aid to Overseas Territories; and finally, iv) contributions to multilateral organisations including EC, World Bank, UNDP, and others.[46]

The special profile of French development policy is determined by the intensive, priviledged relations to the former colonies. The foundation of French development policy is acknowledgement of France's "African inheritance", to the disadvantage of a global orientation. The francophone black African states and Madagascar, which in conrast to the Maghreb and Indochina remained "loyal" to France in the transition to independance, were given preferential treatment: in 1990 the share of the former French colonies in Africa south of the Sahara was more than 61%. A peculiarity of French development cooperation are the substantial allocations to the départements d'outre mer (DOM, overseas departments, which are in Latin America and the Caribbean the following: Goudeloupe, Martinique, French Guiana) which are regarded as part of France, and the last overseas territorries (TOM; none in Latin America or the Caribbean).

For each group of countries there are specific strategies, specific administrative structures and specific instruments. One could almost speak of seperate French development policies for the three categories of countries. This is not undisputed in France. But all attempts by "Third Worldists" to establish a standard, globally oriented French development policy have failed to date.[47]

Special priority is presently given to protection of the environment and resources, development of urban zones and the role of women in devlopment. In the future, France wants to apply a "strategy of democratisation, in which medium-term stability is more important than anything else. It is by seeking such stability that our friends will find the way to development and to democracy, not the other way round" declared the new Cooperation Minister Michel Roussin of Edouard Balladur's right-wing goverment. France's aid to Africa, the Caribbean and the Indian Ocean should not just be "moved by considerations of generousity", the Minister maintained. It should reflect the national, commercial and political interests of France and of France's partners. What is needed, therefore, is a cooperation strategy "based on authentic partnership, in which the quest for growth is restored to the place it should never have lost". Summing up his conception of sustainable development, Mr Roussin said that "we shall never be able to build anything lasting unless there are real economic markets in real areas of political stability."

When it came to reallocating development resources, the Minister said, he would be backing technical assistance and macro-economic rationalisation with "an investment revival by providing extensive help for the productive sectors" (health, rural development and training) and encouraging regional integration.[48]

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[46]OECD: "development cooperation", Paris 1992, p.104

[47]Claus, Burghard: "The lion's share for Francophone Countries - The Development Policy of France", in: D+C 6/92, p.27

[48]Squarci, Lorenza: "EC Member States in the front line"; in: The Courier no. 141, Sept./Oct. 1993, p.61-62

While adhering to its original directions, France has progressively adopted its procedures and modalities to new aid realities, including the provision of more concessional resources to heavily-indebted poor countries and expanding cooperation in the fields of environment, humanitarian, and emergency aid. The "Caisse française de développement" has broadened its operations to include more countries in North Africa and Indochina, in addition to its traditional activities in sub-Saharan Africa and the Indian Ocean.

The lion's share of the French ODA (about 80%) allocated to Latin America is given to its OCTs in the Caribbean (Guadeloupe, Martinique and French Guiana).[49] In other Caribbean islands, the French government supported in 1992 the Grenada's agricultural diversification efforts in the development and propagation of non-traditional crops; in Saint Lucia it supported agriculture diversification and earmarked resources to support projects in road infrastructure and maintenance, water supplies, an international airport and marina; in Saint Vincent and the Grenadines the French Government plans future support to the land reform programme and agricultural diversification efforts, post-secondary education, water resources development and electricity generation.

4.6. United Kingdom

A fundamental aim of the United Kingdom's cooperation policy, which is operated by the Overseas Development Administration (ODA), is to promote sustainable development. According to Baroness Chalker, who is the Minister responsible for overseeing the policy: "The British aid programme concentrates on practical measures to reduce poverty in developing countries - by improving health, education and other basic social services, for example, and promoting stable economic policies." The British Government places particular emphasis on gaining 'value for money' and says that its programme is designed to meet the needs of the poorest people and the poorest countries.

Good government is another element which emerges strongly in policy statements. This, says Lady Chalker, involves the promotion of "better and fairer systems of government that show due regard for human rights.".[50] The United Kingdom has been among the leaders in promoting the concept that good government and development are closely linked and has a clear policy of using aid to encourage better government and more respect for human rights.

A third focus reflects the British Government's attachment to free-market principles. Thus aid is used, in particular, to foster the development of the private sector in developing countries. The British Government argues strongly in favor of the untying of aid by the member states of the European Community. It argues that the increased competition generated would lead to lower costs.

The UK also aims to safeguard the global environment in accordance with commitments made at UNCED in 1992. Among other strong emphases of the UK are poverty alleviation and voluntary family planning.[51]

In practice, the focus of British ODA tends to be on Commonwealth States, or former overseas territories with which the UK has maintained close relations. Thus, the United Kingdom is one of the major donors to the Eastern Caribbean Region, where Anguilla, Montserrat, the British Virgin Islands, Cayman Islands and the Turks and Caicos Islands are

[49]OECD: "development cooperation", Paris 1992, p.108-109
[50]Squarci, Lorenza: "EC Member States in the front line"; in: The Courier no. 141, Sept./Oct. 1993, p.62
[51]OECD: "development cooperation", Paris 1992, p.108-109

still Overseas Countries and Territories. But Great Britain does not only contribute development aid to these OCTs, but also to Antigua and Barbuda, Dominica, Grenada, St.Kitts-Nevis, Saint Lucia and St. Vincent and the Grenadines. Mostly the aid was given for human resources development to improve the operations of public workers and also for the building and rehabilitation of schools, for building and rehabilitation of Hospitals, but also to support projects in road infrastructure and maintenance, water supplies and environmental protection.

5. Trade relations between Latin America and the European Union: general outlook

The European Community is the biggest trading bloc in the world, not only in terms of total trade but also of its merchandise transactions with the rest of the world. In 1990, the EC accounted for almost 38% of all world trade in goods, and even if only its merchandise transactions with countries outside the Community are taken into account, its share still came to 20%. Since 1975, however, it has ceased to be the principal market for Latin American merchandise exports. In 1970 the EC received over 33% of all Latin America's exports, surpassing even the United States, which accounted for only 28%, but this order was reversed in the mid-1970s when the United States became the number one recipient of exports from the region, and the trend later became even more marked. Thus, in 1990 the EC bought only 24% of Latin America's exports, whereas the United States received 36% of the total. The Community has also become less important as a supplier of Latin American imports. In 1970, over a quarter of the region's purchases from abroad were from the EC, but in 1990 the figure stood at only 19%.

The situation becomes even clearer when the trends in Latin America's share in EC trade are taken into consideration. In 1965, the region received 6.1% of the Community's exports to the rest of the world, while it supplied 9% of the Twelve's imports from abroad. By 1990, however, these shares had fallen to 3.4% and 5.2%, respectively. There has thus been a structural weakening of trade relations between the two regions, reflected in Latin America's virtual marginalization from the circuit of European merchandise transactions. This was on the one hand due to the barriers to Latin America's exports erected by the European Community via the Common Agricultural Policy. On the opposite direction they were weakening because of the constraints to European exports created by the strict import-substitution and high-protection policies pursued by most Latin American countries.

It is important to note that trade is not the only area in which economic relations between the EC and Latin America have lost ground in the past few decades. A similar process has taken place in the financial sphere, especially in foreign direct investment. At the same time, the amounts of official development assistance which Latin America receives are not very significant as a proportion of total EC contributions to the developing world, as we have seen before. All this stands in curious contrast with the notable tightening of political ties between Latin America and the EC.

The responsibility for the structural economic distancing being witnessed between Latin America and the EC cannot be solely attributed to either of the two trading partners. In fact, over the past 20 years Latin America has been going through a process of virtual marginalization from world trade flows as a whole in terms of both exports and imports of goods. This phenomenon is largely due to the fact that the region's export structure has not evolved in line with the dynamic changes that have taken place in international demand: traditional products in Latin America's exports are still predominant.[52]

In the variations of the reciprocal trade we can clearly see the negative effects of the Latin American crisis from the beginning of the eighties onwards as well as the relative success of the efforts to raise - sometimes at any cost - the exports of the highly indebted countries.

[52]Izam, Miguel: "European integration and Latin American trade"; in: Cepal Review 51; p.1

Nevertheless, it seems that the transmission mechanism, which had linked the economies of the two regions together during centuries, has stopped working. The explanation for that phenomenon cannot so much be found in the economic policies of the EC but rather in the structural and technological changes of the highly industrialized European economies.

The concentration process of the reciprocal trade on a reduced number of countries was intensified in the eighties. Merely three Latin American countries, namely Brazil, Mexico and Argentina, contribute almost two thirds to the imports of the EC although Argentina reduced its share of nearly 20% (1979) to 10% in 1987. The Andean countries have also lost market shares (21,5% in 1979 as compared to 17,9% in 1987). The one who suffered the greatest reduction in its share (from 7,3% down to 4,6%) was Central America.

Accounting for about 50% of all EC exports, the predominance of the three big countries mentioned above is less significant in the case of EC exports.

In the European case the variations in the shares in imports from Latin America of the various members of the European Community are less significant: West Germany continues having the lead with a share of 25% followed by Italy with 15%, and France and the United Kingdom (13% each).

Striking changes are discernible in the cases of Spain and the Netherlands; the Netherlands increased their part in all EC imports from Latin America from 9% in 1983 to 12% in 1989 whereas Spain's share decreased from almost 16% in 1983 to 10% in 1989. This fall reflects the negative impact of Spain's entry into the European Community, which some observers predicted right from the start.[53]

More worrying than the concentration on a few countries is the unchanged fact, that the region's economies are still preponderantly primary-commodity exporters, although appreciable differences exist among them. (For example, manufactures represent over 50% of Brazil's total exports, whereas in Ecuador they account for less than 2%.).Thus, even though the share of manufactures in Latin American exports stands at 34%, (a notably high coefficient in comparison with the 9% recorded in 1970), for the most part, Latin American countries remained highly dependant on export of agricultural commodities (Argentina, Uruguay), ores and metals (Peru, Chile) and fuels (Mexico, Venezuela and Ecuador).

As a reflection of this situation, the structure of Latin American exports to the EC has been highly concentrated in commodities. In 1970, 61% of this trade flow was composed of agricultural commodities and foodstuffs, and exports of non-manufactured goods as a whole represented 95% of the total. By 1990, the share of the latter had dropped to 77%, while the proportion of agricultural products had fallen to 42%. Even so, however, this means that over two-fifths of Latin American merchandise exports to the EC still face problems in gaining access to this market as a result primarily, but not exclusively, of the Community's Common Agricultural Policy.

On the other hand, 90% of the Community's exports to Latin America are capital goods and intermediate products.

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[53]Gleich, Albrecht von: "Beyond the Uruguay-Round: The Economic Relations between Europe and Latin America"; in: Nord-Süd aktuell, 1.Quartal 1991, p.88

Main export products from Latin America to the European Community in 1991

Range	Description	Value (thousands US$)	Percentage
1	Soya and subproducts	3.671.008	11,2
2	Petrol and subproducts	3.127.340	9,7
3	Coffee	1.968.046	6,1
4	Iron-ore	1.685.130	5,2
5	Refined copper	1.599.150	4,9
6	Bananas	1.421.852	4,4
7	Fruit-juice	632.753	2,0
8	Tabaco	555.531	1,7
9	Carbon and subproducts	469.458	1,5
10	Motors	455.526	1,4
Subtotal		15.531.748	48,1
Total	32.372.323		100,0

Main import products from the EC to Latin America in 1991

Range	Product	Value (Thousand US$)	Percentage of the total
1	Parts of cars	964.363	4,3
2	Aircrafts	800.343	3,6
3	Telephones&equipment	488.580	2,2
4	Automobiles	423.344	1,9
5	Spare parts for motors	408.533	1,8
6	Alcohol and liquors	378.241	1,8
7	Milk and milk products	325.267	1,7
8	Various machines	314.545	1,4
9	Jewellery	271.790	1,4
10	Medicines	242.184	1,2
Subtotal		4.617.190	20,6
Total		22.458.105	100,0

(source: Grabendorff, Wolf: "La integración europea: consecuencias para América Latina", in: SINTESIS 18, Madrid 1993, p.49)

5.1 The impact of the Lomé Conventions on the trade relations between the European Union and Latin America

Latin America had suspected since the beginning that the very formation of the European Community was likely to be detrimental to its trade interests. This fear had to do with both the common tariff policy envisaged by the Treaty of Rome and with the free-trade area that it set up with African colonies, whose primary goods competed to a considerable extent with those of Latin America (coffee, cocoa, bananas, tropical oils and fats). The preferential trade policies towards the former colonies were consolidated during the 1960s in the Yaoundé Convention

(1963 and 1969). After Britain's accession to the EEC in 1973, further cooperation was agreed in the first Lomé Convention in 1975.[54]

With regard to trade, almost all the ACP countries' exports to the EEC can enter the Community free of all customs duties, and the Comunity has even granted preferences in respect of products which compete with its own agricultural sector (for example sugar).

An integral part of this Agreement is the "STABEX" fund, which is designed to guarantee the income from exports of basic commodities by the ACP countries to the Community. Another similar system called "SYSMIN" finances the maintanance and repair of mining installations, as well as economic reconversion when the mining potential of the ACP is seriously affected by unforeseeable circumstances.

In addition to these support elements, the range of cooperation instruments used by the Community in its relations with the ACP countries includes many other facilities. Financial and technical cooperation to those countries amounted to US$ 10 billion between 1985 and 1990 and was directed to rural and agricultural development, industrialization, economic infrastructure, social development, small and medium-sized enterprises, telecommunications, ports and water supplies.

The Latin American countries don't enjoy the same advantages as the ACP states, and it seems to be quite unrealistic that they ever could receive the same preferential treatment, because of their higher development compared with the ACP states.[55]

But, notwithstanding that the Lomé-cooperation is regarded internationally as the model for North-South cooperation, it is evident that the results are quite poor and did not improve significantly the situation of underdevelopment of the beneficiary countries. The share of ACP-states in world exports fell from an average of 2,5% in the beginning of the eighties to only 1,5% at the end of the decade, while the share of all developing countries together decreased from 8% to 6%. As regards trade between the ACP-states and the EC, the share of the ACP exports to the Community also decreased from 9,7% in 1960 to 7,3% in 1980 and 4,3% in 1990. The composition of ACP-exports is dominated by agricultural and mineral primary commodities to Europe, whereas the Community exports capital goods and consumer goods to the ACP-states. Even the Lomé-Conventions did not change anything in these structural problems of the world trade, and thus the results are especially negative and dissappointing for the ACP-states.

In contrast to the ACP-states and the Latin American countries, the Asian developing countries did quite well in trading with the EC. In spite of the worse market access compared with the ACP-states, and exporting under the same conditions as the Latin American countries to the EC, they did not only successfully increase their share of exports to the Community, but also the share of manufactures in total exports increased.[56]

The level of allocation of resources to the Latin American manufacturing sector is high, and undoubtedly exceeds that for developing Asia as a whole or its subregions (ASEAN and South and South-East Asia). If, on the contrary, we look at the proportion of manufacturing production exported, Latin America's figures are abysmally low compared with the newly industrialized countries of Asia or even the ASEAN countries as a whole. This disparate performance does not have much to do with Community policy, which is applied in an even-

[54]Grilli, Enzo R.: "The European Community and the Developing Countries", Cambridge University Press, 1993, p.229

[55]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.98

[56]Taube, Günther: "Festung oder offenes Haus? - Der europäische Binenmarkt und seine Auswirkungen auf den EG-Handel mit Entwicklungsländern"; in: Nord-Süd aktuell, 4.Quartal 1993, p.663

handed manner to both Latin America and Asia. As ECLAC points out, "there is a basic discrepency between the structure of demand, production and technology of the international economy and the composition of Latin American exports".[57]

5.2. The General System of Preferences

In the commercial sphere the Generalised System of Preferences (GSP) applies, plus more favourable arrangements for certain countries or groups of countries.

The GSPs were enacted by the Community in 1971. These preferences granted by the EC to imports of industrial products looked like a definite and welcome change in its trade policies towards Latin America and Asia, which had been governed until then by reciprocity and the most favored nation principle. The GSPs also marked the beginning of a rebalancing of the positions of Latin America and Asia in the hierarchy of trade priviledges granted by the Community to developing countries.

Despite being the main force behind the request for a generalized system of preferences from industrial countries, Latin America has traditionally discounted the practical significance of these preferences which were designed to help its exports of industrial goods to the Community. Inspite of the industrialization efforts made by the Latin American countries in the post-World War II period, their success was quite small until recently, and limited to a few countries. Because of certain features of the Generalized System, the Latin American countries with the most highly diversified structures of production and well-established trade networks are the ones that have gained the most from it (e.g.,Brazil, and to a lesser extent, Argentina and Chile).

In particular due to the less than average preference granted to processed agricultural exports, the GSPs were not of great advantage for Latin American countries. In 1980, 10% of Latin American exports entered the EC under GSP, and by 1990 this share had risen to 16%. There are a number of reasons for Latin America's limited benefits from the Community's GSP. First, the great majority of agricultural products are excluded from the System, because since their entry would affect the economy of the Twelve, they are therefore considered "sensitive" products. In effect, this means that a large proportion of Latin American exports to the EC are simply denied the advantages of the Community's system of preferences. Second, in Latin American trade circles the GSP is accused of suffering from a notable lack of transparency and coherence, which severely hinders its effective use and leads to difficulties in its application; in particular, countries must apply for concessions in order to receive them, and the System thus tends to favour countries that possess more export experience and dynamism, such as certain Asian nations.

Latin American representatives maintain that that the GSP covers more products originating from other developing countries than from Latin America - which is the intention of the GSP, i.e. to foster exports from least developed countries. In 1987, the average tariff on Latin American products was 2,6%, compared with 0,9% for Asian and 0,2% for African products. Only Brazil, Mexico and Venezuela seem to have derived some benefits from it in terms of increased exports to the Community. On the whole this scheme mattered little to most eligible

[57]Viñas, Angel: "European co-operation can and must help the development of the region"; in: CEPAL review 41, August 1990, p.28

countries, including the middle-income beneficiaries of Latin America that had lobbied long and hard for it.[58]

The disadvantages from the more important non-tariff barriers outweigh the benefits from the GSP: 27,7% of the Latin American exports are affected by non-tariff barriers, compared with 10,4% and 9,9% of the African and Asian exports, respectively.[59]

5.3. The agro-sector

Whenever asked what constituted the major obstacles to the development of cooperative economic relations with Europe, Latin Americans have unanimously and consistently identified the Community's Common Agricultural Policy and the trade preferences it granted to the associated countries in Africa. According to this view, the Community has been guilty from the beginning of trade discrimination against Latin America in the areas of tropical and temperate zone agriculture, to the advantage of African countries in the first area and of domestic producers in the second.[60]

The development of the Community's Common Agricultural Policy in the late 1960s appeared to many in Latin America to seal the issue of "special cooperation" with Europe. The danger posed by the CAP to Latin American interests had been spotted very early and clearly by local observers. A narrowly protective policy concerning temperate-zone fruits was by then prevailing within the Community and Latin American exports of grains and meat were in the process of being shunted out of the European Community's market.

At first the problems caused by the Common Agricultural Policy affected almost exclusively the producers of milk and beef, so that they harmed the interests of only a few Latin Amreican countries: Argentina, Paraguay and Uruguay; but when the subsidies transformed the EEC into a large-scale exporter of sugar and grain the damage spread.

Of course, grain, excluding rice, is an important export only for Argentina, but the competition in the grain-based food markets is so fierce, that it influences other products exported by Latin American countries, such as oil-seeds and soya. Many countries are affected by the decline in the price of sugar; they are usually very poor countries with tropical climates which have few possibilities of cultivating other crops. The international price has declined to barely a third of production costs with the result that the most efficient countries are displaced from the international market despite the fact that the EC pays its farmers five times the international price and the United States four and a half times that price. Thus, Latin American sugar producers did not only lose access to the highly protected EC market, but were also confronted with cheaper competitors from Europe.

Most non-tariff barriers are applied through the CAP, affecting temperate-zone crops - including sugar- which make up nearly three quarters of the value of the Community's agricultural imports. These measures are applied not only to unprocessed agricultural commodities such as fruits,

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[58]Grilli, Enzo R.: "The European Community and the Developing Countries", Cambridge University Press, 1993,

[59]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.96

[60]Grilli, Enzo R.: "The European Community and the Developing Countries", Cambridge University Press, 1993, p.241

vegetables, seeds, fish and beef, but also to certain more processed goods such as wine. Besides the CAP limits, quantitative restrictions are also applied to exports of some tropical products such as bananas, as a means of reserving preferential access for exports of Caribbean and African countries. The conflict caused by the extension of the protectionist measures of France, United Kingdom, Italy and France to the imports of more competitive bananas from Latin America demonstrate the severeness that the commercial relations between the two regions can assume. The new regulation is hindering the access of cheap bananas of best quality from Latin America, favouring expensive, low-quality EC-bananas and bananas from ACP states, and is clearly against the rules of GATT. Even though some Caribbean islands are totally dependant on EU exports of bananas (and tourism), the most important banana-producing countries of Latin America - Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua and Panama - are severely affected.[61] In the final analysis, over a quarter (in terms of value) of the foodstuffs exported by Latin America to the EC is subject to non-tariff barriers.

On processed agricultural goods and processing in general, tariff escalation is applied: duties rise in direct proportion to the product's degree of processing. It applies to the production chains for beef, vegetables and oils, etc. One illustration of the Community's escalating tariffs is the case of Chilean tomato exports to the EC market: fresh tomatoes are subject to a 3% tariff, but the rate for tomato paste is 18% (so that effective protection is much higher). Only a few processed agricultural goods were included in the EC system of preferences, and those included were given only a small tariff margin.[62]

Despite these conditions Latin America will continue to export farm products, for it has no other alternative. In doing this it has the unenviable advantage of desperation, whereas the protectionist farm policies of countries such as the United States, the EC, Canada and Australia are a response to electoral demands rather than to a foreign-exchange problem. For several Latin American countries agriculture is the only means of economic development and they need to export their harvests in order to survive.

5.4. Manufactures

Over time, raw material exports lost some of their importance for Latin America in EC markets, while the share of manufactures correspondingly rose - but, as mentioned above, appreciable differences exist among the countries of the region, and thus only few of them were able to become exporters of manufactures. In the past 20 years manufactures have increased from 5% to 23% of Latin American merchandise exports to the EC. The figure must be qualified, however. In 1980, the share of manufactures in Latin American exports to the Community was similar to that of manufactures exported to the United States, i.e., about 12%. In 1990, however, while manufactures represented 35% of Latin American exports to the United States, in the case of Europe they barely amounted to 23%, which was a good deal less than the share of manufactures in total Latin Amercan exports to the rest of the world (34%) in that same year. Hence, the EC has lost importance as a market for Latin American exports of manufactures, with its share falling from 17% to 14% between 1970 and 1990.

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[61] Wessels, Bernd-Artin: "Die EG-Marktordnung für Bananen und das GATT", in: Nord-Süd aktuell, 1.Quartal 1994, p.79

[62] Izam, Miguel: "European integration and Latin American trade"; in: Cepal Review 51; p.153-154

The size of this decline cannot be explained merely by stating that the export performance of Latin American manufactures is lagging behind that of the newly industrializing countries of Asia, or by pointing out that the manufactures which Latin America exports to the EC are suffering waning demand in that market. The fact is that a significant proportion of these exports are subject to various protectionist measures that make it difficult for them to enter the Community. In short Latin America's commodity exports and its sales of manufactures are both confronted with tariff and non-tariff barriers that hinder their access to the market.[63]

The average tariff rate applied by the EC to imports from GATT member countries is only about 5%. However, this apperently low figure masks the tariff barriers which the EC applies to production activities that have a higher value-added component. This practice penalizes certain Latin American exports, especially manufactures, by impeding their access to the EC market through the application of duties that rise in direct proportion to the product's degree of processing.

It should be noted that the EC applies tariff escalation schemes to a very substantial proportion of its imports of manufactures. What is more, in a number of economic sectors, this type of protectionism is more restricitive in the EC market than in the United States and Japan. It applies, inter alia, to the production chains for beef, vegetables, vegetable oils, paper, lead, zinc and petroleum, all of which are vitally important categories in Latin America's exports to the Twelve. The EC tariff structure thus distorts the competitiveness of the more highly processed Latin American products exported to this market, not only hampering their access to it, but also, in many cases, actually preventing it.

Manufactures are also liable to various types of non-tariff barriers to access to the EC market. Excluding chemicals, 26% of the total value of Latin American manufactures exported to the EC is subject to NTBs. NTBs have a strong impact on two other categories of Latin American exports to the Twelve, namely, fuels and iron and steel, whose exposure to protectionist measures amounts to 44% and 92%, respectively. In sum, 22% of the total value of Latin America's merchandise exports to the Community is liable to non-tariff barriers, which have a relatively greater effect on manufactures than on foodstuffs and agricultural products.[64]

Among the most seriously affected manufactures by non-tariff-barriers are textiles and wearing apparels: Textiles, clothing and footwear face barriers equivalent to 90%, 55% and 99% of their respective values.

The restrictive import regime for textiles began in the early 1960s and continued in the following two decades. About half of all EC imports of textiles and clothing products are currently subject to quantitative limitations or to close surveillance. Another 25% are subject to the so-called basket-exit mechanism, whereby any outside supplier whose exports exceed a threshold share of total EC imports would be subject to further controls. Only the remaining 25 % of imports, which come from other industrial countries, are totally unrestricted.

The imposition of quantitative restrictions on imports into the Community has not spared Latin American exporters. In 1990, of the twenty-eight bilateral MFA-type agreements in existence for the purpose of regulating imports of textile and clothing products to the Community, eight were with Latin American countries. Of these, three provided for quantitative restraints on thirteen imports from Argentina, Peru and Brazil. The remaining five, with Uruguay, Colombia, Guatemala, Haiti and Mexico, contained no specific quantitative restrictions.

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[63]Izam, Miguel: "European integration and Latin American trade"; in: Cepal Review 51; p.153-154
[64]Izam, Miguel: "European integration and Latin American trade"; in: Cepal Review 51; p.154-155

Textiles and clothing imports were granted preferential tariff treatment only if originating from countries that had submitted to "voluntary export agreements" under the Long Term Arrangement on Cotton Textiles. To benefit from these preferences, which were granted unilaterally by the Community for a period of ten years and subject to annual verification, developing exporting countries had to respect specific "rules of origin". Finally, the Community's interests remained protected by a general safeguard clause, under which the EC reserved the right to suspend tariff preferences if they were considered to cause serious disruption in the domestic market.

Lately, the effect of non-tariff protectionism on Latin American manufactures has even grown, and the greater success of some Latin American countries in exporting manufactures to the United States than to Europe in the late 1980s can hardly be divorced from relative market openness. More penetrable and certain, the US market has offered Latin American exporters of manufactures far better opportunities than the EC.

5.5. Foreign investment:

Until the beginning of the present crisis Latin America's losses in its foreign trade with the EC were to a certain extent compensated by a growing flow of direct investment coming from the EC and by intensified technological and industrial cooperation. From 1982 onwards, however, the investment flow has fallen in real terms by 43%.

Taking the average of the 1986-90 period, we discover that foreign investment did not contribute more than 0,7% to the local GDP (Gross Domestic Product). In the same period the capital flows to the countries in the Southeast of Asia more than doubled. One has to point out, however, that - due to the massive European investment in previous periods - the presence of European companies and capital in Latin America continues being very important. About 40% of the accumulated values of the foreign investment in Latin America corresponds to European countries. ~~Analyzing their distribution through economic sectors,~~ we find that the manufacturing industry occupies the top position, amounting up to 80%, e.g. in countries with a higher degree of industrialization.

During the end of the eighties there have been remarkable changes in the composition of new investment from Europe. On the one hand, it is almost exclusively big multinational companies which continue with their investment plans characterized by objectives such as rationalization and renovation of plants.

This meant, that the medium-sized and even the small firms, which contributed much to the industrial development in Latin America before, did not play this role any more. On the other hand, a growing tendency to invest in the financial sector and in services could be observed. A similar tendency, for example, became apparent in the case of Spanish investment, of which more than 50% was destined for the banking sector in 1988.

A declining propensity to invest in Latin America was also noted in the case of West Germany, which had always been the main investor country in Latin America after the United States. The rule that 20% of all foreign investment goes to developing countries and half of this to Latin America, which was valid until the beginning of the eighties, did not apply any more by the end of the decade. In 1989 only 5% of private West German capital went to the Third World and of this only 40% to Latin America, with more than half of the entire private capital abroad flowing off to the countries in Southeast Asia.

But the traditional importance of Latin America as a recipient of West German capital is still reflected in the accumulated values. Of these values almost 9% of the total, or in other terms: 80% of the share of all LDCs, corresponds to Latin America and more than half of this amount to Brazil alone.[65]

In 1993, the net flow of capital into the region, attracted largely by the differentials between the dollar returns on Latin American investments and those prevailing on international financial markets, continued to finance the growing current-account deficit of the region. The net capital inflow into the Latin American and Caribbean countries totalled almost US$ 55 billion in 1993, compared to almost US$ 62 billion the previous year and over US$ 39 billion in 1991. Net inflows remained fairly widespread and the lower figure was the result of reduced flows to some of the main recipients: Brazil (which received US$ 5,4 billion less than the previous year), Argentina (US$ 2,9 billion less) and Venezuela (US$ 1 billion less). The main recipient, Mexico, continued to attract around US$ 25 billion, while Colombia, whose net inflows had been minimal, this year received US$ 1,5 billion. Capital entering Latin America and the Caribbean continued to come essentially from private, non-banking sources and consisted of various types of investments. The most dynamic instrument was the placement of government or private sector bonds, which brought about in US$ 19.3 billion, almost doubling the already large amount invested the previous year. Levels of foreign direct investment remained very high. Time deposits in local banks and trade credits, which continued to grow in response to the influx of imports, remained important sources of funds. The boom on the region's main equity markets also attracted foreign investors, and some Latin American firms maintained their access to international stock markets through special instruments.[66]

Latin America's renewed respectability among international investors - especially the managers of specialist emerging-markets funds, who control just over US$100 billion assets[67], is attracting increasing flows of foreign money to the area. At the end of 1993 many fund managers began to switch their money from South-East Asia to Latin America. American fund managers, traditionally more parochial than their European counterparts, have led the way south of their border. It has helped that Latin American shares have become easier to trade, as Mexican, Brazilian and other equities have increasingly been bundled into American depositary receipts.[68]

Unfortunately, capital flows have helped to finance - and even to increase it by stimulating further imports - the external gap of most Latin American and Caribbean countries, that has tended to settle at import levels far in excess of exports, with the growth of imports exceeding immediate possibilities for the growth of exports.

It is desirable, that the composition of capital flows should gradually shift away from volatile flows towards more stable capital flows and risk investments. This would justify a limited, selective regulation of external financing, following the lead of some countries of the region.

Meanwhile, the direct foreign investment from Europe to the region is even higher than from the United States. Latin America is also augmenting its share of European foreign direct

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[65]Gleich, Albrecht von: "Beyong the Uruguay-Round: The Economic Relations between Europe and Latin America", in: Nord-Süd aktuell, 1.Quartal 1991, p. 89

[66]CEPAL: "Preliminary Overview of the Economy of Latin America and the Caribbean 1993", No.552/553 December 1993, p.2-3

[67]according to Lipper Analytical Services

[68]The economist: "South of the border", The Economist February 26th 1994, p.61

investment to the developing countries, even from countries like the United Kingdom, that had always preferential relations with other regions.[69]

[69]Freres, Christian L.; Klaveren, Alberto van; Ruiz-Gimenez, Guadaloupe: "Europa y América Latina: La búsqueda de nuevas formas de cooperación, in: SINTESIS 18, Madrid 1993, p.100

6. UNIDO as a partner for donor countries in Latin America

The United Nations Industrial Development Organization is one of the specialized agencies of the United Nations. It was given the task of working with private - as well as public and cooperative - sectors of industry. It offers a wealth of industrial services ranging from technical asssistance to training, from investment promotion to clean industrialization, from technology transfer to institution building. The instruments of technical cooperation applied by UNIDO in order to help developing countries to meet the challenges of increased global competition and rapid technological and policy changes are:

- Advising on industrial restructuring;
- Helping to boost productive capacity of industrial sub-sectors;
- Assisting in development of information systems;
- Supporting industrial institutions;
- Fostering small- and medium-scale industries;
- Providing industrial management and rehabilitation services;
- Integrating women in industrialization
- Disseminating industrial statistics and studies.

In addition to technical assistance, the Organization implements human resource development projects, in order to build up cadres of trained personnel for achieving self-sustaining industrial growth in developing countries. To ensure that industrialization is sustainable for current and future generations, UNIDO has been incorporating environmental considerations into all its activities. Therefore, clean cost-effective technologies that make optimum use of energy and natural resources play a major role in the Organization's strategies. UNIDO helps developing nations to acquire the kind of up-to-date know-how necessary for their industries to be viable and competitive. At the national level, it assists them in drawing up technology policies. At the international level, it promotes transfer of technology on both a North-South and South-South basis. Through an expanding network of Investment Promotion Services, complemented by an annual series of national and regional forums, UNIDO encourages contacts between project sponsors in developing countries and potential investors from around the world.

Within the context of support to the initiatives of the Latin American and Caribbean countries in industrial restructuring, UNIDO is assisting in the establishment of industrial policies to develop a new vision for the industrial policies to develop a new vision for the industrial sector in the region. Other areas of UNIDO programme development include human resource development, industrial and entrepreneurial organization, technology, restructuring of financial and training institutions, and subregional and regional cooperation. Technical Cooperation delivered to Latin America and the Caribbean by UNIDO in 1993 amounted to US$ 10.92 million, corresponding to a share of 9.2% of all UNIDO development assistance contributions.[70]

[70]UNIDO annual report 1993, Vienna 1994, p.64

6.1. Activities and strategies of UNIDO in Latin America

UNIDO is directing its activities in the region mainly in such a way as to increase the latter's competitiveness and productivity. In this connection it is intervening at the level of groups of enterprises and/or appropriately selected industrial branches, and is also concerned with strengthening the institutions supporting the industrial sector, and with fostering a set of central features which pervade the industrial sector as a whole and which are of particular relevance in the light of the new forms of competitiveness establishing themselves at world level.

One of the areas on which special emphasis is being placed is that involving the modernization of those industrial branches in which small and medium industry plays a significant role; this is being done, on the one hand, owing to the important part that such industries play in the new scenario of productive flexibility, and on the other hand, because of their strong impact on employment and on the regional added value of the industrial sector in Latin America and the Caribbean.

The principal industrial branches in which UNIDO has concentrated in order to promote the integrated development of small industries are leather and footwear, clothing, timber and furniture, and metalworking - particularly in connection with the production of capital goods in the case of the last-named. The same applies to certain agro-industrial commodities such as fruits and vegetables. Hence this programme centres mainly on industries which arise in what we could call the first phase of the import substitution model, being those which in general suffer most acutely from the impact of new forms of competition and the globalization of the economy.

The programmes and projects which, with reference to the above-mentioned branches, UNIDO is developing at national, subregional and regional level (capital goods) in the field of modernization of small industry are intended to support the process of organizing small industrial entrepreneurs at branch level or at the level of groups of enterprises within a given branch, for the purpose of solving common problems on the basis of cooperation. Similarly, these industrialists are being given assistance in working out strategies for competitiveness which will enable them to give the proper orientation to their efforts to compete at national, regional and in some cases even world level.

The organized cooperative work of small industrialists in the above-mentioned branches has made it possible to introduce, in certain countries of the region, specific technical services in connection with design, product engineering, purchase of inputs, marketing and so on. It has similarly made it possible for organizations of small industrial entrepreneurs to forge a new type of relationship with training and technical development institutions, so as to make better use of these industrial support facilities, but above all so that these institutions will adapt themselves to the new requirements arising as a result of the new forms of industrial and entrepreneurial organization which small and medium industrialists are now applying.

Also, and supplementing the above, UNIDO is sponsoring a subcontracting programme aimed at promoting structural and at the same time flexible relationships between small and medium enterprises on the one hand and large ones on the other, so as to strengthen internal arrangements in the production apparatus and thus avoid an excessive use of imported inputs on occasions where the region already has available the necessary knowledge and technological infrastructure. In the new phase of development of this programme it is intended to place greater emphasis on the technical cooperations which the enterprise obtaining the inputs should furnish to the small and medium enterprises as regards the central features of product design and engineering. The purpose of all this is that the enterprise constituting the cohesive nucleus of the group should relay technological innovation to the entire subsystem, and that relationships should be based not only on the price aspect.

UNIDO, in the context of strengthening the liaison between the industrial sector and other sectors of the economy and within the industrial sector itself, is promoting a regional agro-industrial project where special emphasis is placed on the relationship between agriculture and industry, and also on the solution on a cooperative basis of joint problems such as packaging, quality and marketing. Pilot projects are also being developed in the field of medicinal plants, where it is intended to forge closer relationships between university and industry so as to take advantage of the great historical legacy which the region posesses as regards the curative effects of many of its plants. Similarly, UNIDO is developing a regional biotechnical project for the use of some of these items in the leather, dairy-product and food industries, and also in the health and agriculture sectors.

Regarding those branches and/or enterprises considered as basic in that they add value to non-renewable natural resources, UNIDO is furnishing technical services mainly to the iron and steel industry and the non-ferrous metals industry with a view to their introducing cleaner technologies minimizing the production of wastes, and hence protecting the environment on the basis of a more appropriate relationship with nature. This means that the programmes in question fulfill the double purpose of, on the one hand, enhancing the productivity of the raw and other materials of the region, a key feature in this type of enterprise, where the determining factor is the flow of material, and of, on the other hand, reducing the relatively high contamination caused by these industries. Similarly, UNIDO is attempting to provide joint solutions at regional level as regards the recycling of wastes. Likewise, it is taking an active part in the process of drafting environmental legislation for the iron and steel industry.

Apart from the cooperation which UNIDO is furnishing at the level of selected branches and/or enterprise groups, or particular segments thereof, it is, as has already been indicated, sponsoring programmes in key fields aimed at increasing the competitiveness of the industrial sector as a whole, at national, subregional and regional levels.

UNIDO is supplying advice to Latin America and the Caribbean in the fields of industrialization strategies and of policies and incentives, both technical and financial, with the aim of rendering possible the establishment of an environment favourable to the coherent development of the various industrial branches and enterprises making up the industrial sector. It is imperative for the countries of the region to have a strategic concept for the development of their industrial sector, harmonizing with their structural and cultural characteristics, making it possible for them to derive the maximum benefit from their creativity, and putting them into a position in which they can succesfully take up the challenges of the new forms of competition in which ongoing innovation is a key factor.

One of the principal features forming the centre of attention in the new forms of competitiveness at world level, hence including Latin America and the Caribbean, is quality. Programmes to launch "total quality management" systems which UNIDO is implementing are of relevance in establishing production systems capable of bringing forth a new type dynamic approach oriented towards the achievement of ongoing innovation in the field of products and processes. From this point of view the UNIDO is promoting integrated programmes with regard to quality, including the aspects of metrology, standardization and quality management. With regard to this last-named aspect, particular emphasis is being placed on the dissemination and application of statistical processes for quality control, together with the stimulation of organizational forms leading to total quality.

In the field of environmental protection, UNIDO is sponsoring programmes aimed at establishing and/or strengthening centres for the promotion of cleaner technologies and organizational and operational procedures for the minimization of wastes and effluents. These centres have been designed to operate in close liason with associations of industrialists. Thanks to these programmes UNIDO should be able to reconcile the problems of the environment with an increase in the productivity of the natural resources of the countries in the region, thanks to a more rational use of these resources.

In the field of technological development UNIDO, which has been embarking on a new pathway characterized by flexibility and the growing role of informed decision-taking, has available a substantial store of accumulated knowledge and technological information, which should be used to the full by the countries of Latin America and the Caribbean. In this context UNIDO is launching programmes for advising countries on the selection of technological alternatives at both branch and enterprises level, for which purpose it disposes of a world-wide technical information network.

Regarding technical information, which is one of the central features of the programme being applied in the field of technology, UNIDO is strengthening and expanding its focal points of activity in the various countries of Latin America and the Caribbean. Similarly, UNIDO is applying joint programmes and/or projects to groups of countries as regards technical information both in the small industrial context and in branches and/or sub-branches chosen with reference to the most significant requirements of the principal users.

UNIDO is also sponsoring programmes in Latin America and the Caribbean for establishing strategic alliances between enterprises in different countries, these alliances being based on a two-way interaction between the partners, aimed at ensuring shared knowledge as regards production and results. The "knowledge" component is a broad one and ranges from the joint development of new products to research and development activities, marketing and planning of future expansion of the enterprise with all that implies with regard to investments. Thanks to these programmes UNIDO is endeavouring to bring about a unified and consolidated approach to the strategic concepts of enterprises, together with the technological and investment aspects.

As regards the development of human resources, which has become a crucial factor in the new forms of competitiveness and production, UNIDO is promoting integrated programmes at national and also subregional level, dealing mainly with the political aspects of developing human resources, such as the strengthening and/or restructuring of institutions devoted to training in the industrial sector. In these programmes provision is also made for training in the industrial sector. In these programmes provision is also made for training at the selected branch and/or enterprise group levels in order to train human resources to solve problems by means of a dynamic combination of theory and practice.

On the subject of training at enterprises, priority is being given to those features which have the greatest impact on competitiveness, such as total quality, industrial and entrepreneurial organization, total maintanance and the most comprehensive training of human resources at all levels, together with development of the capacity for teamwork.

In order to get a better idea of the problem and outlook for the sector in the region, thus enabling it to improve its technical cooperation strategies and programmmes in Latin America and the Caribbean, UNIDO is undertaking a series of studies in the industrial sector in selected countries, and also at subregional and regional level. Special attention is being devoted to the study of small industry in terms of its impact on overall development of the industrial sector in Latin America and the Caribbean. This last-mentioned activity is being driven forward in close collaboration with regional organizations, particularly with ECLAC on the basis of a joint ECLAC/UNIDO programme.[71]

As regards investment promotion, UNIDO has operational projects only in few countries of the region, as in most Latin American countries there are several institutions, either governmental, private or mixed, dealing with investment promotion. However, UNIDO maintains contacts with focal points for investment promotion which are in position to provide project profiles to be promoted through the Investment Promotion Service Offices (IPSOs). LAC countries are interested to strengthen their promotion systems and institutions with the UNIDO methodology, and there are requests from several countries to UNIDO for assisting them, Through the IPSOs, in the organization of country resentations abroad, which should also include the promotion of specific projects.

Moreover, the Latin American and Caribbean countries have expressed their interest to make wider use of the UNIDO system and IPSO network, especially for cooperation with the European Union and Japan.[72]

6.2. Donor actions through UNIDO

Of all the Member States of the European Community, the major donor countries to UNIDO's Industrial Development Fund are: Belgium, France, Germany, Italy and the Netherlands. All of them contribute to projects in Africa, Asia and Pacific, Latin America and Caribbean and to Arab States. With the only exception being Italy, they also contribute to programmes in Europe and Least Developed Countries, to Global and Interregional and to Regional Projects.

The geographical priorities of **Belgium** in Latin America are in Bolivia, Ecuador, Surinam and the Central American Region. The prefered sectors are environment, human resource development, industrial rehabilitation, investment promotion, small- and medium-scale enterprises, technology transfer, women in industrial development.

Through UNIDO, Belgium financed two projects since 1987: in 1990 a seminar for Latin America for computer training for the production of spare parts, which took place in Belgium, and in 1994 it approved a project for the design of an integrated development programme for the wooden furniture industrial system in Ecuador.

France prefers global, interregional and regional projects in Africa, Asia, Latin America and the Caribbean and the Arab States. The sectoral preferences of France lie in the agro-based industries, building material industries, environment, health-related industries, investment promotion, quality control, rural industries, small- and medium-scale industries, expert services/consultancy and human resource development.

In the 1987-94 period several UNIDO-projects were approved to be financed through France: an agro-industry project and three textile industries projects in Brazil for the application of CAD/CAM techniques in the Brazilian garment industry. An investment promotion project between France and Ecuador is running through UNIDO, in order to assist the Ecuadorian authorities in improving the environment for foreign investment in Ecuador. Cooperation between Mexico and France was agreed in the agroindustries sector, and an agro-

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[71] "UNIDO strategic outlines of action for Latin America and the Caribbean", Vienna 1994

[72] UNIDO: "Main Features for Investment Promotion Activities in Latin America and the Caribbean Countries", Vienna 1994

industries project in Venezuela was also carried out. Furtheron, France contributed to several regional projects in Latin America.

Germany has no strict regional or sectoral criteria. Prerequisit for project approval is the application of the quality management system. The project formulation should be based on assessment of target beneficiaries and of socio-economic aspects. Studies and workshops are only considered if they constitute an integral part of a programme and not as stand-alone activities. The thematic priorities of Germany are: Capacity building, pilot projects/plants with clear-cut demonstration and multiplier effects, transfer of technology not available in the recipient countries, policy advice and the development of thematic and conceptual approaches.

Thus, Germany approved the following projects between 1990-93: it contributed to two environment projects, one in Brazil, giving asistance in the operation of a joint effluent treatment plant in an industrial zone in the State of Sao Paulo, and one in Ecuador for the establishment of an environmental management system to guide the industrial development of the Amazonian region of Ecuador. Moreover, it financed a human resource development project in the Caribbean sub-region, giving preparatory technical assistance for the strengthening of the training capability of the region for the development of human resources for industry, in order to enhance a sustainable industrial, economic and.social development. The fourth project was a workshop on women's participation in industrial policy and decision-making in Latin America, held in Buenos Aires in 1991.

Italy's geographical priorities in Latin America are: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Jamaica, Guatemala, Peru and Uruguay. The sectoral priorities are on environment, human resource development, development and transfer of sciences and technologies, as well as assistance to small- and medium-scale industries.

The Italian authorities indicated their interest in financing mainly large-scale projects based on a programmatic approach, and the projects should preferably be complementary to Italian bilateral cooperation programmes.

Italy financed the following UNIDO projects between 1987 and 1990:

- an agro-industries project in Argentina,.giving advice to the secreteriat for regional development on production of sugar industriy derivates in the region of Tucuman;
- an environment-project in Chile for a study on effluent treatment from the fish-industries;
- a human resource development project in Colombia, for the establishment of a work-group studying technologies in five priority sectors (shoes and leather, garments, electronics, graphic art and plastics), which are currently in use and make recommendations for the introduction of new and/or evolving technologies;
- a project to bring into full production a small cheese factory built by a self-help community in Peru;
- a project giving preparatory assistance for the development of small and medium-scale industries in three selected countries of Latin America (Argentina, Uruguay, Mexico);
- a regional programme for the development of subcontracting in Latin America.

The geographic priorities of the **Netherlands** in Latin America and the Caribbean are: Bolivia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Netherland Antilles and Aruba, Nicaragua, Peru and Suriname. The sectoral priorities are industrial rehabilitation activities, small- and medium-scale industries, country studies, sectoral and sub-sectoral studies and women in industrial development.[73]

[73]UNIDO: "Financing for Industry", Vienna, November 1993

Through UNIDO, the Netherlands were approving between 1986 and 1994 especially regional programmes, and women in development programmes:

- A regional training workshop for women concerned with preinvestment activities in order to increase their skills and abilities in project preparation, financial analysis, financial planning, industrial project evaluation, and financing.
- A regional analysis in Latin America and the Caribbean to identify in more detail regional and country-level patterns, trends and issues affecting the degree of women's economic and industrial participation. This study will serve as a basis for formulating regional and country level strategies and plans of action to enhance women's productive participation.
- A training seminar for the Central American region to improve the quality of pre-investment studies in order to ensure rational decision making at the successive stages of the pre-investment process.
- Only one national project was approved by the Dutch government for the development, restructuring and modernization of the industrial sector in Honduras.

7. Conclusions

As we have seen in the first chapters, Latin America's share in EU's official development assistance is comparatively small. The lion's share is going to the least developed countries of the African, Caribbean and Pacific states, the former Belgium, British, Dutch and French colonies. This situation will hardly change in the near future, as Latin America is regarded as a region of an intermediate level of development, whereas the Community emphasizes the least developed countries. But, with the new guidelines for the Asian and Latin American developing countries, established in 1990, some improvements may be expected in the future: Latin American countries seem to be appropriate for the envisaged economic cooperation programmes of the EU and it is a positive sign that with almost all the Latin American countries cooperation agreements have been signed recently. It is also a progress, that the budget for the Asian and Latin American countries has been clearly devided into seperate amounts for each of the regions. In the future, emphasis will be on political dialogue in all appropriate fora and on the promotion of investments and the private sector. Nevertheless, the tightening of the political ties and the comparatively small development aid given, stand in a curious contrast.

It is a fact that the Member States of the EC will not give priority to the economic relations with Latin America in the short and medium run. Both the European Community and some of its Member States give - in the context of their technical cooperation with Latin America - certain preference to programmes meant to support private companies. This concept is based on the conviction that private initiative is better at economic promotion than the state itself. But, this cannot substitute the lack of interest on part of the economic agents in the different countries. The official financial measures and assistance in the field of trade and the export promotion can hardly substitute activities of the private sector.

Moreover, one should not forget that the private firm cannot develop its capacities without an efficient functioning of the public administration. Therefore, it is indispensable to include in these programmes as well measures of administrative and institutional support for the public authorities which are in charge of the industrial, commercial and technological promotion.[74]

As regards trade, Latin America's traditional comparative advantages (natural resources, cheap labour force) do not count any more, due to the possibilities of mutually substituting the factors of production and of introducing synthetic raw materials. It is a matter of fact that European consumers are leaning more and more towards higher-quality products, since their standard of living, basically reflected in a high and ever-increasing level of disposable income, is such as to allow them to turn their attention to health-related and environmental matters. If they want to take part in the European market, the Latin American companies will have to adapt themselves quickly to the requirements of the buyers as well as to the necessity of a global productive circulation.

Thus, the Latin American region has no choice but to face the challenge of making the necessary structural transformations in order to become more fully integrated into the world economy while also broadening its trade options so as to diversify its export products and markets as much as possible. Even so, the need to build stronger economic ties with the EC should not be neglected. To this end, Latin America will have to strengthen its bargaining

[74]Gleich, Albrecht von, p.90

power both by making a greater effort to work towards regional integration and by making better use of existing forums for political and economic dialogue with the EC.[75]

In any event, Latin America will have to meet the challenge of responding to these new international demand requirements by diversifying its export structure with the help of more aggressive commercial policies and by making the necessary investments to increase the competitiveness and quality of its products through the application of socially and environmentally sustainable economic models.[76]

Finally, with regard to the possible benefits for Latin America, it will be crucial for the countries of the region to continue making headway in their efforts to restructure production within the framework of an open economy and political and economic stability so that they may develop the dynamic comparative advantages they need to fill the available niches in international markets.

Here, UNIDO can be of assistance. The private sector, especially in Latin America is starting to see UNIDO in a new light. Projects using self-financing trust funds from industrial companies, istitutions or organizations accounted for about 10% of UNIDO income last year and hold even greater potential this year. Among the countries showing new interest are Argentina, Chile and Colombia.

As we have seen before, strengthening the competitiveness of Latin American and Caribbean enterprises is one of the main goals of UNIDO in the region. Therefore UNIDO is implementing programmes to launch "total quality" and human resource development programmes as a crucial factor of competitiveness. Special emphasis is placed on the small and medium-scale industries, owing on the one hand to their productive flexibility, and on the other hand to their strong impact on employment.

Moreover UNIDO is undertaking a series of studies in the industrial sector at national, subregional and regional level in order to get a better idea of the problem and outlook of the sector in the region, and is sponsoring programmes in key fields aimed at increasing the competitiveness of the industrial sector of the region as a whole.

On the institutional level, UNIDO gives advice in the fields of industrialization strategies and of policies and incentives in order to render possible the establishment of an environment favourable to the coherent development of the various industrial branches and enterprises.

To render the industrial development ecologically sustainable, environmental aspects are considered in all projects. This is also important for the different donors, who stress more and more ecological issues.

UNIDO is not only an important partner for Latin Anerica and the Caribbean, but also for the donor countries. After almost thirty years of experience, the Organization can now offer a wealth of industrial services ranging from technical assistance to training, from investment promotion to ecologically sound industrialization, from technology transfer to institution building, and from integrating women in industrial devlopment to human resource devlopment. The donor countries should take advantage of these approved and efficient instruments.

As we have seen before, the most important donors that are Member States of the EU emphasize the sectors of environment and preservation of natural resources, women in development, human resource devlopment, and the small- and medium-scale industries, all areas in which UNIDO has some experience. It is certainly encouraging, that UNIDOs reform and redifined priorities were approved unanimously by the Member States of the Industrial Development Board, and that in the beginning of this year the rate of payment of assessed

[75]Izam, Miguel: "European integration and Latin American trade"; in: Cepal Review 51; p.160
[76]Izam, Miguel: "European integration and Latin American trade"; in: Cepal Review 51; p.158ff.

contributions was relatively high. This means, that some countries that were having second thoughts about the relevance of UNIDO have clearly changed their minds.Sizeable contributions have also been received or pledged from European countries like Germany, Italy and France.[77]

Also the EU is interested in an cooperation with UNIDO: In January 1993 an agreement was signed between the European Community and UNIDO, crowning the constructive relations between the Community and UNIDO. The Commission had regularly taken part in UNIDO meetings on industrial development issues, and had shown strong interest in UNIDO's growing activities inthe restructuring of the formerly centrally planned economies and its more traditional activities in the development field.[78]The agreement provides for improved coordination of UNIDO and Community operations, to boost competitive industrial development in devloping countries and in Central and Eastern Europe.[79]

Despite the magnitude of the difficulties still faced by Latin America and Caribbean goods and services in gaining access to the markets of the industrialized countries, 1993 ended with some encouraging signs, the most significant being the intensification of intra-Latin American trade, the recent ratification of the Free Trade Agreement between Canada, the United States and Mexico and the adoption of the Final Act of the Uruguay Round of multilateral trade negotiations.[80]

[77]"Industrial Development - Taking centre stage", in: UNIDO-update, No.1/1994
[78]European Commission: XXVI General Report, p.312.
[79]European Commission: XXVII General Report, p.291
[80]CEPAL: "Preliminary Overview of the Economy of Latin America and the Caribbean 1993", No.552/553 December 1993, p.2-3

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