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LATIN AMERICA REGIONAL STRATEGY DOCUMENT

2002-2006 programming

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PRESENTATION OF THE REGION AND SUMMARY OF THE REGIONAL STRATEGY

The region is made up of several subregional groups: Central America (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, the Caribbean (13 countries) and Mexico); South America includes the Andean Community (Colombia, Ecuador, Bolivia, Peru, Venezuela) and Mercosur (Argentina, Brazil, Uruguay, Paraguay) plus Chile.¹

The region is one of great geographical diversity, inhabited by indigenous peoples and people of European and African immigrant stock and, in the case of Brazil and Peru, of Japanese stock. It also is a region which shares a historic heritage, values close to those of Europe and common languages: the majority of its 500 million inhabitants speak Spanish or Portuguese (Brazil).

It is the most urbanised region of the developing world. By 2020 the urban population is set to rise from 75% to 79% (highest rates in Argentina, Brazil, Chile, Colombia, Peru, Uruguay).

The region has considerable natural resources, especially mining and energy resources, as well as exceptional environmental wealth, notably the Amazonian forest with its huge biological diversity.

This area of the world is a high-risk region in terms of natural disasters. Central America and the Andean region are regularly affected by often very serious climatic phenomena and earthquakes.

After years of political instability and subregional conflicts, the whole of Latin America now has a democratic system, except for Cuba and internal conflicts are at the peace process stage. The governments of the region increasingly use diplomatic channels and negotiations to settle cross-border conflicts,

Latin America has embarked on processes of regional integration, accompanied by a range of free trade agreements between countries. These have played a decisive role in trade, by contributing to economic growth and the region's development.

All the countries except Cuba have adopted a market economy (liberalisation, privatisation) and some benefit from foreign investment but the economic situation varies widely at regional level.

The region includes both under-developed countries, especially in Central America and the Andean region and also countries like Mexico, Brazil, Chile, Uruguay or Argentina where industrialisation and the level of incomes are relatively high, and which are classified as emerging economies.

The region's average per capita GDP was USD 3,800 in 1999 but it varies between one and fifteen according to the country (USD 430 in Nicaragua compared with USD 7,000 in Argentina).

Wealth is also unequally distributed within the countries themselves - in 13 countries it is estimated that 10% of the most deprived population shares a twentieth of the wealth of 10% of the richest category. In the region as a whole 200 million people live below the poverty line.

In recent years the region has also suffered heavily from the instability of the financial markets (Mexican financial crisis, Asian crisis, Argentina's financial crisis).

Several countries have to cope with the heavy burden of a recent period of political instability. This heritage explains why so much catching up needs to be done, especially as regards the lack of infrastructure, especially in the social field. Great efforts have been made to modernise the economy and massive loans have been contracted abroad. For certain countries the repayment of this debt is a very

¹ This document does not include any ACP countries, except Cuba.

heavy burden in a context where there is no harmonised, stable monetary system, nor sufficient public revenue to cover repayments under the proper conditions. The deterioration in the balance of payments is often followed by plans to re-schedule the debt, including necessary but unpopular structural adjustment measures, hence the risks of social unrest and a return to political instability.

Summary of the regional strategy:

This regional strategy paper focuses on actions with a regional content, based on an analysis of the problems and questions that concern all the countries of the region, and with a view to the present and potential added value of cooperation projects of a regional nature.

In accordance with the principle of subsidiarity, this strategy does not cover issues that traditionally come under the heading of relations between the European Union and the Latin American countries and subregions, which have their own programming documents.

Clearly synergy and coordination between the various levels must be sought at all stages of programming.

This strategy is in line with the follow-up of the Rio Summit action plan and the May 2002 Madrid Summit and must contribute to the new strategic partnership between the European Union and Latin America.

This partnership must be reflected at three coordinated levels: regional, subregional and bilateral.

On the basis of the regional programming exercise four spheres of activities have been identified for the period 2002-2006:

- (1) support for relations between the two regions by strengthening the partnership between civil society networks;
- (2) social initiative: contribute to the reducing inequalities by means of actions targeted on disadvantaged sections of the population;
- (3) natural disaster preparedness and prevention and reconstruction;
- (4) action to accompany the strategic partnership: observatory of EU/LA relations

1. THE OBJECTIVES OF THE EUROPEAN UNION'S REGIONAL COOPERATION WITH LATIN AMERICA

The European Union's cooperation policy with regard to Latin America is based on Article 177 of the Treaty establishing the European Community. It establishes that Community policy in the sphere of development cooperation shall foster the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them, the smooth and gradual integration of the developing countries into the world economy and the campaign against poverty in the developing countries. It also contributes to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms.

Most of the financing of the cooperation of the European Union with the Latin American countries is governed by Council Regulation (EEC) No 443/92 of 25 February 1992 on financial and technical assistance to, and economic cooperation with, the developing countries in Latin America and Asia.

Relations between the European Union and Latin America come under a series of political dialogue frameworks, including at ministerial level, and regional agreements. In addition to these instruments, in recent years the Commission has presented several communications proposing guidelines for these regional relations.

In 1995, in its communication entitled “European Union - Latin America: The present situation and prospects for closer partnership: 1996-2000”,² the Commission stressed the need for differentiated approaches in Latin America geared to national and subregional situations. The Commission acknowledged the changes that had taken place in both regions and at world level during the last decade and highlighted the shared interest in facing global and regional challenges. In this connection, the Commission proposed strengthening the partnership between the European Union and Latin America. This priority was then reaffirmed in 1999, in a new communication³ in preparation for the first Summit of Heads of State and Government of the countries of the Latin-American subcontinent, including the Caribbean, and the European Union countries, which was held in Rio. This first Summit was the starting point of a strategic partnership with Latin America as a whole and included the adoption of an action plan.

In its communication on the follow-up to the Rio Summit, the Commission reaffirmed the need to strengthen the three dimensions of the strategic partnership (political, economic, social).⁴ In anticipation of the 2002 Summit, the Commission proposes to step up its action in the following three priority areas: the promotion and protection of human rights; the promotion of the information society; and the reduction of social imbalances by means of a global approach to the campaign against poverty. The central objective is: “to place human development and the civil society at the heart of the relationship between the two regions”.

The November 2000 joint declaration by the Council and the Commission on development policy specified the objectives and principles that must guide the Union’s action and prepared the way for a reform in the way aid for the developing countries is run. It includes closer coordination between the Commission, the Member States and the principal donors to achieve greater complementarity of aid, the concentration of Community activities, an examination of the consistency of Community policies and the preparation of strategy papers for each country.

The Commission will ensure consistency between the three dimensions: bilateral, subregional and regional so that they are mutually strengthened.

² COM(95)495

³ COM (99)105 “A new European Union-Latin America partnership on the eve of the 21st century”.

⁴ COM (2000)670 “Follow-up to the First Summit between Latin America, the Caribbean and the European Union”.

2. LATIN AMERICA'S REGIONAL AGENDA

In view of the region's diversity, only the major issues on the agenda of the region *as a whole* are covered below.

2.1. The political agenda

The regional political agenda

The integration of the Latin American regional block in the Western world currently represents a major challenge for the region, which must overcome its disparities in order to cope with globalisation at political, cultural economic and commercial level, at the same time as incorporating the social dimension. In this respect regional integration is an essential priority for the Latin American countries, both at subregional level (San José Group, Andean Pact, Mercosur) and at regional level (Rio Group).

In recent years the region's agenda has been focused on peace processes, democratisation and human rights but now it is directed more towards international issues that affect the region (WTO, environment, new technologies etc).

The other subjects of regional concern include the instability of the financial and monetary system, the situation of the peace process in Colombia and cross-border questions, immigration and the fight against drugs.

With respect to other regional groups, the region is seeking political and economic relations balanced between its two principal partners, the United States and the European Union, in particular within the framework of strengthened economic integration. This priority is very much on the agenda because the project to create an inter-American free trade area will have a decisive impact on trade with the rest of the world, and in particular Europe.

The inter-American process: the Summits of the Americas

The first Summit of the Americas in Miami in 1994 launched the initiative for the Free Trade Agreement of the Americas (FTAA) and adopted an action plan together with a follow-up process involving the countries and international organisations concerned. The Organisation of American States (OAS) provides the secretariat. The last Summit in Quebec in 2001 adopted a new action plan that focuses on the topics of poverty, education, human rights (democratic clause) and economic integration (45 priorities).

On that occasion the organisations (IDB/PAHO/ECLAC/World Bank) reviewed current progress (democracy and human rights, fight against drugs and corruption...) and announced their participation in the follow-up to Quebec (IDB: USD 8 billion and the World Bank: USD 1 billion/year over 4 years).

The political priorities of relations with the United States include market liberalisation, the fight against drugs, immigration and the tightening-up of border controls, democracy and human rights.

The Latin America/European Union agenda: see Chapter 5.

2.2. A decisive economic and commercial agenda with tight deadlines

Within the region

Countries and sub-regions (Central America, Mercosur, Andean Community) have negotiated and continue to negotiate among themselves a number of free trade agreements in order to develop bilateral and intra-regional trade.

With the whole American continent

Since 1994 Mexico has formed part of NAFTA which covers the whole of North America. 80% of Mexico's trade is with the United States.

Negotiations have started with a view to establishing the most important free trade area in the world (FTAA) by 2005, covering the entire American continent from north to south, i.e. 34 countries and 800 million people (40% of world GDP).

Establishing the FTAA would mean strengthening American trade links, ensuring privileged access to the Latin-American market for the North America countries. This constitutes a real challenge for the poorest economies, which hope to stimulate investment and their exports in the face of a competitive American market. At this stage the outcome of the negotiations is not yet clear. At the same time a set of bilateral agreements between the countries of North America and Latin America is being negotiated.

With the European Union

The European Union's approach is in line with the process of multilateral liberalisation of international trade under way in the WTO.

The system of generalised preferences is applicable throughout Latin America. The Andean countries and Central America come under special arrangements for certain agricultural products and benefit from a special "drugs" scheme to encourage them to turn to alternative crops.

Economic and commercial negotiations are under way with Mexico to implement a free trade area and with Mercosur and Chile to create a free trade area.

2.3. The region's agenda on the multilateral scene

The countries of the region set great store by multilateralism. Some of them (Brazil, Chile, Mexico, Argentina, Costa Rica, Colombia) intend to play a greater role in the major international debates, especially WTO negotiations, where the question of liberalisation of agricultural markets is of major importance for exports.

Within the United Nations, the essential questions are security, human rights and the fight against discrimination, recognition of social rights, the fight against drugs and money laundering, environment and sustainable development, reducing the technological and digital divide and so on.

3. ANALYSIS OF THE REGION'S SITUATION

Major efforts have been made in the last ten years to emerge from a long period of crisis and to progress towards regional and world integration, based primarily on political dialogue accompanied by economic and financial reforms. The region, however, remains vulnerable.

3.1. Progress in democracy

The whole region has embarked on a process of democratisation and at present every country except Cuba has a democratic system. However, political systems are still fragile, particularly in the Andean region but also in Central America.

Although progress has been made as regards democracy and respect for human rights and also recourse to the peaceful resolution of conflicts, there are still internal and cross-border conflicts, especially in Central America and the Andean Community, which affect the stability of the region. The most serious case is Colombia where the conflict could assume a regional dimension and already causes major population displacements.

Drug trafficking, combined with corruption and violence, is a factor of political, economic and social instability as is terrorism. Resolving these problems in the context of support for the peace processes and the fight against drugs and small arms trafficking is one of the priorities of international aid.

3.2. Sounder economic health and progress in regional integration

After the difficulties that marked the 1980s with a series of economic, social and financial crises followed by structural adjustment programmes, far-reaching reforms helped to reduce public deficits, curb inflation and to create an environment conducive to investment and an open market. The GDP growth varied from one year to another: 5.2% in 1997, 0.4% in 1999 and 2% in 2000.

The 1990s saw continued market deregulation, a wave of privatisation, the strengthening of subregional economic integration organisations, the conclusion of several bilateral trade agreements, for example with the European Union, the adoption of NAFTA and the start of negotiations on the FTAA.

Trade saw a sharp increase that was higher than the world average (see Annex III) but performance varied from one subregion to another.

In 2000 EU trade with Latin America accounted for 5% of its foreign trade (including half with Mercosur). The increase in EU trade with Latin America follows the increase in its trade with the world, but Latin America's trade is dominated by the USA. Between 1980 and 2000 the EU's share in Latin-American trade went from 20% to 15% and that of Japan from 7% to 5% whereas it increased from 35% to 47% as regards the USA.

Direct foreign investment (DFI) in Latin America rose from USD 31 179 million to USD 73 915 million between 1996 and 1999, primarily as a result of certain countries' privatisation programmes, first in the industrial and then the services sector.

Over the same period, investment by the EU countries came to the forefront, increasing from USD 13,289 million to USD 42,266 million. European companies, in particular Spanish, played a major role in the privatisation process (public sector, banks, telecommunications, air transport, energy).

DFI fell by 22% in 2000 because of the end of the massive purchasing programmes in Brazil (OECD/DAC).

The foreign debt of the region rose from USD 400 billion to over USD 700 billion between 1985 and 1999 and from 4% to 8% of GNP; 41.6% of export revenue from goods and services went on debt servicing (World Bank data in UNDP report 2001).

Repayment difficulties on the part of the poorest countries (Bolivia, Honduras, Nicaragua) gave rise to debt reduction or cancellation programmes (HIPC) in which the European Union took part (including EC €45 million in 2000).

3.3. Economic progress unequally shared between the social groups

Some 200 million people out of a population of 500 million are estimated to be in a situation of poverty (threshold USD 2/day). Growth is not accompanied by a correlative increase in the population's income and the region suffers from a very unequal distribution of wealth. In this respect it is regarded as the least equitable region of the world.

SHARE OF INCOMES (distribution between the poorest and richest 20% of the population)					
<i>High Inequality Countries</i>	<i>Lowest 20%</i>	<i>Highest 20%</i>	<i>Low inequality Countries</i>	<i>Lowest 20%</i>	<i>Highest 20%</i>
Honduras	1.6	61.8	Slovak Republic	11.9	31.4
Bolivia	1.9	61.8	Japan	10.6	35.7
Paraguay	1.9	60.7	Austria	10.4	33.3
Brazil	2.6	63.0	Czech Republic	10.3	35.9

Source: World Bank, [World Development Indicators 2001](#).

Some of the factors at the root of the disparities include the economic structure, which does not foster equal opportunities for all sectors of society (especially in certain countries), land ownership concentrated in the hands of a minority, progressive impoverishment of the middle classes, unemployment (9% on average), inadequacy of the social services (health, education). One inhabitant in five does not have access to health services and fewer than a third have welfare cover.

Poverty, marginalisation, lack of access to basic social services, health problems (HIV/AIDS) particularly affect certain groups of society such as women and young people, especially those belonging to the indigenous population and of African origin (an estimated 75 million). These two population groups are lagging far behind the rest of the population in terms of access to health, education, the acquisition of professional skills and access to the labour market (IDB surveys in Brazil, Colombia, Venezuela, Peru, Honduras, Nicaragua). Discrimination is particularly marked in fields of high productivity and industry with high added value. These factors, accumulated over generations, explain why these two categories of Latin American society are mainly employed in low-paid jobs. In general governments lack the financial resources and capacity to implement policies targeted at these people. Similarly, these groups are not sufficiently organised to develop a dialogue and contribute to alternative public policies.

Causes also include ineffective tax policies (low tax pressure in particular) which are incapable of the function of redistributing wealth, and lastly insufficient facilities (transport, electricity).

Exclusion and social marginalisation are factors that aggravate the insecurity, violence and rising crime levels that affect these societies.

3.4. Natural risks and threats to the environment

Latin America as a whole –and not only Central or Andean America –is one of the regions of the world most liable to natural disasters. Earth tremors, landslides, volcanic eruptions and hurricanes are frequent. Climate variability in the form of droughts, floods, high winds has been further exacerbated by the recurring phenomenon of “El Niño”.

Natural disasters have destructive and deadly effects on the whole region. Millions of people are affected at human and material level, and repeatedly. Generally the most disadvantaged people are hit hardest. In

addition to large-scale disasters such as hurricane Mitch (which, according to the ECLA, caused estimated damage of USD 8 billion), the region is swept by a succession of medium and small-scale disasters, the combined effects of which represent more damage and upheaval than the major disasters.

Latin American energy systems remain inefficient. For example, for 4% of growth in GDP (in Brazil), the growth in energy demand is about 6%. As a comparison, for an equivalent growth in GDP, OECD countries see a 2% growth in energy demand. Per capita CO₂ emissions are 2.6 tonnes compared with the 1.9 tonnes in the OECD countries. These data are alarming in view of the contribution of CO₂ to climate change. Another concern is the upward trend of the Latin-American energy system in terms of energy intensity (consumption/GDP), unlike all the developed countries. Latin America's share of final world consumption of oil is regularly increasing, which in the long term could create tension on the international market. Moreover, the slightest drought (Chile), or natural risks (Honduras, Nicaragua) or just a continuation of recent trends (Brazil) leads to crisis situations or shortages while a third of the population (poorest sections of peripheral urban areas and isolated rural areas) have no access to energy.

Latin America contains 23% of the world's forests and 46% of its tropical forests with major differences from one country to another. The Amazonian area forms part of the planet's richest areas in terms of biological diversity and the world's largest temperate forest mass lies between Chile and Argentina. These forests are subject to heavy human pressure because of the search for land, forestry, mining and uncontrolled land clearance. An estimated 645,000 km² of forest was lost between 1980 and 1990, Brazil alone representing a fifth of losses worldwide. (World Resource Institute). Deforestation has a negative impact on rural communities as well as on the environment (biodiversity, climate protection). Poverty is an important factor of environmental pollution, because of the search for land that leads to deforestation, soil erosion and drought - phenomena that further compound the vulnerability of poor people.

3.5. Sustainability of Latin-American development models (social, economic and environmental aspects)

It is difficult to draw a general conclusion for the whole region. However, in general, a large number of countries in the region have the potential to move towards sustainable development. Some have exceptional natural resources, most now have democratic structures, the region has embarked on peace processes, regional integration is being pursued at different paces, trade increased considerably in the 1990s, as did direct foreign investment - although concentrated in a few countries. These elements could contribute strongly to the region's economic and social development.

Indicators, however, cast doubt about the sustainability of these trends.

(1) Economic growth continues to fluctuate and is very vulnerable to external factors. Exports mainly consist of commodities rather than processed products. US and European demand, foreign investment, as well as the state of world trade, play an essential role. Rises in oil prices benefit the oil-producing countries but put a strain on importers' balance of payments, especially the Central American and Caribbean countries which also have to cope with falling commodity prices for metals, coffee and sugar etc.

The challenge of technological innovation, both from the point of view of companies and also universities and research centres, still remains largely unanswered, despite some isolated attempts.

Financial instability and the debt burden are major factors of fragility for the region's sustainable development.

(2) The lack of correlation between economic growth and poverty reduction reveals the scant consideration given to social questions. Government policies in the field of social exclusion are clearly ineffective (legislation, land rights, recognition of languages and cultures etc) and demonstrate an inability to introduce reforms targeted at disadvantaged groups.

(3) Natural risks have a considerable effect on the Latin American countries' development potential. In terms of economic impact, natural disasters are generally accompanied by a slowdown in economic growth, a significant drop in tax revenue and an increase in public expenditure. The decline in production capacity and public and private investment in reconstruction cause an increase in the trade deficit. From a social point of view, they increase poverty, exacerbate social tensions and constitute a barrier to the development process of the countries affected.

(4) In the energy field, current scenarios indicate that not only will it not be possible to supply disadvantaged groups even in the medium to long term but also that new population groups are likely to join their ranks. If current Latin American energy growth trends continue, the adjustment will be made by ever greater recourse to oil, which will lead to an increase in CO₂ emissions, balance of payments disequilibrium in the non-producer countries, and finally to a structural price rise on the international market and problems as regards security of supplies for the EU.

(5) Lastly, natural disasters and non-sustainable use of natural resources, which represent a vital asset for the region, threaten the existence of species and ecosystems and economic development itself.

3.6. Medium-term challenges for the countries of the region

The four categories of challenge - political, economic, social, environmental - call for a response at several levels: national, bilateral or multilateral.

1. Political challenges: they are at the same time internal, regional and international

- the internal challenge concerns the consolidation of democracy and the rule of law, more transparent governance, adoption of an effective legal system, participation of civil society and the respect for human rights;
- the regional challenge concerns the consolidation of the peace processes, in particular in Colombia, the fight against drugs and illicit traffic;
- the international challenge concerns the capacity of the countries of the region to take a more active part in major international debates, by means of greater internal cohesion and alliances with external partners.

2. Economic and commercial challenges

The countries of the region must respond to several priorities:

- diversifying export production and supply and inclusion of a greater share of added value in export products;
- continuing regional integration, participation in international trade and compliance with WTO rules; stepping up trade with other regions of the world;
- encouraging external investment by setting up a sure, stable and transparent regulatory framework for companies; opening up strategic economic sectors to the outside;
- access to research and information and communication technologies to cope with the "technological and digital divide";
- developing transport and communications infrastructure, including the interconnection of intra-regional networks
- a more effective energy management policy, aiming at competitiveness, guaranteed supplies and environmental protection;

3. Social challenges: tackling inequalities

Reducing inequalities must be the priority, which involves:

- implementing Poverty Reduction Strategies;
- economic and social reforms in order to incorporate social costs in the economy by means of a sufficiently effective tax system to carry out a social policy;
- promoting social integration policies, giving priority to society's disadvantaged people and groups, indigenous groups and people of African origin, women and young people;
- encouraging investment in social infrastructure (education, health);
- setting up or modernising/consolidating social protection systems.

4. Prevention of natural risks and taking account of the environment

The challenges concern:

- reducing the region's vulnerability to natural and environmental risks by means of integrated policies taking account of potential risks: sustainable management of natural resources, reduction of the potential impact of natural risks, planning of intervention procedures;
- integrated management of the urban environment taking into account all the elements of urban development (energy, transport, industry, water and waste management, prevention of natural risks);
- safeguarding natural resources, sustainable use of forests and biological diversity.

4. ASSESSMENT OF EUROPEAN UNION/LATIN AMERICA REGIONAL RELATIONS

Since 1990 relations with the European Union have intensified at regional, subregional and bilateral levels (Mercosur, Andean Community, San José Group, Rio Group) as a result of several positive factors:

- the region's progress in democracy, human rights, peace processes, the fight against drugs and so on;
- a broad measure of agreement on a whole range of essential subjects (cultural values, regional integration, security and defence...)
- a shared willingness to step up economic and trade relations and to exploit reciprocal market opportunities.

The strengthening of these relations is reflected at three levels: the introduction of a permanent political dialogue; the development of regional cooperation projects; sustained trade relations that vary according to the subregions or countries and that are in line with preparations for the WTO negotiating round decided at Doha.

Regional cooperation mainly takes the form of horizontal programmes that involve operators from the two regions in partnership relations.

The principal topics of the political dialogue set up at regional level are political stability, strengthening of the rule of law, respect for human rights, regional integration, the fight against drugs and illicit traffic. It takes the form of annual meetings between the Foreign Ministers of both regions in the framework of the "Rio Group". The last meeting in March 2001 in Santiago de Chile concentrated on the role of the new economy and democratic governance in relation to poverty reduction.

The fight against drugs is the subject of a specific action plan that includes a high-level dialogue with the follow-up provided by an EU/LA coordination and cooperation mechanism. The EU supports cooperation projects mainly with the Andean countries (alternative development projects and strengthening of institutional capacities). Actions are in keeping with the Commission's guidelines on North-South

cooperation in the fight against drugs and contribute to the Union's global efforts (fight against organised crime and money laundering) For Latin America priority is given to the fight against cocaine trafficking.

This mechanism is supplemented by the "drugs" incentive arrangements under the GSP.

The June 1999 Rio Summit strengthened cooperation and the political dialogue between the two regions, and reflected the mutual commitment to increasing economic and financial relations at all levels.

4.1. Assessment of regional cooperation efforts

Regional cooperation with Latin America and the establishment of networks have been strengthened in recent years, reflecting the priorities attached to the bi-regional partnership by the Rio Summit and which will be confirmed in Madrid in May 2002. The European Community is the only institution to conduct bi-regional cooperation activities and give priority to strengthening the partnership between networks of actors in the two regions.

(1) Support for civil society in both regions: partnership networks

EC regional cooperation is concentrated on the areas where it has a real added value and where economies of scale can be made. These networks are seen as complementing the inter-state partnership and encouraging regional integration and between the two regions. They make it possible to develop relations between European and Latin American actors (towns, companies, universities) by means of horizontal programmes of mutual interest covering the entire region, financed from the economic cooperation budget line. These networks enable the actors concerned in both regions to transfer know-how in the economic and commercial fields (regulations and standards) and in urban policies, education and university research. For the European actors, these networks give them an insight into their Latin-American partners and create synergies between relevant measures and actors in the same sectors at regional level. Set up at the beginning of the 1990s as pilot programmes, they then became multiannual programmes.

ALFA: Latin American programme on academic training (Regulation 25/2/92) between universities. This programme came into operation in 1994 for a 6-year duration. It began a second reinforcement phase in 2001 with an allocation of €25 million (recognition of diplomas, creation of regional diplomas, new information technology etc). 846 university networks have been created since ALFA was launched. The ALFA programme should be strengthened by other complementary measures to develop a high-level university and technological partnership between the two regions.

AL-INVEST: with an allocation of €42 million for the period 1995-99, this programme is intended to encourage relations between companies in the two regions, in particular SMEs. AL-INVEST II (€43 million) succeeded it in 1999. By the end of 2001 almost the whole of the amount had been "contracted". An evaluation showed that the multiplier effect had been important - for each Euro spent on a scheme to bring together SMEs, €10 of business was generated. 350 operators in both regions make up the network.

URB-AL: with an allocation of €14 million for 1995-2000, this is a programme of decentralised cooperation in which 1 200 towns from both regions take part. The objective is to develop direct and lasting links between local authorities in order to apply best practice in the field of urban policies. 8 thematic networks were set up during the first phase in order to identify priorities and joint projects. Each network includes between 50 and 150 towns from both regions. In its new phase (2000-2005) URB-AL has an allocation of €50 million.

ATLAS (duration 2001-2003) is a project with an allocation of €2.4 million to support relations between Chambers of Commerce in both regions, designed to facilitate the transfer of know-how between the 200 ICC concerned.

@LIS, (**Alliance for the Information Society**), has an allocation of €63.5 million (2001-2005). It was adopted in 2001 and will be launched in 2002. The aim is to encourage a partnership between the two regions, both at the level of governments and civil society, and as regards regulatory aspects; technical aspects (standards, interconnection of research networks) and setting up demonstration projects (20 pilot projects in priority areas in the fields of health, education, governance, towns etc).

Lessons of experience:

Most of these programmes were reviewed in 1999 and were the subject of an evaluation in 2000/2001. Results are overall very positive, the programmes have created economic, academic, cultural and technological links between the two regions; they have contributed to a stronger European presence in the region and lasting relations at governmental, local, private sector and civil society levels. The participation of least developed countries like Bolivia in programmes such as AL-INVEST was, however, limited and it appears that this type of programme is more geared to countries like Brazil, Argentina or Chile.

The concept of mutual interest needs to be reinforced, as does the role of private European actors in the development process of the Latin American countries. The setting-up of structures facilitating the lasting presence of private actors in the region offers a viable basis for developing future operations.

In view of these positive lessons, especially as regards the level of involvement, it is proposed to continue these programmes for the period of 2002-2006 programming.

(2) Other Community regional financing (specific budget headings)

The integration of the gender dimension in development cooperation is the subject of a small specific programme.

A €1 million project was allocated to a set of Latin American countries in 2000 in order to increase the development capacities of skilled human resources.

In the field of democracy and human rights, two recent projects at regional level are worthy of mention:

- the regional support programme for ombudsmen in Latin America (through their regional Federation, the FIO), in order to improve their institutional performance and strengthen their image and moral authority. This programme, based on information and communication technology, will help to develop modern systems of managing complaints and coordinating networks between ombudsman with an Internet portal.

- a project on the reform of penal systems in Latin America (involving NGOs, governments, prison staff).

In the field of the fight against drugs, regional actions were financed from the specific budget heading: €200,000 in support of CICAD (Inter-American Drug Abuse Control Commission) in 1997 and organisation of a regional cooperation seminar in 1998.

Environment and forests: in past years few projects have had a regional dimension. In 2000 there were two support schemes for projects by the UNDP and international NGOs in the field of poverty and the environment.

DG Environment and the Joint Research Centre have a tropical forest remote sensing control and surveillance programme that includes the Latin American forests.

In the context of education and culture, the JEUNESSE programme aims to promote mutual understanding between young people from different cultures, encourage the democratisation of society and defend the values of solidarity, respect and tolerance. The activities carried out under the programme

include exchanges of young people and voluntary service training periods. Latin America is one of the priorities. (€500 000 in 2001, heading B3-1010).

Energy: the Commission has intervened at regional level both via the ALURE Programme (1995-2000) to link up large economic operators in the context of the sector's privatisation, now completed, and the Synergy programme (TREN) and via Latin America economic cooperation.

This involved projects costing less than €1 million but significant in terms of results and visibility. Over the last five years the average Community contribution has amounted to slightly more than €1 million a year (included Synergy). The results obtained include the introduction of the energy statistical system (SIEE) for all the Latin American countries and an information system now accessible on Internet. Promoting demand-side management and the use of gas have also been given priority.

Under **the Research and Development Programme** scientific and technical assistance has been developed with Latin America since the 1980s. This has been in the context of the bilateral agreements concluded with certain countries (Brazil, Mexico, Argentina, Chile, Colombia, Venezuela) and the "Research for Development" section of the international Research Programme. In the latter case, FP4 (1994-98) and FP5 (1998-2002) made it possible to support between 150 and 200 joint research projects involving Latin American partners, with a Commission contribution of over €100 million.

FP5 also opened up its 4 thematic programmes to participation by the LA countries.

Their participation will be further strengthened under the bilateral scientific and technical agreements being negotiated, in particular with Chile and Brazil, the first of which has already been concluded with Argentina. As part of the follow-up to the Rio Summit, a detailed dialogue was conducted between the two regions on scientific priorities to be implemented, finalised in an action plan which will be adopted by the Ministers for Science before the Madrid Summit. The scientific priorities to be developed include: improving the health of societies and their quality of life, competitive growth in a global environment, agro-industry, sustainable development and urbanisation, cultural heritage, the information society, as well as cross-cutting issues such as ethics, intellectual property and innovation.

4.2. Complementarity of Community aid and the principal donors' aid

Official development aid (ODA) for the whole of Latin America accounts for 10.5% of world ODA (OECD/DAC 1999 data).

The European Union and its Member States constitute the main source of cooperation aid in Latin America (Annex). Aid in the form of grants from the European Union accounts for 47% of donor grant aid.

Gross ODA (USD million). Latin America (without ACP) total, including grants

	1995	Grants	1999	Grants
Total LA	6091	4262	6421	4510
DAC bilateral donors	4600	3521	4560	3751
EU Member States and EC	2443 + 395	1975 + 387	1908 + 415	1596 + 395
Total multilateral aid:	1491	741	1853	758

The Community constitutes the principal source (from among the few that exist) of regional cooperation at international level. It is also the only institution to implement bi-regional cooperation.

The other bilateral and multilateral financial organisations intervene little at regional level and concentrate their actions at national level in the following fields:

- structural loans or debt reduction measures (the IMF);
- support for NGOs, for local projects;
- development projects (health, education, rural development);
- fight against drugs, crime;
- support for democracy, the rule of law (electoral processes);
- support for regional integration (trade, support for administrative and institutional capacities).

See Annex for the breakdown of aid by sector

1. Multilateral financial organisations

The European Investment Bank has been present in Latin America since 1993, it intervenes as a complementary partner of the Commission in investment in the fields of industry, telecommunications, energy (40% of loans in 2000), water, sanitation and transport. The IDB can intervene on a complementary basis.

The EIB's loan budget for the period 2000-2006 is €2.5 billion for medium and long-term loans. 90% of the loans benefit European private investment in a context of strong demand by operators (four times higher than the amounts available). Loans since 1993 have mainly concerned Brazil (\$570 million) Argentina (\$380 million) and Mexico (€127 million plus €200 million in 2001). Central America received loans for €44 million (electricity) and for rebuilding after the Mitch hurricane.

The Commission and the EIB are exploring the possibility of strengthening their collaboration in three fields: support for joint ventures, financing of SMEs and strengthening of loan guarantees (risks connected with the region's security).

Financing lines of about €35 million each were set up with the CAF, CABEI and Brazil (via two European intermediary banks) to encourage the creation of companies in the AMC, Andean Community and Brazil.

The Inter-American Development Bank (IDB) is the principal organisation that provides loans and non-refundable technical assistance for the region.

Possibilities of collaboration between the IDB and the donors include trust funds (some 30 currently exist managed by the IDB on behalf of the USA, Japan, Sweden, Spain etc) used to part-finance technical assistance and projects, particularly in the social field (poverty, women, education, health, environment). The IDB finances regional or subregional projects (involving several countries) in fields like transport, energy, telecommunication networks, networks of research centres, support for institutional capacities, vocational training in various sectors (health, social affairs), support for SMEs, support for NGOs, the role of women or the environment.

The Member States' contribution represents 10%. The two institutions collaborate in common fields of intervention and have created advisory groups to identify projects of common interest, some of which are coordinated by the IDB. An example of this is the programme for the reconstruction of Central America, totalling USD 9 billion, with an EC contribution of €250 million.

The portfolio of joint projects amounts to €20.6 million in the field of microenterprises, education and social policies, and projects to rebuild Central America.

In order to improve their relations, both institutions prepared a Memorandum of Understanding by which collaboration can be stepped up in priority fields linked to follow-up of the Rio action plan.

World Bank:

The Commission takes part in the “partnerships for development” programme set up by the Bank in order to define collaboration between the recipient States and donors on common objectives. The coordination of EC/Bank actions is concentrated on major programmes, like the project to protect the Amazonian forest and the rebuilding of Central America which resulted in programmes in the social and environmental sector (USD 532 billion in loans).

As part of its strategy to combat poverty, the Bank has set up a programme for heavily indebted poor countries (HIPC) for debt reduction (recipients in 2000: Bolivia, Honduras, Nicaragua). The Community contributed €45 million to the HIPC trust fund in 2000.

International Monetary Fund:

It intervenes in Latin America by providing loans to finance balance of payments deficits. Its activities include giving emergency assistance in the event of natural disasters and also the Poverty Reduction and Growth Fund (PRGF) which provides the counterpart of the Bank’s funding in the context of poverty reduction strategies. This Fund provides long-term support for poor countries on the basis of national poverty reduction strategies involving civil society (under way in Bolivia, Guyana, Honduras, Nicaragua).

2. *Organisation of American States*

It intervenes in regional projects, currently in the fields of education and training, the environment (management of river basins). The EU has observer status. Relations include a regular dialogue, coordination on certain subjects (electoral processes) and collaboration within the Inter-American Drug Abuse Control Commission (IDAC-OAS).

3. *United Nations agencies*

ECLA, a regional economic Commission, develops regional cooperation projects in the economic, social and environmental field. Other United Nations agencies are present for various purposes (UNDP, UNFPA, UNHCR, WFP, UNTA, FAO, UNICEF, UNIFEM, UNESCO, HABITAT, UNEP etc).

5. EC REGIONAL COOPERATION STRATEGY

This is conducted in the dialogue and cooperation frameworks established between the European Union and Latin America and also the follow-up to the Rio Summit action plan and the Madrid Summit of May 2002, which will lay down common future guidelines for policy and cooperation activities.

This follow-up may include support projects for multilateralism, so that the Latin America countries can take part in international negotiations of priority interest, such as WTO negotiations (Doha agenda), or in the field of climate protection (Kyoto Protocol) and so that they can fulfil the commitments that they have given. The fight against drugs and crime will also be considered in the context of implementing the Panama Action Plan.

The action plan that may be adopted by the Ministers for Science in March 2002 should encourage the Member States to participate through their bilateral cooperation instruments along the lines of the

European Research Area, and optimise use of the 6th Framework Research programme and other Community funds.

This partnership must be reflected at three levels: regional, subregional and bilateral.

The regional level will go hand in hand with cooperation activities in the key sectors defined at the Tuusula Summit (see Annex) included in bilateral and subregional programmes and in operations financed by other Community funds.

Coordination must be stepped up between Community regional cooperation and Community and Member State bilateral cooperation instruments.

5.1 General objective of regional cooperation

Regional priorities must contribute to supporting the new strategic partnership between the two regions and responding to Latin America's regional challenges at the economic, technological, social and environmental levels.

These actions will have a regional relevance and will have the following in common:

- the commitment of the partners of both regions
- focus on priority areas of regional strategic importance or response to common problems
- setting-up of networks of know-how at intraregional or interregional level (public or private partners) and creating synergies
- economies of scale and added value for the region
- an appropriate body responsible for management, coordination, guidance.

In addition, because of the lack of visibility of the role of European and Community aid in Latin America, special efforts will be made to ensure these activities are well publicised.

Better visibility and synergy could be given to bilateral and regional actions by means of minimal and flexible coordination of a number of national projects with the same objectives. The results and lessons could then be disseminated at regional level.

5.2 Priorities of regional cooperation

As a result of the 2002 budget - €345 million - the financial perspectives for Chapter B7-310 could amount to €1,725 million for the period 2002-2006.

The financial perspectives for the indicative regional allocation 2002-2006 amount to €280 million. In addition to financial support for the Consultative Group on International Agricultural Research (CGIAR) this amount will be allocated to operations in four priority fields:

- (1) Support for relations between the two regions by strengthening the partnership between civil society networks: AI-INVEST and ALFA new activities and launch of a new programme of high-level study awards.
- (2) Social initiative: contribute to reducing inequalities by actions targeted at disadvantaged people; incorporate this dimension in policies and actions.
- (3) Preparation and prevention of natural disasters, and reconstruction.
- (4) Accompanying measures: support for the strategic partnership; observatory of EU/LA relations.

Additional activity, topic of regional interest: sustainable management of energy:

Sustainable management of energy is a key element of economic and social development and must take account of the environmental dimension (climate change, implementation of the Kyoto Protocol).

In view of the poor performances of Latin American energy systems (demand higher than GDP growth, little diversification of sources, a third of the population not connected etc) the relevant administrations should be provided with expertise in the form of aid for pooling experiences and knowledge.

Possible budget headings: B7-310 or B7-311 or B7.6200 (environment in the developing countries).

5.3 Consistency with Community policies (see Annex VIII)

The strategy developed above is consistent with other Community policies and with the level of Community interventions in Latin America. In some fields, political priorities are tackled at bilateral or subregional levels - for example, support for trade negotiations and for implementing agreements, fisheries agreements, the fight against drugs, environment, air safety etc. They are also tackled at regional level using thematic budget headings managed by the Relex DGs (environment, forests, human rights, gender issues, NGOs, drugs, HIV/AIDS).

Community research policy is applied to the region under the 5th Framework programme, using its specific instruments, thus contributing to the Union's partnership with Latin America. The Community has also incorporated its information society priorities in Latin America regional programming via the @lis programme adopted at the end of 2001.

This new strategy establishes a link with the European Union's international policies.

More specifically it reflects the priorities defined in the 1995/1999/2000 Commission Communications on the strategic partnership with Latin America, and the objectives described in specific policies included in recent Communications.

Account has been taken of the Union's priorities in the field of sustainable development, trade policy (in particular compliance with WTO rules), the fight against poverty and social exclusion, conflict prevention and also priorities in the following fields:

- promotion of democratic good governance, respect for human rights, the fight against discrimination and the recognition of social rights;
- poverty reduction, the fight against social inequalities and exclusion;
- cooperation in the field of higher education;
- guidelines on emergency relief and rehabilitation in disaster situations, advocating greater integration in development policy and action at the preparation and prevention stage so that ECHO can concentrate on emergency relief;
- energy policy and implementation of the Kyoto Protocol.

5.4 Synergy with other donors and visibility of regional cooperation

The European Union and the multilateral financial institutions share a number of priorities such as the fight against poverty, strengthening democracy and the rule of law, regional integration, the fight against natural disasters. They also share the concern to support projects and investments that are environmentally friendly and conducive to sustainable development. The Commission will endeavour to strengthen cooperation with these organisations, especially as part of the preparation and follow-up process of the EU/LA Summit by:

- creating an informal system for exchanging information and consultations on cooperation with Latin America with the financial institutions;
- implementing the Memorandum of Understanding with the IDB, which will make it possible to cooperate more closely in the following key fields:
 - consolidation of democracy and human rights (modernisation of the administration; civil society and transparency of institutions);
 - social equity and poverty reduction (tax policies, social dialogue, health and social welfare, education, SMEs);
 - regional integration (role of civil society, regional institutions);

- development of information technology and knowledge sharing;
- working with the World Bank and the International Monetary Fund: continued participation in the HIPC;
- working with ECLA: support for coordination and studies on economic, financial and monetary policies;
- holding consultations with bilateral and multilateral donors with a view to the coordination and complementarity of actions in the context of the Madrid Summit follow-up.

6. INDICATIVE REGIONAL PROGRAMME 2002-2006

Priority 1: Strengthening the partnership of civil society networks

Context

The AL-INVEST, URBAL and ALFA programmes were successful at several levels: growth in investment and trade between the regions, transfer of know-how between business and academic circles, establishment of lasting relations; these actions were mutually beneficial and the same is expected as regards @lis. In addition, the people actually involved in the programmes have taken over management of the programmes (ownership) and networks have been created allowing the decentralisation of programme management. These elements comply with the priorities of cooperation and the principles of participation and governance of Community policy. These programmes should therefore be continued and strengthened by a greater participation of the target groups and partners in both regions.

Objective

The aim of this operation is to develop the capacity of civil society partners in all the Latin American countries, particularly companies and education and training circles, to intensify their exchanges.

Specific objectives

The aim of the programme is to provide the tools for economic growth, social integration and strengthened cultural relations. It must strengthen relations between the two regions and increase the capacity of the Latin-American partners and also the financial institutions, to introduce measures targeted at economic and social development. It will draw on the organisations and experience of the European Union in these fields.

Activities

- meetings between economic sectors, focusing on sectors that bring added value.
- strengthening organisational capacities, transfer of know-how and access to technologies to increase participation in exchanges between the two regions.
- capacity building in the field of education and knowledge of European methods and know-how - greater participation by all potential actors in both regions.
- setting-up high-level mobility study awards and
- developing thematic training networks in the cultural field and for post-graduate studies in regional integration.
- organisation of seminars to share and discuss results;
- measures to keep governments and representative organisations from the private and education sectors informed.

Expected results

- (1) increased exchanges between the regions in the areas of activity;
- (2) more significant financial and trade flows;
- (3) exploiting European experience in the education field

Conditions

Involvement of the partners and institutes concerned in countries in both regions
Necessary conditions for economic growth
Willingness of European organisations to take part in managing the programmes

Performance indicators

- (1) investment and trade (statistics, data bases);
- (2) mobilisation of the private sector and the institutions concerned in both regions;
- (3) impact of activities on national policies and on the actions of donors.

Financing: 60% -70% from the indicative financial allocation

Priority 2: Reduction of social inequalities: identifying actions targeted at disadvantaged groups

Context

In view of Latin America's poor performance in the fight against poverty and social inequality, including the inadequacy of the information available on the people most affected, both regions are launching a social initiative to tackle the problem, giving priority to the most disadvantaged groups.

Because most Latin American countries are lagging behind in incorporating certain categories of the population into society (education, health, employment, culture), a new approach must be developed jointly, which will be shared between the actors concerned (governments, civil society, donors) to guide their future actions.

The experience of the administrative models of countries in both regions can be pooled with a view to mutual enrichment.

Objective

The aim of the social initiative is to develop the capacity of the public authorities in all the Latin American countries to formulate coherent policies to fight against social inequalities by identifying the people most concerned. The partnership with the European Union is an essential dimension of the programme.

Specific objectives

The programme aims to provide knowledge and methodology tools concerning the problems of social inequality stemming from ethnic and racial discrimination. It must help to increase the capacity of the Latin American administrations, and also the financial institutions, to introduce measures to reduce inequalities. It is based on the experience of the European Union in these fields.

Activities:

- develop the database on disadvantaged people by means of household censuses and surveys in order to determine socio-economic profiles;
- develop a methodology applicable to public expenditure, on a pilot basis in one or more selected countries, with a view to replicating it in other countries of the region;
- identify policies targeted at poor people;
- organise seminars to share and discuss the results with the participation of government institutions, NGOs, and donors;

- disseminate activities to the governments of the region;
- training activities for administrations and NGOs.

Expected results:

- (1) setting-up of a database on the people most affected by poverty and exclusion and a common methodology to develop targeted policies;
- (2) awareness-raising and improvement in the capacities of administrations;
- (3) exploiting the European experience in the fight against social exclusion (statistics, policy mix).

Process /Partners

A coordination structure will be responsible for organising and coordinating activities and ensuring their dissemination. Care will be taken to associate competent European institutions and Member States in the fields concerned (statistics, fight against social exclusion) in order to exploit European knowledge and experience. A report and recommendation will be presented at the next Summit.

The programme will be coordinated with the activities of other donors, especially the Inter-American Development Bank.

Possible option

The programme could be developed by associating the bodies that represent civil societies in both regions, by setting up a network and exchange forums.

Conditions

A political commitment by the countries taking part in the Madrid Summit to the principle and objectives of the programme; the involvement of the administrations and institutes concerned in the countries of both regions.

A coordination body.

Performance indicators

- (1) products delivered (statistics, data bases);
- (2) mobilisation of the governments and institutions concerned, involvement of civil society;
- (3) impact of activities on national policies and on the actions of donors;
- (4) presentation of recommendations to the next Summit (after Madrid).

Financing 15-20% of the indicative allocation

Priority 3: Strengthening natural disaster prevention and preparedness and ensuring rapid implementation of rehabilitation/reconstruction measures

Context

The combination of the region's various natural risks and its highly vulnerable socio-economic context creates a backdrop of ever-present danger compounded by a constant threat of disaster. In addition to large-scale disasters like the one caused by hurricane Mitch, certain areas of the region are swept by a succession of medium and small-scale disasters, the combined effects of which cause more damage and upheavals than the major disasters. This damage and upheaval have considerable economic, social and environmental repercussions that seriously affect the development potential of the countries in the regions concerned. This situation explains why the issue of cooperation in the field of disaster prevention and preparedness and also reconstruction is a priority for Latin America as a whole. This priority aspect was recognised as such by the Heads of State and Government of Europe, Latin America and the Caribbean, when they met in Rio in 1999 for the first European Union/Latin America –Caribbean Summit (priority action No 17).

Studies of the problems connected with natural disasters show that very often the adverse consequences of natural disasters are increased by people's vulnerability and the lack of coordination of the bodies in charge of disaster prevention and preparedness. In addition, experience has revealed the European Commission's difficulties in making its contribution to reconstruction/rehabilitation measures rapidly available to the countries hit by natural disasters.

General objectives

It is primarily a question of contributing effectively to rehabilitation and reconstruction measures for the Latin American countries that have suffered serious destruction following natural disasters. It also involves contributing to reducing the vulnerability of the people most exposed to natural disasters, in particular the poorest people.

Specific objectives

The specific objectives are to ensure rapid availability of Community funds for rehabilitation and reconstruction measures in the Latin American countries hit by natural disasters.

It is also a question of helping to make the local authorities aware of disaster prevention and preparedness measures, as well as strengthening coordination and the exchange of information between national and regional bodies working in this field, for example by using European know-how and experience.

The activities carried out will complement and support the DIPECHO natural disaster prevention programme implemented by ECHO since 1998.

Expected results

- Rapid and targeted contribution by the European Commission to reconstruction and rehabilitation schemes designed to put back basic services (health and education) into operation in the Latin American countries hit by natural disasters.
- Dissemination and application of best practice in the field of natural disaster prevention and preparedness, especially at local level.
- Improvement in coordination and the exchange of information between national and regional bodies in charge of natural disaster preparedness.

Activities

- Introduction of mechanisms to facilitate rapid provision of Community funds for rehabilitation and reconstruction in Latin America countries hit by natural disasters.
- Support for measures to disseminate, acquire and apply best practice in the field of natural disaster prevention and preparedness at local level.
- Preparation of a directory of national and regional civil protection organisations in Latin America and Europe, an inventory of existing sources of aid in disaster situations, and preparation of a handbook containing guidelines for cooperation in the event of disaster. Dissemination of this material.
- Training and seminars on the development of coordination and exchange of information between national and regional bodies.

Implementation

Various mechanisms could be explored for rehabilitation/reconstruction measures, such as adapting existing reconstruction funds to Community procedures, adjusting existing social funds so that the

Community can finance reconstruction measures of a social nature, or setting up an adapted bi-regional mechanism.

Awareness-raising activities aimed at the local population will be implemented on a decentralised basis. They will be carried out by the local authorities in the Latin American countries (towns, conurbations, provinces, regions and other bodies working in the field of disaster prevention and preparedness); activities will be proposed, managed and implemented by the participants themselves.

For activities aimed at improving coordination and the exchange of information between national and regional entities, the Commission will encourage contacts at regional level between the actors concerned and will also bring in European experts.

Performance indicators/results

- (1) Effectiveness and efficiency of Community contributions/support for reconstruction /rehabilitation measures.
- (2) Collation, reproduction and dissemination of information concerning local best practice in the field of natural disaster prevention and preparedness.
- (3) Progressive establishment of networks of Latin American bodies and Latin American and European bodies responsible for disaster prevention and preparedness.

Conditions

The European Union's visibility in reconstruction/rehabilitation activities must be guaranteed. The Union must endeavour to support reconstruction/rehabilitation actions that help to reduce the degree of vulnerability the next time there is a disaster.

Total appropriation: 20% of the indicative allocation.

Priority 4: Accompanying measure: Observatory of EU/Latin America relations

Context

The European Union/Latin America partnership must draw on the expertise available in both regions for a better understanding of the regional and sectoral problems that influence the shape of policies and programmes.

Objective

Mobilise networks of institutes in both regions, selected for their expertise, knowledge and contacts. The fields concerned include multilateral questions of concern to both regions (trade, human rights, security, environment). The programme will include measures to ensure greater visibility for the European Union and Latin America partnership, in its various components.

Activities:

- Follow-up of the agenda of EU/AL relations (meetings between the regional integration institutions of both regions) and also the multilateral agenda;
- Examination of issues connected with the priorities of the Rio process as well as issues from the subregional agendas (Mercosur, Andean Community, Central America and Caribbean).

The activities will involve:

- (1) establishing networks of a critical mass of experts in both regions;
- (2) adopting a work programme that meets the needs of the Commission;
- (3) a thematic organisation in the priority fields: trade, regional integration, environment, social equality;
- (4) studies, working parties, seminars;
- (5) a communication strategy intended to increase the visibility of European Union/Latin America relations. It could include meetings with targeted audiences and the preparation of documents for dissemination (newsletter, booklets, video supports, Internet site).

Implementation

An organisational and coordination body will be responsible for constituting a group of experts from the institutes specialising in relations between the two regions in order to:

1. disseminate information on EU/AL relations
2. provide support for formulating policy guidelines and priorities.

Expected results

The network will provide the Commission with an evaluation of current interregional processes, including a forecast of future developments, together with recommendations for its actions and policies.

It will formulate proposals for performance indicators to evaluate the progress of interregional processes. It will organise information activities (publications, meetings, actions targeted at the media, civil society) to raise the visibility of the process in both regions.

Performance indicators/results

Supply of the products requested in accordance with the timetable for the work programme; organisation of events and audience; publications; network management.

Financing: €1.5 million over 5 years.

Financing will amount to 40% of the network's and the coordinating organisation's operating budget. The rest will be provided by the Member States and Latin America or other partners.

Additional action of sectoral interest: Network of administrations responsible for sustainable management of energy

Context/justification

Latin American energy systems remain ineffective, growth in demand exceeds growth in GDP: for the period 1987-99, increase in consumption of 33% and GDP growth of 30%. A third of the population is not linked up to an electricity network.

Sustainable management of energy is a key field of economic and social development (adequate supplies, energy demand, access to the resource, energy independence) and must also take account of the environmental dimension (climate change).

Confronted with these issues, the administrations and institutions responsible for energy need expertise in the field of sustainable management of energy and have set up a network to develop concerted strategies (OLADE).

Specific objective of the action

Provide the administrations of the region with support so that they can develop expertise and reinforce their activities in networks to support the adoption of appropriate energy policies, both from the point of view of the environment and regional and subregional integration.

Activities

- Environment and social development (promotion of “clean” technologies and standards; new and clean energy; energy saving and energy efficiency; rural energy,
- Regional integration and interconnection
- Information and training (legal aspects, forward studies and environmental standards)

Expected results

- a regional policy is laid down and takes the three aspects of sustainable development into account: economic, social and environmental
- energy policies are adopted with respect to regional integration and energy efficiency;
- internationally recognised environmental standards are introduced into sectors where they were unknown;
- a regional information system taking account of the legal, environmental and technological aspects is available.

Implementation

An organisation will be selected to coordinate and manage activities by means of a network of administrations, institutions and organisations responsible for energy sector policy formulation, management, programming and regulation ; organisation of thematic working parties, carrying out of studies, dissemination of good practice; training of public service staff.

Performance indicators

- the region has stabilised its share in the final consumption of petroleum products
- energy-intensity trends closer to those observed in the EU;
- reduction in the percentage of the population not connected to the network;
- the region contributes to the implementation of the Kyoto mechanisms;
- the interconnection of the gas and electricity networks has increased (comparison of investment stocks at the beginning and end of the project).

Financing: €10/20 million

Financing will amount to 50% of the network and the coordinating organisation’s operating budget.

Conditions

Involvement of the Latin American institutions in the network.

Indicative timetable of regional programming 2002-2006 (€ million)

Priorities/percentage	2002	2003	2004	2005- 2006	Total 2002/06
Priority 1 networks:					
ALFA II	17			10	27
ALFA + scholarship	45			43	88
AI-INVEST	10		30		40
ATLAS	6				6
<i>Subtotal:</i>	78		30	53	161
Priorities 2 and 3:					
Social initiative		30			30
Disaster prevention			20	20	40
Priority 4: EU/AL observatory		1.5			1.5
Additional sector: sustainable management of energy				20	20
Total	78	31.5	50	93	252.5/*

*

CGIAR contribution: some €6 million/year (to be confirmed)

Latin America and Caribbean socio-economic data

	1995	1998	1999
People			
Population, total	477.7 million	500.6 million	508.2 million
Population growth (annual %)	1.7	1.5	1.5
Population density (people per sq. km)	23.8	25.0	25.3
Life expectancy at birth (years)	69.1	..	69.8
Fertility rate, total (births per woman)	2.8	..	2.6
Mortality rate, infant (per 1,000 live births)	33.9	..	30.0
Mortality rate, under-5 (per 1,000 live births)	..	..	38.0
Malnutrition prevalence (% of children under 5)	..	..	..
Urban population (% of total)	73.3	74.5	74.9
Rural population density (per sq. km of arable land)	247.0	251.9	..
Illiteracy rate, adult male (% of males 15+)	12.0	11.2	11.0
Illiteracy rate, adult female (% of females 15+)	14.4	13.2	12.8
School enrollment, primary (% net)	..	..	..
School enrollment, secondary (% net)	..	..	..
School enrollment, primary, female (% net)	..	..	..
School enrollment, secondary, female (% net)	..	..	..
Environment			
Surface area (sq. km)	20.5 million	20.5 million	20.5 million
Forest area (sq. km)	..	..	..
Annual deforestation (% of change)	..	..	..
Freshwater resources per capita (cubic meters)	..	..	27,919.3
CO2 emissions (metric tons per capita)	2.6	..	..
Improved water source, urban (% of urban population with access)	..	..	..
Improved sanitation facilities, urban (% of urban population with access)	..	..	..
Commercial energy use (kq of oil equivalent per capita)	1,097.5	1,183.3	..
Electric power consumption per capita (kwh)	1,304.6	1,452.1	..
Economy			
GNI, Atlas method (current US\$)	1.6 trillion	1.9 trillion	1.9 trillion
GNI per capita, Atlas method (current US\$)	3,360.0	3,870.0	3,800.0
GDP (current \$)	1.7 trillion	2.0 trillion	2.1 trillion
GDP growth (annual %)	1.5	1.9	-0.0
Inflation, GDP deflator (annual %)	..	..	..
Agriculture, value added (% of GDP)	8.3	7.9	7.7
Industry, value added (% of GDP)	33.3	29.2	30.0
Services, etc., value added (% of GDP)	58.3	63.0	62.3
Exports of goods and services (% of GDP)	15.0	14.6	16.5
Imports of goods and services (% of GDP)	15.9	17.7	17.7
Gross capital formation (% of GDP)	21.3	21.8	20.3
Current revenue, excluding grants (% of GDP)	..	..	..
Overall budget deficit, including grants (% of GDP)	..	..	..
Technology and infrastructure			
Telephone mainlines (per 1,000 people)	91.4	119.2	130.1
Telephone average cost of local call (US\$ per three minutes)	0.0	0.1	0.1
Personal computers (per 1,000 people)	19.5	32.0	37.7
Internet hosts (per 10,000 people)	1.2	7.7	14.8
Paved roads (% of total)	24.2	..	..
Trade and finance			
Trade in goods as a share of PPP GDP (%)	15.6	18.5	18.2
Trade in goods as a share of goods GDP (%)	63.1	74.3	74.6
High-technology exports (% of manufactured exports)	8.1	12.6	15.7
Foreign direct investment, net inflows in reporting country (WDI, current US\$)	29.8 billion	72.1 billion	90.4 billion
Present value of debt (current US\$)	..	..	..
Total debt service (current US\$)	80.9 billion	121.6 billion	162.3 billion
Short-term debt outstanding (current US\$)	130.6 billion	126.8 billion	120.1 billion
Aid per capita (current US\$)	13.2	10.9	11.5

Source: World Development Indicators database, April 2001

Economic development and per capita income
Latin American countries

COUNTRY	POPULATION (millions)	GDP (billions US\$)	INCOME per capita (US\$)	POVERTY (% population)
ARGENTINA	37	285	7,470	--
BOLIVIA	8.3	8.2	980	67
BRAZIL	170.1	595.5	3,590	22
EL SALVADOR	6.3	13.2	1,990	--
EQUADOR	12.4	19.1 (1999)	1,360 (GDP)	35
CHILE	15.2	70.5	4,610	21
COLOMBIA	42.3	81.3	2,020	55
COSTA RICA	3.7	15.9	3,970	--
GUATEMALA	11.4	19.5	1,690	--
HONDURAS	6.5	5.9	850	--
MEXICO	98.0	574.5	5,070	--
NICARAGUA	5.0	2.4	420	--
PANAMA	2.9	9.9	3,260	37
PARAGUAY	5.5	7.5	1,440	--
PERU	25.7	53.5	2,080	54
URUGUAY	3.3	19.7	6,000	--
VENEZUELA	24.2	120.5	4,310	52

Source : World Bank, *Données 2000*

Latin American Trade

Au niveau mondial et intra régional

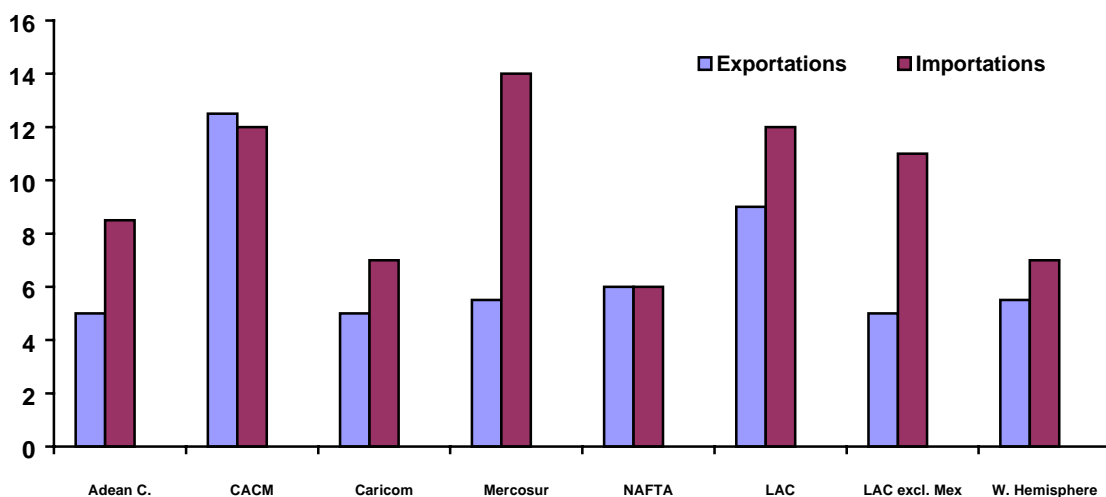
Entre 1980 et 2000 la part de la région dans le commerce mondial est passée pour les importations de 6.3% à 7.1% et pour les exportations de 6.3 à 7%. Le commerce intra-régional a crû de 13 % à 19.5 % ente 1990 et 95.

Les performances sont cependant variables selon les sous régions, les pays et les années. Le Mercosur représente le 4^{ème} marché du monde, (60 % du territoire , 45 % de la population et 50 % du PIB régional) et concentre un tiers du commerce intra-régional (dont deux tiers pour Brésil-Argentine).

La croissance des importations prédomine sur celle des exportations dans l'ensemble des sous-régions. L'augmentation des exportations concerne surtout le Brésil, le Venezuela et le Mexique. Les exportations de produits transformés concernent principalement le Mexique et le Mercosur (entre 40 et 50% des exportations) et ne représentent que 15% de celles des pays andins et de l'Amérique centrale, compte tenu notamment d'une production très concentrée sur quelques produits non transformés.

Source : BID

Croissance des exportations et des importations en US\$ 1990-1999 (%)



Evolution des échanges commerciaux de l'Union Européenne

(Millions d'Euros. Données EUROSTAT)

Avec le monde

YEAR	IMPORTS	YEARLY % CHANGE	EXPORTS	YEARLY % CHANGE	BALANCE
1996	581.015	6,6	626.294	9,2	45.279
1997	672.568	15,8	721.128	15,1	48.561
1998	710.538	5,6	733.428	1,7	22.890
1999	779.216	9,7	760.172	3,6	-19.044
2000	1.025.554	31,6	936.765	23,2	-88.789

Avec l'Amérique latine

YEAR	IMPORTS	YEARLY % CHANGE	EXPORTS	YEARLY % CHANGE	BALANCE
1996	30.240	-0,6	35.601	9,9	5.360
1997	34.651	14,6	45.177	26,9	10.526
1998	35.569	2,7	49.740	10,1	14.171
1999	37.226	4,7	45.752	-8,0	8.526
2000	48.542	30,4	54.311	18,7	5.769

Composition des exportations/importations en 2000

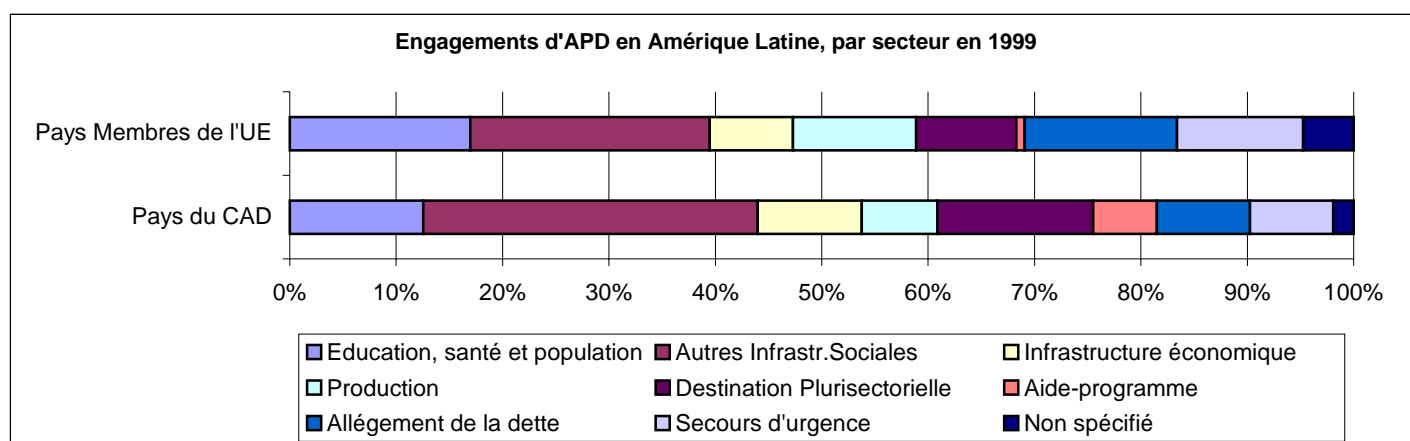
<u>EU Imports</u>			<u>EU Exports</u>		
Products	Value	LATIN AMERICA share by products	Products	Value	LATIN AMERICA share by products
Agricultural products	18.457	23,5	Agricultural products	3.060	5,1
Energy	3.321	2,7	Energy	454	1,7
Machinery	4.354	1,51	Machinery	17.914	6,3
Transport. Material	4.178	4,06	Transport. Material	10.374	6,9
Chemical products	1.915	2,71	Chemical products	8.658	6,8
Textiles and clothings	503	0,7	Textiles and clothings	1.222	3,1

Regional projects financed by the EC in 1998, 1999, 2000

LIGNE BUDGETAIRE	1998	1999	2000
B7-310 <i>Coopération financière et technique</i>	17.940.000	7.346.090 dont 4.835.000 AL-INVEST II	59.000.000 dont 45.000.000 participation au PPTE/Banque Mondiale
B7-311 <i>Coopération économique</i>	42.887.022 AL-INVEST 9.875.000 ALFA II 25.000.000 ALURE 5.000.000	59.955.824 (ALURE, AL- INVEST I, AL-INVEST II 38.400.000)	56.310.000 dont 50.000.000 URBAL II
B7-703 <i>Processus Démocratisation</i>		200.000	2.441.304
A-3032 <i>IRELA</i>	1.900.000	1.900.000	
A-3034 <i>CELARE</i>	200.000	250.000	250.000
B7-6200 <i>RELEX Environnement dans les PED</i>	808.650	1.090.122 (TV Envir)	
B7-6201 <i>RELEX Forêts tropicales</i>	992.895		
Total			
B7-6120 <i>DEV Enfants</i>			1.000.000
B7-6100 <i>DEV Sensibilisation/développement</i>			200.000 (TV Envir)
B7-6110 <i>DEV Dimension du genre</i>			985.000
B7-6000 <i>DEV ONGs</i>	990.352	263.690	
B7-610 <i>DEV Formation/sensibilisation</i>	91.897	14.011	
B7-643 <i>DEV Coopération décentralisée</i>	31.487	99.147	
B7-6211 <i>Recherche</i>	1.571.000	930.000	2.064.792
B6-7211 <i>Recherche pays tiers</i>	5.723.200 (santé, environnement, alimentaire)		
B4-1041 <i>TREN Synergie</i>	490.325	708.960	
B7-219 <i>ECHO</i>	349.100		
TOTAL		72.357.844	120.186.304

Latin America donors*Millions of US \$ (OECD/DAC)*

	1995		1996		1997		1998		1999	
	total	grants	total	grants	total	grants	total	grants	total	grants
TOTAL	6091	4262	7473	5581	5434	3925	5822	4319	6421	4510
TOTAL EU Members	2443	1975	2596	2031	1842	1461	2096	1784	1909	1596
EC	394	387	425	423	386	378	426	356	415	395
Austria	31	31	29	29	21	21	26	26	61	60
Belgium	95	95	96	95	46	44	59	58	46	46
Denmark	79	78	89	82	64	60	79	78	75	71
Finland	42	42	11	11	14	11	14	14	33	33
France	383	325	259	197	177	146	347	322	197	181
Germany	718	584	1030	860	580	422	570	467	560	438
Greece	-	-	0.02	0.02	0.14	0.14	0.7	0.7	0.36	0.36
Ireland	2	2	2	2	3	3	3	3	5	5
Italy	122	30	141	40	100	60	83	28	73	38
Luxembourg	8	8	12	12	10	10	14	14	21	21
Netherlands	320	320	310	310	286	286	311	311	132	132
Portugal	0,15	0,15	2	2	0.41	0.41	1	1	1	1
Spain	402	223	415	201	355	226	376	277	367	315
Sweden	137	137	138	138	113	113	95	93	164	162
United Kingdom	104	99	63	53	73	57	117	91	173	91
OTHER IMPORTANT MEMBERS OF DAC	4600	3521	5932	4828	3996	3223	4255	3596	4561	3751
Switzerland	90	90	90	90	69	69	74	74	77	77
Norway	63	63	67	67	67	66	88	88	68	64
United States	675	655	1995	1970	1047	956	1162	1115	1423	1413
Canada	101	101	99	99	150	150	104	104	94	94
Japan	1226	636	1083	570	817	518	728	428	987	506
MULTILATERAL TOTAL	1491	741	1519	752	1409	702	1555	722	1853	758
of which IDB	413	-	540	72	461	74	495	68	398	77
IDA	208		220		281		257		475	
IMF	56		49				46		234	
TOTAL UN Agencies		208		204		130		191		174
UNTA		74		35		74		44		59
WFP		71		16		36		40		45

ODA commitments in Latin America, by sector in 1999

Source : OCDE statistiques CAD

The 11 priorities selected in Tuusula

Priorité 1: Approfondir et intensifier la coopération et les consultations existantes dans les enceintes internationales et les étendre à toutes les questions d'intérêt commun.

Priorité 2: Promouvoir et protéger les droits de l'homme, notamment ceux des groupes les plus vulnérables de la société, et empêcher et combattre la xénophobie, les manifestations de racisme et les autres formes d'intolérance.

Priorité 3: Femmes – adoption de programmes et projets liés aux domaines prioritaires mentionnés dans la déclaration de Beijing.

Priorité 4: Renforcer les programmes de coopération dans le domaine de l'environnement et des catastrophes naturelles.

Priorité 5: Drogue – mise en œuvre du plan d'action mondial de Panama, y compris les mesures destinées à lutter contre le trafic illicite d'armes.

Priorité 6: Elaborer des propositions pour la coopération entre les deux régions visant à mettre en place des mécanismes destinés à promouvoir au niveau mondial un système économique et financier stable et dynamique, à renforcer les systèmes financiers nationaux et à élaborer des programmes spécifiques afin d'aider les pays relativement moins développés sur le plan économique.

Priorité 7: Encourager les forums commerciaux, notamment auprès des PME, et industriels.

Priorité 8: Fournir un appui à la coopération entre les deux régions dans les domaines de l'éducation et des études universitaires, ainsi que dans ceux de la recherche et des nouvelles technologies.

Priorité 9: Patrimoine culturel, forum culturel UE-Amérique latine/Caraïbes.

Priorité 10: Mise en place d'une initiative commune sur des aspects particuliers de la société de l'information.

Priorité 11: Activités de soutien liées à la recherche, aux études de troisième cycle et à la formation dans le domaine des processus d'intégration.

Eléments sur la Cohérence avec les politiques communautaires
(Elements on coherence with Community policies)

La Politique commerciale et le développement : dans son rapport de 1998, le CAD/OCDE a examiné la politique de développement de la Communauté européenne et a posé la question de « la cohérence entre la politique de développement et la politique commerciale, les importations de l'UE avec les Pays en Développement (PED) étant soumises à des régimes complexes différents d'un pays et d'un secteur à l'autre. Le CAD a pris note de la tendance à la libéralisation et à la simplification des régimes commerciaux et à la conclusion d'accords sous régionaux ».

La question posée par le CAD concerne la nécessité de faciliter l'accès aux marchés européens des produits provenant des PED afin de les soutenir dans leur développement. Dans ses documents préparatoires à la négociation OMC, l'Union s'est engagée à rechercher une libéralisation du commerce qui tienne en même temps compte des intérêts des pays en développement, ainsi que de la dimension sociale etc . La Communication de 2001 « Tout sauf les armes » va aussi dans ce sens.

Le système de préférences généralisées permet à plus de 65% des exportations latino-américaines vers l'Europe de bénéficier d'exonérations douanières, à 45% sans tarifs douaniers en vertu de la clause de la nation la plus favorisée, et à 23% au titre du SPG. Les pays andins et l'Amérique centrale font l'objet de régimes spéciaux pour certains produits agricoles (à l'exception des bananes qui font l'objet d'un régime spécial).

Le nouveau règlement SPG (2002-2004), simplifié et plus ciblé sur les besoins des PED, comporte un volet incitatif lié au respect des normes du travail (conventions OIT) et de l'environnement. Ces préférences commerciales additionnelles peuvent permettre de doubler les bénéfices prévus par les arrangements généraux. En revanche les pays bénéficiaires qui violeraient les dispositions prévues dans ces accords pourraient perdre le bénéfice de du SPG. Le régime spécial « drogues » créé pour aider les pays andins et d'Amérique centrale à mettre en place des cultures alternatives sera prolongé.

L'environnement : l'Union européenne, signataire de la Convention sur la protection du Climat à Rio en 1992 s'est engagée à ratifier le protocole de Kyoto (réduction des gaz à effet de serre).

Pour atteindre les objectifs de la Convention, l'Union privilégie les mesures nationales, locales, privées ou publiques, chaque acteur partageant les responsabilités. Ces mesures intéressent en premier lieu la gestion énergétique : amélioration de l'efficacité énergétique, utilisation des énergies renouvelables. Kyoto prévoit aussi la possibilité de mettre en place entre pays industrialisés et en développement un mécanisme de développement propre (MDP). Le MDP permettrait aux pays développés d'acquérir des droits d'émissions de gaz à effet de serre supplémentaires en contre partie d'investissements propres dans les pays du sud. C'est une opportunité nouvelle pour les PED qui vient s'ajouter à l'aide bilatérale classique et permet d'associer le secteur privé.

La lutte contre la pauvreté et l'exclusion sociale est la priorité de la politique de développement et de la politique sociale de l'Union, elle doit être intégrée dans l'ensemble des politiques et actions de la communauté et des Etats membres ; elle met l'accent sur l'emploi, la protection sociale, le rôle de la société de l'information, l'égalité entre les hommes et les femmes. Un rapport sur l'inclusion sociale sera soumis au Conseil européen de Laeken en décembre 2001.

L'éducation : la Communication de la Commission sur le renforcement de la coopération avec les pays tiers dans le domaine de l'enseignement supérieur s'est donnée pour objectifs : former des ressources humaines de haute qualité dans les pays partenaires et au sein de la Communauté grâce au développement réciproque de ressources humaines ; promouvoir la CE en tant que centre mondial d'excellence pour les études/la formation et pour la recherche scientifique et technologique.

Le développement durable : la Commission a présenté une Stratégie sur le développement durable au Sommet de Göteborg de juin 2001 reprise dans les conclusions du Sommet qui donnent une priorité à son extension à l'action internationale de l'Union . La Commission présentera une communication sur le sujet au Sommet de juin 2002.

La prévention des conflits : la Communication d'avril 2001 sur la prévention des conflits met l'accent sur la nécessité d'inclure dans la coopération un objectif de stabilité structurelle (démocratie, droits de l'homme, environnement, capacités de gestion) ainsi que la consolidation de l'état de droit et des processus de paix.

Les droits de l'homme : la Communication de mai 2001 donne une priorité aux droits de l'homme dans le dialogue politique, dans les négociations commerciales, dans l'aide extérieure. Les thèmes définis pour 2002 et au-delà sont : la démocratisation et la bonne gestion publique, l'état de droit, l'abolition de la peine de mort, la lutte contre la torture et l'impunité et l'établissement de tribunaux internationaux et pénaux, la lutte contre le racisme et la xénophobie et la discrimination à l'égard des minorités et des populations autochtones.

Politique de lutte contre la drogue : le Plan d'Action sur les Drogues 2002-2004 a été mis en place par une Communication de juin 2001 qui développe les actions à mettre en oeuvre à cet égard. Si la plupart des actions dans le domaine de la lutte contre la drogue relèvent du domaine national, la nécessité d'une coordination politique est reconnue nécessaire. Le plan d'Action met l'accent sur la nécessité de réduire l'offre et la demande en s'attaquant à travers toute la chaîne, y compris aux causes qui sont la pauvreté et l'exclusion sociale. Les projets financés par les Etats membres et par la Commission dans les pays tiers doivent y contribuer.

Dans le domaine de la justice et des Affaires Intérieures, la lutte contre la drogue figure à l'agenda du dialogue politique, notamment avec les pays andins. C'est également le cas des sujets comme le blanchiment d'argent, le terrorisme, la questions des réfugiés et des visas. Ces sujets sont abordés dans le cadre du Groupe de Rio, des accords politiques avec le Mexique, le groupe de San José, la Communauté andine et des accords d'association en cours de négociation avec le Mercosur et le Chili.

La Société de l'Information : ce thème fait partie des priorités de la Communication de la Commission d'octobre 2000 sur le suivi du Sommet de Rio. Les technologies de l'information représentent un potentiel non seulement pour le développement économique de la région, mais aussi pour la promotion des droits de l'homme et la réduction des déséquilibres sociaux, autres priorités de la Commission. Ces technologies peuvent contribuer à la transparence et l'efficacité des politiques publiques et à la participation des citoyens ; à améliorer les services publics de la santé et de l'éducation ainsi que la qualité de vie des populations.

L'initiative eEurope lancée par la Commission en 1999 et soutenue par le Sommet de Lisbonne de mars 2000 et eEurope + destinée aux candidats à l'adhésion visent à accélérer le développement de la Société de l'Information en Europe. @lis soutiendra la création de eStratégies pour l'Amérique latine inspirées de eEurope.