

EUROPEAN PARLIAMENT

DIRECTORATE GENERAL FOR EXTERNAL POLICIES

INFORMATION NOTE ON CENTRAL AMERICA

Prepared by the secretariat of
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(non-Europe division)

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Surface: 500 000 km²

Population: 39 m (2003)

GDP growth: 3.3% (estimate for 2003)

Per capita income in USD: from 450 (Nicaragua) to 3940 (Costa Rica)

The region:

The concept of a 'Central American region' is not always clear or consistent. Costa Rica has tended to keep its distance and has thus not joined, for instance, a regional body such as the Central America Parliament (PARLACEN). Panama, which was part of Colombia until 100 years ago, has also maintained certain differences from the rest of the region. The Dominican Republic is a Caribbean country but has close links with the region, thanks to which it is, for instance, a member of PARLACEN. Belize, an ACP country and former British colony, has an ongoing border dispute with Guatemala.

Up to the 1990s the region was affected by a series of civil wars, which came to an end with **Esquipulas Peace Agreements**.

Since the Agreements came into force, the conflicts have died down and democracy appears to have been consolidated in all countries of the region. Over the last ten years all handovers of power have taken place democratically and elections have been held in acceptable conditions (recently, the EP sent observers to the elections in Nicaragua in 2001 and Guatemala in 2003).

This does not mean that all problems have been resolved. The structural handicaps, in part inherited from the past, are now compounded by those arising from an unfavourable international conjuncture. The recent climate-related disasters (**Hurricane Mitch**, mainly affecting Honduras and Nicaragua in October 1998; floods and earthquakes affecting El Salvador in February 2001) and falling prices on the international markets (e.g. the coffee market) have further worsened matters.

Economically, the region suffers from a structural problem in the form of an unequal distribution of wealth, to a large extent concentrated in the hands of a few families. 70% of the population lives in **poverty**, and 30% in extreme poverty. International cooperation, emigrants' remittances and tourism represent important sources of income, despite the fallout from 11 September.

Crime has historically been rife in the region, and has been further encouraged by three circumstances. Firstly, demilitarisation has inundated the labour market with poorly skilled ex-combatants who have to seek some means of subsistence. Secondly, weapons are widely owned and easily obtained. Finally, the spread of the '**maras**' (gangs of youths) has undermined law and order and led to complaints from the public at the governments' perceived failure to act. These problems have been compounded by those arising from the trafficking across the isthmus of large quantities of drugs originating in the Andean countries, as well as of weapons and money destined for laundering.

Another of the region's structural plagues, namely **corruption**, is now beginning to be tackled seriously by those in power, who are including the fight against impunity among their election promises. Several former leaders are now in jail or on the wanted list, among them the former President of Costa Rica and ex-Secretary-General of the OAS, Miguel Ángel Rodríguez.

The outstanding problems needing serious action in the region are: tax reform, legal security on both the internal and external levels (the latter regarding investment), access to health and education, and gender inequality.

The EU and Central America:

The existing relations between the EU and Central America date from the mid-1960s, and have been through some ups and downs related to the state of democracy in Latin America. Non-democratic interludes have in many cases led to an effective suspension of dialogue between the EU and the various countries or subregions.

The EU contributed an average of EUR 145 m per annum over the period 1995-2001. The aftermath of Hurricane Mitch saw the creation of the 'Programme for Reconstruction in Central America', funded to the sum of EUR 250 m.

The EU currently proposes to contribute EUR 600 m between 2002 and 2006. This cooperation covers the following areas: the regional integration processes (40 m), natural disaster prevention (20 m), support for good governance, decentralisation and the development of local authorities (150 m), and the fight against poverty (110 m).

The existing EU-Central America relations include the **political dialogue** launched at the San José Meeting in 1984 and renewed at the meetings held in Florence in 1996 and Madrid in 2002 (the President of the EP is invited to participate).

It was announced in Madrid in May 2002, at the **Second EU/Latin America and Caribbean (EU/LAC) Summit of Heads of State and Government** that negotiations would be launched with the region (as with the Andean region) with a view to a **cooperation and political dialogue agreement**. The Central American side felt particularly disappointed in the light of its aspirations to an association agreement similar to those concluded with Mexico (1997) and Chile (2002) or that now being negotiated with Mercosur. The **cooperation and political dialogue agreement** was signed in Rome in December 2003. This agreement does not cover trade. Subsequently, at the **Third EU/LAC Summit**, held in May 2004 in Guadalajara, it was confirmed that negotiation of the trade aspects would depend on the progress made on the Doha agenda and on regional integration. The one hope offered in Guadalajara was the possibility of a progress report being made available shortly (probably by the end of January).

The Commission will assess the operation of the regional institutional framework, the progress made towards a customs union and the reduction of non-tariff barriers.

As far as trade is concerned, the region is a beneficiary of the **Generalised System of Preferences**. The Commission has proposed simplifying this system and tying it to the ratification and full implementation of the international conventions on human rights, workers' rights and the environment. On 20 October 2004, the Commission adopted a simplified system of preferences, to come into effect in July 2005.

It is common to hear Central Americans criticise the arrangements as entailing **concessions of a unilateral nature**, arguing that international investors are put off by threats relating to a 'graduated system'.

The interparliamentary dialogue:

The President of PARLACEN and the chairman of the Delegation for relations with the countries of Central America signed, in Brussels on 25 June 1997, a **joint declaration on cooperation**, on the basis of which annual interparliamentary meetings are held, alternately in Brussels or Strasbourg and Central America. These meetings discuss subjects of mutual or regional interest.

Traditionally, the President of the European Parliament is represented by the chairman of the Delegation for relations with the countries of Central America at the swearing-in ceremony for the steering committee ('Junta directiva') of PARLACEN (28 October each year)

There are also regular interparliamentary meetings in the framework of other forums, such as the EU/Latin America and Caribbean Interparliamentary Conference (held every two years, alternately in Europe and Latin America) or the recent meeting of EU and LAC parliamentarians held in Puebla in March 2004.

The cooperation and political dialogue agreement provides for the creation of a **Joint Parliamentary Committee** linking PARLACEN and the EP. The Delegation for relations with the countries of Central America has produced numerous statements in support of PARLACEN.

Integration and its institutions:

Since the beginning of this year, Guatemala, El Salvador, Honduras and Nicaragua have taken major steps towards the free movement of goods, the introduction of common border posts, and the free movement of workers.

The Commission finances the regional integration projects, especially those aimed at involving civil society in the integration process.

The Tegucigalpa Protocol of 1991 laid the bases of the Central American Integration System (SICA), which was created in 1993. Its institutions include the SICA Secretariat, the Central American Parliament (PARLACEN) and the Penal Court of Justice. These institutions are at present being reformed, and are the subject of frequent presidential statements.

PARLACEN has been the target of particularly strong criticisms from those who see it as a wasteful white elephant (the President of Honduras, Ricardo Maduro, announced that he would remove the budget line for PARLACEN from the budget for 2005, but the heading was restored by the national parliament).

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