26 February 2004

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REPORT  


Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

Rapporteur: Raimon Obiols i Germà
Symbols for procedures

* Consultation procedure
  majority of the votes cast

** Cooperation procedure (first reading)
  majority of the votes cast

**I Cooperation procedure (second reading)
  majority of the votes cast, to approve the common position
  majority of Parliament’s component Members, to reject or amend
  the common position

*** Assent procedure
  majority of Parliament’s component Members except in cases
  covered by Articles 105, 107, 161 and 300 of the EC Treaty and
  Article 7 of the EU Treaty

***I Codecision procedure (first reading)
  majority of the votes cast

***II Codecision procedure (second reading)
  majority of the votes cast, to approve the common position
  majority of Parliament’s component Members, to reject or amend
  the common position

***III Codecision procedure (third reading)
  majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the
Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in bold italics. Highlighting in normal italics is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.
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At the sitting of 12 January 2004 the President of Parliament announced that he had referred the proposal to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy as the committee responsible and the Committee on Development and Cooperation and to the Committee on Industry, External Trade, Research and Energy for their opinions (C5-0658/2003).

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy had appointed Raimon Obiols i Germà rapporteur at its meeting of 26 November 2003.

The committee considered the proposal for a Council decision and draft report at its meetings of 21 January 2004 and 19 February 2004.

At the latter/last meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Elmar Brok (chairman), Baroness Nicholson of Winterbourne (first vice-chairman), Geoffrey Van Orden (second vice-chairman) and Christos Zacharakis (third vice-chairman), Raimon Obiols i Germà (rapporteur), Per-Arne Arvidsson, Ole Andreasen, Bastiaan Belder, John Walls Cushnahan, Gianfranco Dell'Alba (for Emma Bonino, pursuant to Rule 153(2)), Rosa M. Diez González, Andrew Nicholas Duff (for Joan Vallvé), Hélène Flautre (for Per Gahrton), José María Gil-Robles Gil-Delgado (for Armin Laschet, pursuant to Rule 153(2)), Alfred Gomolka, Elisabeth Jeggle (for Michael Gahler, pursuant to Rule 153(2)), Giorgos Katiforis (for Alexandros Baltas), Catherine Lalumière, Jules Maaten (for Bob van den Bos), Minerva Melpomeni Malliori (for Hannes Swoboda, pursuant to Rule 153(2)), Cecilia Malmström, Helmuth Markov (for André Brie, pursuant to Rule 153(2)), Emilio Menéndez del Valle, Arie M. Oostlander, Jacques F. Poos, Jannis Sakellariou, José Ignacio Salafranca Sánchez-Neyra, Jürgen Schröder, Elisabeth Schroedter, The Earl of Stockton (for David Sumberg), Charles Tannock, Paavo Väyrynen, Demetrio Volcic, Peder Wachtmeister (for Hugues Martin, pursuant to Rule 153(2)), Karl von Wogau and Jan Marinus Wiersma.

The opinions of the Committee on Development and Cooperation and the Committee on Industry, External Trade, Research and Energy are attached.

The report was tabled on 26 February 2004.
on the proposal for a Council decision on the conclusion of a Political Dialogue and Cooperation Agreement between the European Community and its Member States, of the one part, and the Republics of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama

(Consultation procedure)

The European Parliament,

– having regard to the proposal for a Council decision (COM(2003)677)¹,
– having regard to Article 181 of the EC Treaty in conjunction with Article 300(2), first subparagraph, first sentence, of the EC Treaty,
– having regard to Article 300(3), first subparagraph, of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0658/2003),
– having regard to Rules 67 and 97(7) of its Rules of Procedure,
– having regard to the report of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy and the opinions of the Committee on Development and Cooperation and the Committee on Industry, External Trade, Research and Energy (A5-0120/2004),

1. Approves conclusion of the agreement;

2. Instructs its President to forward its position to the Council and Commission, and the governments and parliaments of the Member States and the republics of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

¹ Not yet published in OJ.
EXPLANATORY STATEMENT

1. The new EU-Central America Political Dialogue and Cooperation Agreement as preparation for the future partnership

During the current Commission’s tenure relations between the European Union and the countries of Central America have failed to make the kind of progress that one might have wished for. As a result these relations, which go back some way and have been relatively fruitful, are making insufficient progress. Although, on the one hand, many aspects of the relationship can be considered positive in economic and trade, political and cooperation terms in various areas, when the potential for a relationship with Central America or the magnitude of the problems affecting that region are taken into account the overall picture is less than satisfactory. It would appear that the priority and effort that Europe focused on the region in the turbulent period of violent confrontation in a number of Central American countries – and efforts by Europe that played a significant role in bringing peace to the region – have given way to a period in which the focus has diminished, interest has dimmed and the potential for interregional cooperation has waned, as if the signature of the peace agreements meant that the mission had been all but accomplished. This has led to a low profile role for the EU in an area in which the magnitude of the problems and the seriousness of the risks remain high. There has been a decline in the accomplishments and expectations in respect of the much-needed cooperation that actually needs to be renewed and strengthened in the immediate future.

Against this backdrop, and in spite of efforts on the part of the European Parliament, the Presidency-in-Office and some Council delegations, coupled with urgent and reasonable entreaties from our Central America partners, the second EU–Latin America summit held in Madrid on 17 May 2002 rejected the proposal for immediate negotiations on an EU-Central America partnership agreement and a similar partnership agreement with the countries of the Andean Community. Opposition to the negotiations on the part of the European Commission and some Council delegations led to a mere compromise, set out in paragraph 17 of the Madrid political declaration, to negotiate both political dialogue and cooperation agreements, to which was added ‘the decision to strengthen co-operation on trade, investments and economic relations’. At the same time the same declaration opened up future prospects that should be highlighted here: ‘The achievement of the objectives of such agreements and the strengthening of cooperation should establish conditions under which, building on the outcome of the Doha Work Programme, which we have committed to complete by the end of 2004, feasible and mutually beneficial Association Agreements, including FTA, could be negotiated between the EU and Central America and between the EU and the Andean Community’.

The second EU-Latin America summit therefore missed a golden opportunity to take a qualitative step forward in the biregional strategic partnership through its refusal to make a firm commitment to negotiate a partnership agreement with Central America, even though it left the door open to implementing it in the future. One of the consequences of this hiatus has been to focus the interest of the countries in the region on the proposal to establish a free-trade area between the EU and Central America (CAFTA). This has taken place against a backdrop of heightened efforts to set up the so-called Free Trade Area of the Americas (FTAA), with
the impact that this will have on all kinds of EU interests. Hence the anticipated strengthening of relations between the EU and Central America has been the focus of more intense, particular interest and highlights the need for the third EU-Latin America summit in Mexico to set the date for the commencement of negotiations on both partnership agreements with Central America and the Andean Community. Those agreements should be similar, ‘mutatis mutandis’, to those agreed with Mexico and under negotiation with Mercosur. Together such agreements ought to form the basis for a subsequent global interregional agreement leading to the creation of a Euro-Latin American partnership, including a free-trade area, by 2010 at the latest, echoing the call made by the European Parliament in its resolution of 15 November 2001.

2. Substance and scope of the new agreement in the context of the EU-Latin American strategic partnership

The new EU-Central America Political Dialogue and Cooperation Agreement focuses exclusively on these two areas, although it purports to go further than the 1993 framework cooperation agreement and the San José Dialogue launched in 1994 and renewed in 1996 and 2002. The new agreement does not include a trade component, since its main objectives are to strengthen relations between the EU and Central America by developing political dialogue and reinforcing cooperation, and to create the conditions under which, building on the outcome of the Doha Work Programme, a feasible and mutually beneficial association agreement, including a free trade agreement, could be negotiated between the parties.

As is the case with the parallel agreement between the EU and the Andean Community, from a political standpoint the new agreement’s main asset is that it institutionalises the political dialogue hitherto based on the principles of the San José Process. The clause requiring respect for democratic principles, human rights and the principles of the rule of law is again a crucial element of the new agreement, as was the case for the 1993 Agreement. The political dialogue agenda has been considerably broadened and the dialogue mechanisms provide for the holding of summits at the level of Heads of State and Government (when necessary and by agreement of both parties) and meetings of ministers, senior officials and competent departments.

There is a broad consensus that these ambitious goals will not be easy to achieve, and that their attainment will call for a complex, permanent and tenacious effort. There also appears to be an emerging consensus that it will be necessary for the leaders concerned to strengthen their political commitment and to step up the institutionalisation of the biregional relationship: however important it may be, ‘summit diplomacy is not enough’. It is therefore essential to deepen the political relationship and put it on a more regular basis, as well as to develop ‘multi-level links’, notably at the levels of civil society, political and economic organisations, local and regional authorities, etc.

With regard to the parliamentary dimension, however, little progress has been made. the Agreement encourages the EP and the Central American Parliament (Parlacen) to ‘establish an Inter-parliamentarian Committee… in accordance with their constitutional laws’. This adds nothing to the current parliamentary cooperation that both parliaments have been engaged in both bilaterally and in the context of the interparliamentary conferences since 1974. It is worth highlighting that a much more substantial proposal was put forward by both parliaments at the second summit of heads of state and government concerning the setting up
of an EU-Latin American Transatlantic Assembly. It is to be hoped that the third summit will at last agree to consider the proposal, mirroring the recent decision to set up a Euro-Mediterranean Parliamentary Assembly, taken at the Barcelona Process Ministerial Conference in Naples on 2 and 3 December last.

Politically, the most innovatory aspect of the new agreement is the proposal for cooperation on foreign and security policy, although with the sole, limited instrument for that purpose being possible coordination of positions and the adoption of joint initiatives in the appropriate international forums. The new agreement consolidates and extends to new areas the cooperation provided for in the 1993 framework agreement and includes provisions on cooperation in the field of human rights, democracy, good governance, conflict prevention, modernisation of the State and public administration, regional integration, regional cooperation, trade cooperation, cooperation in the field of services, intellectual property, public procurement, competition policy, customs cooperation, and so on. Special mention should be made of the provisions concerning migration: in fact, the clause on the return and admission of illegal immigrants contained in Article 49 was also included in EU Unilateral Declaration No. 1, which certainly lived up to its name, being a questionable unilateral imposition by the Commission and the Council. The new agreement also includes provisions on cooperation in the fight against terrorism (Article 50).

In general, the topics and areas included in the proposed new agreement have to be seen as important and should be taken up and property fleshed out in the future association agreement, which should include a free trade agreement and should be negotiated as soon as possible. There is no doubt that the limited scope and lowly underlying ambitions of the new agreement – and of the parallel EU-CAN agreement – fall short of the expectations for EU-Latin American relations that the European Parliament has voiced on several occasions during the current parliamentary term. The basic underlying causes for the disagreement between Parliament on the one hand and the Commission and Council on the other are reflected, in the budgetary sphere, by the cuts which the Commission has made year after year in its budgetary initiatives for Latin America and which Parliament has had to restore; in the staff and management inadequacies in settling the annual Community budget for Latin America; or in the scant interest displayed by the Commission and the Council in Parliament’s proposal of November 2001 to set up a biregional solidarity fund. In the legislative sphere unnecessary mistakes have been made with the inclusion of Pakistan in the GSP drugs regime – despite warnings from the Andean and Central American countries and from Parliament itself – and with regard to the proposal put forward repeatedly by Parliament to devote a specific regulation to Community cooperation with Latin American countries, employing a more even-handed approach which would ensure that, as far as possible, the allocation of resources was given equal importance with other priority areas for Community cooperation, as is the case at present, for example, with the ACP countries under the Cotonou Agreement, and the provision of EUR 13 500 million. According to data from the ECLA, poverty in Latin America (daily income below 2 dollars) was 43% in 2001 and extreme poverty (below 1 dollar per day) was 18.6%, while negative trends such as concentration of wealth and the decline in stable employment were on the rise. In the case of Central America, more than 42% of the population has been wallowing in poverty for over five years.

3. Conclusions

(1) The conclusion of the EU Political Cooperation Agreement agreed at the second summit
in Madrid, which seemingly aspired to be little more than a restatement and updating of the existing provisions regulating bilateral relations between the two regions - the 1993 framework cooperation agreement and the San José Dialogue Process - actually signified a transitional stage which should pave the way for an association agreement, including a free trade agreement, in line with the aspirations of our Central American partners and fully in line with the political, economic, commercial and social interests of the Union.

(2) The third summit to be held in Mexico in May 2004 must display - if not the sense of anticipation and foresight lacking at the previous summit - at least the ability to react to the recent events surrounding the Cancun negotiations, by finally deciding on the immediate opening of negotiations for association agreements with the countries of Central America and of the Andean Community, which should be similar ‘mutatis mutandis’ to those concluded with Mexico and Chile and under negotiation with Mercosur, as a prelude to the subsequent signing of a global interregional agreement providing for the establishment of a Euro-Latin America free trade area by 2010 at the latest.

(3) This EU-Central America agreement should establish a genuine political, economic and development partnership that is viable and mutually beneficial and includes a free trade agreement with both regions, avoiding in particular any express or tacit linkage making its conclusion conditional on the finalisation of WTO round negotiations, notwithstanding the eventual inclusion of the results of the Doha work programme, if they are compatible with the ultimate objective of the EU-Central America partnership.

(4) One of the Agreement’s objectives should be to contribute to and encourage the deepening of subregional and regional integration processes in Latin America, as the ‘only means of successfully creating the close and permanent EU-Latin America partnership which we have set as our goal’, in the words of Council Secretary-General, Javier Solana.

(5) Biregional relations need to be further developed on an ongoing basis and, therefore, diversified, with the increasing involvement of government and political figures, the two sides of industry, the cities and the regions, the arts world, universities and research centres and sectors representing civil society, with the establishment of the joint consultative committee provided for in Article 52 of the Agreement to assist the joint committee in promoting dialogue with civil society.

(6) Migration must be a priority when approving the cooperation programmes provided for in these and future agreements, so that more resources are allocated to regions suffering from migratory processes leading to depopulation, taking account in particular of the need to protect and promote the rights of women and children.


(8) Provisionally, and until such time as the two new agreements enter into force, the Andean and Central American countries should continue to maintain the trade concessions they enjoy under the generalised system of preferences ‘special drugs regime’.
OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

for the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy


Draftsman: Margrietus J. van den Berg

PROCEDURE

The Committee on Development and Cooperation appointed Margrietus J. van den Berg draftsman at its meeting of 2 December 2003.

It considered the draft opinion at its meeting of 13 January 2004.

At its meeting of 20 January 2004 it adopted the following suggestions unanimously.

The following were present for the vote: Margrietus J. van den Berg (acting chairman and draftsman), Marieke Sanders-ten Holte (vice-chairman), Anders Wijkman (vice-chairman), Niall Andrews (for Isabelle Caullery), Jean-Pierre Bebear, John Bowis, John Alexander Corrie, Nirj Deva, Colette Flesch, Michael Gahler (for Karsten Knolle), Karin Junker, Bashir Khanbhai (for Luigi Cesaro), Glenys Kinnock, Miguel Angel Martinez Martinez, Linda McAvan, Hans Modrow, Ulla Margrethe Sandbæk, Karin Scheele (for Wolfgang Kreissl-Dörfler), Maj Britt Theorin and Jürgen Zimmerling.
This draft agreement concerns political dialogue and cooperation: it does not have a trade dimension. It is a straightforward framework agreement, intended to replace the 1993 framework agreement for cooperation; this is in spite of Parliament's repeated calls for an association agreement. Pursuant to Article 300 of the EC Treaty, Parliament has the right of consultation only.

According to the UNDP's human development index, only Costa Rica is to be considered as having a high level of development; the other five countries are classified as having a medium level, although Panama is visibly ahead of El Salvador, Honduras, Guatemala and Nicaragua. However, as in the case of the Andean group, this intermediate classification conceals the fact that a large part of the population still lives in extreme poverty. Thus, in Panama, 17.9% of the population live on less than USD 2 per day, and in Costa Rica 14.3%. This proportion is 37.4% in Guatemala, 44.4% in Honduras, 45% in El Salvador and a staggering 94.5% in Nicaragua. Inequality is, again, especially extreme in Nicaragua, where, in 1999, the poorest 10% accounted for a mere 0.7% of total consumption, while the richest 10% were responsible for no less than half. Inequality is also marked, if not quite so extreme, in the other five countries.

Undernourishment is still rife in most of these countries: the rates are 14% in El Salvador, 18% in Panama, 29% in Nicaragua, 21% in Honduras and 25% in Guatemala. The above data are the averages for the years 1998-2000; there was almost no improvement on previous years, and in Guatemala the problem had even got worse.

Rural depopulation and the persistence of poverty and social inequality have led to rising crime and urban violence.

Access to health care is limited and varies greatly between socio-economic groups. While the countries of the group have made considerable progress in the last decade in reducing infant mortality, it remains relatively high outside Costa Rica. As in the countries of the Andean group, propagation rates for HIV/AIDS appear to be lower than in other regions of the world, but the precise state of things cannot be known without fuller statistical information.

Basic education standards are high in Costa Rica and Panama, where over 95% of the 15-24 age group is literate. The literacy rate for the same age group in Nicaragua is only 72%.

Humanitarian crises in the region occur in the wake of the frequent natural disasters arising from hurricanes (Mitch in 1998, Michelle in 2002), earthquakes and drought. Since 1998, ECHO has allocated EUR 58 m to the region.

The subregion concerned by the agreement is the EU's main aid recipient in Latin America, receiving EUR 145 m per annum over the period 1995-2001. The indicative total for multiannual aid for the period 2002-2006 is EUR 655 m. This includes the sum of EUR 75m referred to in the regional strategy document, intended for regional integration, the development of civil society and the reduction of vulnerability to disasters. The priorities at national level include the consolidation of legal systems and the rule of law, poverty
reduction, social development, decentralisation and local development, education and economic competitiveness.

In his conclusions, the rapporteur welcomes the draft agreement in principle while regretting its shortcomings, especially in the context of Parliament's call for an association agreement. He approves the priority objective of regional integration, endorsing, notably, the efforts to create a customs union as a key development instrument.

In the area of human rights and democracy, the draft agreement sets objectives which are sound, but the mechanisms for political dialogue referred to in Article 4 appear inadequate. The text of the agreement states that the political dialogue will be a matter for the governments and their administrations; it makes no mention of the parliaments or of civil society. It is even stated that the dialogue should pass through diplomatic channels as far as possible; this does not augur well for a transparent political dialogue. It should be made clear that in these still fragile democracies a more visible role for the parliaments and for civil society should make the human rights and democracy clause more effective. This gap in the agreement is even more to be regretted if one recalls that, in the countries of the subregion, the authoritarian tradition has recently lost ground, thanks to the enormous progress made with regard to the rule of law: elections have become the norm and the parliaments are now part of the scene.

The main ground still to be made up in the human rights field concerns the strengthening of the administration of the legal system and the fight against corruption in both private and public sectors.

The draft agreement has no provisions on trade. Closer political dialogue and enhanced cooperation can only be expected to create the conditions which will, in the context of the prolongation of the Doha working programme, make it possible to negotiate a cooperation agreement (all six countries are WTO members). The draft text contains a series of provisions aimed at creating the conditions for closer relations of this kind. As things stand, economic and trade relations with Central America are centred on the Generalised System of Preferences (GSP), which is decided at regional level with all the Central American countries. Under the specific anti-drugs programme, the tariff preferences for certain agricultural products have been renewed. Similarly, the specific preferences for industrial products introduced for the Andean countries have been extended to Central America.
SUGGESTIONS

The Committee on Development and Cooperation calls on the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Notes that the countries of the region have affirmed, in the Belize Declaration signed on 19 December 2003, their satisfaction with the signature of the Political Dialogue and Cooperation Agreement with the European Union and their desire to develop a joint strategy for the launching of negotiations for an association agreement including the negotiation of a free trade treaty between the two regions;

2. Approves the contents of the draft framework agreement for political dialogue, but regrets the failure to act on Parliament's call for an association agreement; calls on the heads of state and government who will participate in the spring 2004 summit in Mexico to commit themselves to an association agreement on the basis of the calls made by Parliament;

3. Agrees with the Commission that regional integration is the best means of achieving development, and stresses that the societies of Central America are faced with a set of interrelated challenges; welcomes, in this connection, the progress made in the process of political and economic integration in Central America, and encourages the countries concerned to continue on this path;

4. Deplores the failure to mention the parliaments or civil society in the political dialogue mechanisms referred to in Article 4 of the draft agreement;

5. Calls on the Commission, in the implementation of the national indicative programmes, to ensure an enhanced role for civil society organisations that are independent from governments, including trade unions, with a view to the realisation of the Union's development cooperation policy;

6. Stresses the key role of political dialogue between the EU and the Central American subregion, and the importance for Central America of consolidating democracy and the rule of law;

7. Welcomes the consolidation of peace in all the countries of the region;

8. Emphasises that, even if the countries of Central America are classified in the intermediate category in terms of human development, there remain huge problems of social cohesion and resource distribution, and that large parts of the population are still living in extreme poverty; regrets the failure of the agreement to lay sufficient stress on social justice;

9. Urges the Commission to undertake, within the programmes deriving from the Political Dialogue and Cooperation Agreement - and in cooperation with the authorities of each of the countries of the region - projects for rehabilitation and social insertion, targeted especially on combating youth crime and the appearance of gangs ('maras') and on eliminating the frameworks of social deterioration that encourage them;
10. Stresses that the external debt is a major problem in most of the countries, limiting governments' margin of manoeuvre; calls on the Commission and the Member States to take action, especially within the international financial institutions, possibly by proposing controls on the reinvestment of capital freed by the waiving of debt or lower interest rates, so as to ensure that the real benefits go to the people;

11. Calls on the Commission to consider measures to ensure that the large sums represented by the remittances of migrants living and working in the EU are used for the development of their countries of origin and are not subject to abusive banking conditions;

12. Welcomes the inclusion in the draft agreement of reference to the specific needs of the indigenous communities and to the fact that they are especially affected by poverty;

13. Calls on the parties to the draft agreement to ensure that it contains stronger provisions for cooperation (complementing ECHO's humanitarian aid action and DIPECHO's action on readiness for natural disasters) in tackling such disasters as hurricanes, earthquakes and drought;

14. Shares the objective of combating terrorism set out in Article 50 of the draft agreement, but warns against its vague definition of 'terrorist group', which could give rise to abuses;

15. Stresses the importance of improving Central America's integration into the world economy, but places equal, if not greater stress on trade within the region, which is still held back by prohibitive tariff barriers.
18 February 2004

**OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY**

for the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

on the proposal for a Council decision on the signature of a Political Dialogue and Cooperation Agreement between the European Community and its Member States, of the one part, and the Republics of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama


Draftswoman: Ana Miranda de Lage

**PROCEDURE**

The Committee on Industry, External Trade, Research and Energy appointed Ana Miranda de Lage draftswoman at its meeting of 2 December 2003.

It considered the draft opinion at its meetings of 20 and 26 January and 18 February 2004.

At the last meeting it adopted the following suggestions by 35 votes to 1.

The following were present for the vote: Luis Berenguer Fuster (chairman), Peter Michael Mombaur (vice-chairman), Jaime Valdivielso de Cué (vice-chairman), Ana Miranda de Lage (draftswoman), Gordon J. Adam (for Imelda Mary Read), Per-Arne Arvidsson (for Bashir Khanbhai), Robert Atkins, Guido Bodrato, Felipe Camisón Asensio (for Concepción Ferrer), Giles Bryan Chichester, Nicholas Clegg, Marie-Françoise Duthu (for Claude Turmes, pursuant to Rule 153(2)), Francesco Fiori (for Paolo Pastorelli), Neena Gill (for Gary Titley), Michel Hansenne, Hans Karlsson, Bernd Lange (for Norbert Glante), Peter Liese (for Werner Langen), Rolf Linkohr, Eryl Margaret McNally, Elizabeth Montfort, Bill Newton Dunn (for Willy C.E.H. De Clercq), Angelika Niebler, Giuseppe Nisticò (for Umberto Scapagnini), Seán Ó Neachtain, Reino Paasilinna, Fernando Pérez Royo (for Harlem Désir, pursuant to Rule 153(2)), Elly Plooij-van Gorsel, Godelieve Quisthoudt-Rwoohl, Alexander Radwan (for Paul Rübig), Konrad K. Schwaiger, Esko Olavi Seppänen, W.G. van Velzen, Alejo Vidal-Quadras Roca, Myrsini Zorba and Olga Zrihen Zaari.
The Committee on Industry, External Trade, Research and Energy calls on the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, as the committee responsible, to endorse conclusion of the agreement.

EXPLANATORY STATEMENT

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, as the committee responsible, to endorse conclusion of the agreement.

The political dialogue and cooperation agreement between the European Union and the Central American countries, the subject of this document, marks a qualitative step forward in relations between the two parties. At present these are built on a dual foundation in the form of the Framework Cooperation Agreement signed in 1993, which entered into force in 1999, and the GSP ‘Drugs Regime’, which offers tariff advantages over and above those in place under the general scheme with a view to encouraging a switch from coca growing and expanding the range of agricultural produce for export.

To the Central American countries’ great dismay, the brief to negotiate an association agreement was rejected at the May 2001 Madrid Summit. However, an opportunity was opened up by the decision to launch a new relationship, the principles and objectives of which are clearly summarised in Article 2(3) of the text under scrutiny here, which states that the aim of the agreement lies in ‘creating conditions under which, building on the outcome of the Doha Work Programme, which the Parties have committed to complete by the end of 2004, a feasible and mutually beneficial Association Agreement, including a Free Trade Agreement, could be negotiated between [the Parties]’. So this objective, albeit for the longer term, remains in place.

The agreement must therefore help to create the conditions required to enable an association to be established. With that end in view it is proposing the necessary new means of fostering regional integration on the one hand and cementing relations between the parties on the other.

The European Union is the second most important trading partner for the countries of Latin America as a whole, although trade is still quite modest at present, accounting for a mere 6% of EU exports and 5% of EU imports.

A regional breakdown shows that, taken together, the Central American countries – i.e. Panama, Costa Rica, Guatemala, El Salvador, Honduras, and Nicaragua – with a combined population of 35 million, account for only 0.4% of EU trade. Moreover, agricultural produce makes up 40% of their exports, leaving them exposed and vulnerable to the constant price falls. This state of affairs highlights how underindustrialised they are and how greatly their export policy depends on one very narrow sector.

As stated earlier, the agreement sets out to use various means to foster regional integration and consolidate the rule of law. Many Central American countries are recovering from protracted bloody wars, and the agreement must consequently focus first and foremost on poverty reduction and a resumption of political dialogue.
In the medium term regional integration processes appear to offer the best chance of improving growth prospects. The figures quoted above show that the economic asymmetry, though huge, does not pose an insurmountable obstacle, Chile being a case in point. Further progress towards integration and a regional customs union will bring added benefits for bilateral and multilateral association agreements alike.

In fact, the Central American countries are already following Chile’s lead and exploring bilateral relations with the United States, amongst others. The EU’s current position could be strengthened to the extent that the ultimate goal of an association might become achievable within a reasonable time-frame.

Among the areas of cooperation with which this committee is directly concerned, the most noteworthy here are trade cooperation, competition policy, industrial cooperation, and the development of small and medium-sized enterprises, covered in Articles 11 to 21, together with Article 36 on scientific and technological cooperation and research.

Finally, given that there is no specific financial statement, there is still the perennially vexed question of funding and the resources that could be used to finance the agreement’s objectives. Over the past decade both the EIB and the World Bank have provided credit for companies and investment projects in the public sector. Where regional integration is concerned, priority should be given to funding applications for regional projects to improve infrastructure and public services, roads, energy, education, health, and new technologies.
CONCLUSIONS

1. The conclusion of a new political and cooperation agreement between the European Community and the Republics of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama is a sound means of paving the way for a future partnership to widen those currently existing in the subcontinent, Chile, and Mexico, with a view ultimately to completing a Euro-Latin America free trade area by the year 2010.

2. The third European Union-Latin America and the Caribbean Summit, scheduled to take place in Guadalajara, Mexico, this May, offers a superb opportunity to move forward in relations with our Latin American partners as a whole and agree on a realistic timetable for negotiating an association agreement along the lines spelt out in Article 2(1) of the Political Dialogue and Cooperation Agreement between the European Community and its Member States and the Republics of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

3. The European Parliament's Committee on Industry, External Trade, Research and Energy welcomes Council Regulation (EC) No 2211/2003 of 15 December 2003, which extends the GSP drugs regime until 31 December 2005, and requests that none of its beneficiaries should be excluded from it, even if they have exceeded the criteria on which their inclusion was based. Departures from the system would immediately create distortions in the export capacity of the country or countries excluded for their good conduct, benefiting those which are less rigorous or are finding it harder to meet their commitments in the fight against drug-trafficking.

4. We call on the Commission’s Trade DG to state its position on the dates in view of the delay in the negotiations on the Doha Development Agenda. The aim of the new agreement is to consolidate relations between the EU and Central America. The inclusion of the conditionality clause and the wider ranging political dialogue are two key elements of the agreement. However, irrespective of the great value of the foregoing, and notwithstanding the undeniable democratic advances, peace in Central America has not served to spread economic prosperity, and poverty has continued to rise. Closer relations between the two regions could boost investment flows and help to diversify production, both of which are vital for the success of a future partnership. The continuation of credit for small and medium-sized enterprises could, moreover, help to promote social stability on account of the job creation stemming from entrepreneurship of this type.

5. The decision to negotiate an EU-Central America free trade agreement should not depend on completion of the WTO round negotiations.