

# EUROPEAN PARLIAMENT

2004



2009

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*Session document*

FINAL  
**A6-0025/2007**

25.2.2007

## **REPORT**

containing the European Parliament's recommendation to the Council on the negotiating mandate for an association agreement between the European Union and its Member States, of the one part, and the Andean Community and its member countries, of the other part  
(2006/2221(INI))

Committee on Foreign Affairs

Rapporteur: Luis Yañez-Barnuevo García

## CONTENTS

	<b>Page</b>
PROPOSAL FOR A EUROPEAN PARLIAMENT RECOMMENDATION TO THE COUNCIL.....	3
EXPLANATORY STATEMENT .....	10
PROPOSAL FOR A RECOMMENDATION TO THE COUNCIL (B6-0374/2006) .....	14
OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE.....	16
OPINION OF THE COMMITTEE ON DEVELOPMENT .....	24
PROCEDURE.....	27

## PROPOSAL FOR A EUROPEAN PARLIAMENT RECOMMENDATION TO THE COUNCIL

**on the negotiating mandate for an association agreement between the European Union and its Member States, of the one part, and the Andean Community and its member countries, of the other part  
(2006/2221(INI))**

*The European Parliament,*

- having regard to the proposal for a recommendation to the Council by Luis Yañez-Barnuevo on behalf of the PSE Group on the negotiating guidelines for an association agreement between the European Union and its Member States on the one part, and the Andean Community and its member countries on the other (B6-0374/2006),
  - having regard to Paragraph 31 of the Vienna Declaration, which notes the decision taken by the European Union and the Andean Community at the Fourth European Union - Latin America and Caribbean Summit, held in Vienna on 12 May to initiate in 2006 a process leading to the negotiation of an association agreement, which shall include a political dialogue, cooperation programmes and a trade agreement,
  - having regard to Title V of the Treaty on European Union,
  - having regard to its resolution of 15 November 2001 on a global partnership and a common strategy for relations between the European Union and Latin America<sup>1</sup>
  - having regard to its position of 31 March 2004 on the signature of a Political Dialogue and Cooperation Agreement between the European Community and its Member States, of the one part, and the Andean Community and its Member States, the Republics of Bolivia, Colombia, Ecuador, Peru and the Bolivarian Republic of Venezuela, of the other part<sup>2</sup>,
  - having regard to its resolution of 27 April 2006 on a stronger partnership between the European Union and Latin America<sup>3</sup>,
  - having regard to the Commission recommendation to open negotiations with a view to concluding an association agreement with the Andean Community and its member countries (SEC(2006)1625),
  - having regard to Rules 114(3) and 83(5) of its Rules of Procedure,
  - having regard to the report of the Committee on Foreign Affairs and the opinions of the Committee on Development and the Committee on International Trade (A6-0025/2007),
- A. whereas respect for democracy, the rule of law and the full enjoyment of human rights

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<sup>1</sup> OJ C 140 E, 13.6.2002, p. 569.

<sup>2</sup> OJ C 103, 29.4.2004, p. 543.

<sup>3</sup> Texts Adopted, P6\_TA(2006)0155.

by all individuals, along with full respect for the civil and political rights of the citizens of both regions, are the basic conditions for the development of the association between the parties,

- B. whereas the guarantee that all citizens, especially the less privileged among the indigenous peoples, will be able to fully enjoy their fundamental rights, and their more active social and political participation, are key elements of the agreement,
- C. whereas the Andean Community has been endeavouring to conclude an association agreement with the European Union and shown its willingness to do so despite the internal difficulties with which it has had to contend,
- D. whereas the negotiating guidelines for the future agreement must make perfectly clear that the intention is to conclude a general association agreement between the two parties, including political dialogue as befits a genuine association, cooperation programmes and a strategic economic and trade alliance, which would benefit all the citizens of both regions,
- E. whereas on 13 June 2006 the Presidents of the four Andean countries met in Quito, responded positively to the Vienna requirement and agreed to consolidate their desire for integration and push forward the process leading to the start of negotiations on the Association Agreement between the Andean Community (CAN) and the EU,
- F. whereas the establishment of the transatlantic Euro-Latin American Assembly (EuroLat) has done a great deal to enhance democratic legitimacy and the political dimension of the EU's relations with Latin America and with the CAN in particular, and whereas the Assembly will act as a permanent forum for political dialogue between the two regions,
- G. whereas the negotiating guidelines for the future agreement must not overlook the serious economic, political and social deficit that exists in most of the Andean countries, nor ignore the differences in development between both regions or the nature of economic relations within the CAN itself,
- H. whereas it must be ensured that the EU's multi-annual financial planning instruments are compatible with the action to attain the Millennium Development Goals (MDGs) in the Andean region,
- 1. Addresses to the Council the following recommendations:
  - (a) expressly include in the negotiating mandate the legal basis on which the new association agreement is to be negotiated, namely Article 310 of the EC Treaty, in conjunction with the first sentence of the first subparagraph of Article 300(2) and the second subparagraph of Article 300(3);
  - (b) specify in the negotiating mandate that the aim of the association agreement between the EU and the CAN is gradually to liberalise trade and to pursue political dialogue and cooperation and, in addition, to promote sustainable human development, social cohesion, consolidation of democracy and the rule of

law and full respect for human, civil, political, economic, and social rights, without neglecting their cultural and environmental dimension;

- (c) include in the negotiating guidelines clear signals of support to the CAN members in their efforts to deepen all aspects of regional integration, fostering an agreement between regional blocs which would certainly not exclude the differentiated treatment which the development of the integration process within the CAN requires;
- (d) clearly identify in the guidelines the central issues on which the agenda and the political dialogue will focus, including the updating of objectives and focuses on issues like governability and democratic stabilisation; combating corruption, impunity, and terrorism, focusing in particular on narcoterrorism and its links to organised crime; peacekeeping and security, and conflict management; include issues such as reducing poverty, supporting social cohesion, migration and human exchanges; and open the way to concrete action on issues like the adoption of common positions in international forums and the United Nations;
- (e) provide for the appointment of members of the EU-CAN Joint Parliamentary Committee to be set up under the new association agreement from among Members of the European Parliament and the Andean Parliament who also form part of the Euro-Latin American Parliamentary Assembly, as a practical expression of support for the process of regional integration in the Andean region and for the EU-LAC Biregional Strategic Association;
- (f) promote structured participation by social organisations in the association agreement and its negotiation process, defining mechanisms for dialogue, ensuring transparency and appropriate access to information, proposing the organisation of periodic conferences with representatives of social organisations and civil society both in the EU and the CAN, granting such representatives observer status in interministerial meetings and facilitating their active participation in the relevant sectoral forums, committees and subcommittees;
- (g) include in the negotiating mandate, in particular, EU-CAN agreement on shared responsibility for fighting drug trafficking, stepping up the political dialogue specifically on combating drugs and the social, economic and environmental implications of implementing the measures proposed, and, in particular, those concerned with promoting alternative employment and crops and market access for them, and specific control mechanisms designed to contain and gradually reduce the related crimes of money laundering and arms trafficking;
- (h) include in the future association agreement the ‘democracy clause’ and other social clauses (in connection with the labour rights incorporated in the ILO conventions, with particular reference to Convention 169 concerning Indigenous and Tribal Peoples in independent countries, the protection of decent working conditions, non-discrimination, equality of work between men and women and the eradication of child work), and environmental clauses; refer explicitly to the specific mechanisms which ensure that they are applied and in particular ensure the continuity and improvement of the system of labour and environmental

incentives with provision in particular for an annual report to the European Parliament on the Commission's follow-up in this respect;

- (i) take account in the negotiating guidelines' provisions on development cooperation established under the Generalised System of Preferences (GSP)<sup>1</sup>, including GSP and under the new agreement, designed to achieve the MOGs, of the specific features of the Andean region, and start from the premiss that the training of human resources is a priority for overcoming poverty in the region, so as to give special attention to education, research, science and technology, culture, not least with a view to intensifying exchanges between the two regions, protection of public health and protection of ecosystems and biodiversity;
- (j) stress the need to ensure coherence of development policies in line with the principle enshrined in Article 178 of the EC Treaty, the joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy, entitled 'The European consensus on development'<sup>2</sup>, and the Council conclusions on integrating development concerns in Council decision-making<sup>3</sup>;
- (k) stress the need for the guidelines to take full account of the priority objective of eradicating poverty, inequality, social exclusion and all forms of discrimination, particularly discrimination on grounds of gender and ethnic origin, and stresses the need to have a general integrated development strategy and policies that will guarantee equal work opportunities and better living and working conditions for everyone, including the economic and cultural rights of indigenous peoples, as well as high priority for greater access to education and health;
- (l) ask that internal mechanisms and joint measures within the framework of the association be strengthened so that the development strategies can reach their full potential, stimulating co-development projects, particularly with immigrant populations resident in the EU;
- (m) point out that foreign investment is an essential element for the economic development of both regions and stresses that European undertakings with investments in the CAN should be expected to apply the same standards as regards working conditions and investment as are observed in the EU, and that the legal security of investors should be guaranteed on the basis of international private law and with full respect for the principle of national sovereignty over natural resources;
- (n) include in the future agreement, with regard to migration, provisions designed to reinforce the fundamental, labour and civil rights of migrants, particularly with

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<sup>1</sup> Council Regulation (EC) No 980/2005 of 27 June 2005 applying a scheme of generalised tariff preferences (OJ L 169, 30.6.2005, p. 1).

<sup>2</sup> The European consensus on development, OJ C 46, 24.2006, p. 1.

<sup>3</sup> Conclusions of the General Affairs and External Relations Council, 16 and 17 October 2006, Document No 13735/06.

regard to their social security, wherever they may be, and establish mechanisms to facilitate sending remittances, making such operations cheaper and more transparent and secure, at the same time tackling the basic causes of migration;

- (o) consider the objectives of support for Andean regional integration, in particular, integration of physical, transport, communications and energy infrastructure into the objectives of the next mandate for European Investment Bank action in Latin America and Asia, so that EIB action would effectively complement the new agreement;
- (p) take account in the negotiating guidelines of the increase in EU support for Andean integration and the reform and reinforcement of its legislative framework and institutions to make them more efficient, representative and legitimate, in particular with regard to removing obstacles to trade, free movement of people, common policies and harmonisation of laws, and with reference to the European experience with the structural, regional and cohesion funds;
- (q) state in the negotiating mandate that a socio-environmental impact study should be submitted at the start of negotiations and included as a reference document for the negotiating agenda;
- (r) conclude a comprehensive and balanced Association Agreement with the CAN, based on three pillars: a political and institutional chapter reinforcing democratic dialogue and political cooperation, a cooperation chapter promoting sustainable economic and social development, and a trade chapter taking full account of the specific development objectives of the countries of the CAN;
- (s) provide in the negotiating guidelines for gradual reciprocal trade liberalisation under competitive conditions, so as to ensure that the future agreement reduces existing imbalances between the EU and the CAN, and among the CAN countries; provide therefore for special, variable and flexible treatment, following an agreed timetable, depending on commitments on regional integration and improved competitiveness achieved by the Andean countries, proceeding from the premiss that transformation of the production sector and the competitiveness of the Andean economies need to be strongly supported under development cooperation measures and through technology transfer, the inclusion of requirements for home-country content in rules of origin, and the establishment of cooperation and technical assistance programmes; all of which should go hand in hand both with a stable legal environment which guarantees safety for investments and the parties' economic and trade relations and with an approach seeking to foster competitiveness and the free market under a liberalisation policy consistent with the aims of the future association agreement;
- (t) regard the negotiation of an EU-CAN FTA as vital for the reinforcement of the EU's role as Latin America's trade and investment partner, and for strengthening intercontinental integration, and that it must be urgently completed in a context marked by the expansion of US bilateral trade agreements, and the US-led proposal for an FTA;

- (u) take into account that the conclusion of an Association Agreement with the CAN, establishing an FTA, is a priority strategic objective for the EU's external relations in an international context characterised by increased interdependence, economic growth, the emergence of new economic powers, and a series of global challenges which transcend national borders, such as security, world economic governance, the environment and poverty reduction;
- (v) commit to the establishment of an FTA in full compliance with the new WTO Transparency Mechanism and the rights and obligations arising out of the WTO, particularly Article XXIV of GATT and Article V of GATS, thus contributing to the strengthening of the multilateral trading system;
- (w) as a demonstration of tangible, decisive support for the Andean regional integration process, refrain from including any explicit or tacit subordinating conditions of any kind, making the conclusion of the future EU-CAN agreement conditional on prior completion of the WTO round negotiations, without prejudice to incorporating in the agreement, in due course, those results of the Doha working programme which are compatible with the ultimate aim of the EU-ANC association;
- (x) negotiate a single and indivisible trade agreement which goes beyond the negotiating parties' present and future WTO obligations and establishes over a transition period compatible with WTO requirements an FTA which, without excluding any sector, takes account, in the least restrictive fashion possible, of the development dimension of the specific sensitivity of certain products;
- (y) pay specific attention to the EU-CAN Joint Assessment on the regional economic integration of the CAN, which points to a number of important concrete operational conclusions with a view to strengthening, developing and completing the CAN customs union and the common internal market, both of which are essential to the negotiation and completion of an effective FTA between the two regions;
- (z) pay specific attention, as a very important step for the successful development of the negotiations, to the initiatives planned by the CAN with a view to deepening regional economic integration and, in particular, those in respect of the tariffs applied to products originating in the EU, the simplification and harmonisation of customs regimes, as well as in the areas of services and cross-border road transport;
- (aa) offer meaningful new opportunities for market access in agriculture, which is a crucial sector for the CAN's development, but to consider that the degree of the EU's flexibility in agriculture should also depend on the progress made in other areas, such as access to the market in non-agricultural products and in services, as well as on agricultural issues other than market access;
- (ab) take into account the importance of guaranteeing universal access to essential services and of national rights to regulate, and therefore proceed cautiously in negotiations on the liberalisation of trade in services in conformity with Article



V of GATS in order to achieve real improvements regarding the liberalisation commitments thus far agreed and applied and the need for a clear and predictable regulatory framework; abstain from making offers or accepting requests in the areas of public health and education;

- (ac) ask the Commission, given that the dispute settlement mechanisms included in similar trade agreements already concluded by the Community and third countries are not being effectively utilised, to propose new ideas to develop a more effective bilateral dispute settlement instrument;
  - (ad) carefully examine, in order to prevent the increasing overlap of multiple bilateral, regional and multilateral liberalisation commitments and sets of rules in Latin America from resulting in unintended obstacles for trade and investment flows, the need for both the EU and Latin America to seek, as a matter of principle, the eventual convergence of the various agreements in force or under negotiation between the two regions;
  - (ae) provide in the negotiations guidelines for promotion of a system to help set up small and medium-sized enterprises, these being a key factor for economic development and in creating jobs and social well-being; with the aim of tackling unemployment, enable small and medium-enterprises to develop using soft loans, and devise business support programmes under the heading of innovation;
  - (af) ensure that the Commission provides Parliament with exhaustive information, on a confidential basis if necessary, both on its draft negotiating guidelines and on the negotiating guidelines that are finally adopted;
2. Instructs its President to forward this recommendation to the Council, and to the Commission for information, and to the governments of the European Union Member States.

## EXPLANATORY STATEMENT

1. **The fourth EU - LAC Summit in Vienna** finally decided to give the green light to the start of negotiations to conclude an association agreement between the EU and the Andean Community (CAN). Undoubtedly the prospect itself of negotiating this agreement, together with the new configuration of power in the region following the election of President Alan García in Peru and of Evo Morales in Bolivia, the re-election of President Uribe in Colombia and Chile's rapprochement with the CAN under President Bachelet, have all contributed to reinforcing the CAN and thus the process of integration in Latin America, whatever may be the final form that this process will take. All this of course is despite and unconnected with the growing and controversial international role played by Venezuela under President Chavez, whose return to the CAN can only be encouraged. In fact the CAN is today the only political, economic and institutional mechanism capable of shoring up a region that is as subject to upheaval as the Andean region, by serving as a democratic counterweight to the authoritarian tendencies and impulses that are always present there, and by ensuring that the subregion has a place in the political, economic and trade life of a globalised world.
2. As the European Parliament has repeatedly stated since the second LAC Summit held in Madrid on 17 and 18 May 2002, no formula could better combine all kinds of interests of an enlarged EU and the CAN itself than the conclusion of a **full political, trade and development association agreement**, with at least a few very specific characteristics.
3. In the political sphere, the agreement should lay the foundations of an **effective Euro-Andean political and security association** based on instruments such as:
  - the signature and implementation of a politically and legally binding Euro-Andean Peace and Security Charter;
  - implementation of a general political dialogue based on a political agenda focused on pressing current issues such as social cohesion, support for governability, poverty reduction, human exchanges, combating terrorism, conflict prevention, coordinated action in the United Nations system and particularly in the Security Council, and civilian and military crisis management operations;
  - the initiation of a specialised dialogue on social cohesion;
  - significant improvement in the presence and visibility of the EU in the region, through much more frequent visits by the EU High Representative/ future EU Minister of Foreign Affairs, the President of the Commission, the relevant Commissioner and the President of Parliament;
  - the formulation of joint initiatives and contingency plans to deal with crisis situations in the various countries before they erupt, or if appropriate to promote peaceful and negotiated solutions, to be drawn up jointly by a Euro-Latin American centre for conflict prevention to be established in the Andean region.

4. **The quality of democracy, the crisis of governability and political instability are key challenges** which EU action, in particular the association agreement, must respond to. Indicators of poverty and inequality in these countries continue to be similar to those that prevailed in the 1990s. In the Andean region, as has been shown by the region's experiences of crises of governability, poverty and inequality present a clear threat to the consolidation of democracy. Although democratic regimes have been built up through free electoral processes, low voter turn-out, discredited public institutions and political parties, prevailing corruption and impunity, the low incidence of citizenship and civil society in the political and social life of most of the countries, the tendency to social and territorial fragmentation that can be observed in some countries, and the persistence of discrimination and exclusion for ethnic and other reasons do not make it possible to come to an optimistic conclusion.
5. The **Andean economies' participation in international trade** faces obstacles in connection with reasons of scale, lack of complementarity and poor integration of the regional market. The Andean countries and particularly some producer regions and sectors are not in a position to enjoy the opportunities offered by opening up trade and attracting investment and at the same time withstand the possible risks. Therefore regional integration is considered an essential precondition to improve their participation in international trade, and is all the more essential in view of the future EU association agreement and the free trade treaties with the United States which some of the region's countries have signed.
6. Among the **main challenges of the future agreement** are achieving gradual access to European markets, under competitive conditions, without this aggravating existing imbalances. On the European side, this requires special, variable and flexible treatment, expressed in transitional periods, exclusion of sensitive sectors and other flexibility criteria in line with the improvements in competitiveness that the Andean countries have achieved as a result of EU support measures such as technology transfer, the inclusion of requirements on home-country content in rules of origin, setting up cooperation and technical assistance programmes, and long-term support for Andean integration and its ability to define common policies.
7. The **trade aspect** of the new association agreement should have as its ultimate objective the promotion of socio-economic development through bilateral, preferential, gradual and reciprocal liberalisation of trade of in all forms of goods and services between both regions, in accordance with WTO rules. When the agreement comes into force, the result will be that all the Andean countries will have the facilities of the new Community GSP+. The negotiating guidelines should therefore eliminate any express or tacit subordinating conditions making the conclusion of a new agreement conditional on completion of the WTO round. This agreement should be *mutatis mutandis* similar to those concluded with Mexico and Chile and the one that is about the concluded with Mercosur, although the major imbalances between both regions must be taken into account. Moreover, if it is treated as a biregional agreement, the new EU-CAN agreement will have to help deepen and consolidate Andean integration. At the strategy level, your rapporteur fully supports the proposal of this Parliament that the future EU-CAN agreement (like those already concluded or being concluded with Mexico, Chile, Mercosur and Central America respectively) should be the prelude to a later conclusion of a global interregional

agreement allowing the creation of a Euro-Latin American free trade zone, a counterweight to the FTAA, by the year 2010.

8. Steps must be taken to ensure that there is a **positive link between the free trade** envisaged under the EU-CAN association agreement and the **sustainable development and social cohesion objectives** which underlie the EU's action in the Andean region. In addition to special and variable treatment, transitional periods, exceptions and other trade instruments in recognition of the imbalances, there must be strong support for change in the production sector and competitiveness of the Andean economies through development cooperation instruments. But there is also a need to ensure minimum labour and environmental standards, such as those envisaged in the current GSP+. This system of incentives, which has proved useful, must be incorporated permanently into the association agreement, and effective mechanisms must be set up to ensure that it is applied.
9. Beyond a purely assistance-related focus, the new association agreement should promote cooperation in the areas of technology, higher education and innovation and provide the basis for a Euro-Andean knowledge society that will help to lay the foundations of an open and competitive economy, the benefits of which would make a decisive contribution to bringing Andean societies out of their centuries-old backwardness. The provisions of the new agreement in this respect should express a **new and generous EU development policy towards the CAN**, resulting from:
  - the EU opening up its markets and revising its common agricultural policy and its subsidy system;
  - creation of the proposed Bi-regional Solidarity Fund;
  - complete and effective integration of the indigenous population into the political, economic and social life of each country, with equal rights with all the other citizens;
  - adoption of new and generous measures and programmes in the areas of education, culture, health and migration;
  - allocating to Andean countries budgetary resources commensurate with their needs,
  - more action by the European Investment Bank in the Andean region, through a new mandate that will channel resources for projects of common interest which would also contribute to promoting integration and development through regional transport and energy infrastructures, both in the Andean area and more widely in South America.
10. Finally, on the basis of the Economic Complementarity Agreement that Mercosur and the CAN concluded on 16 December 2003 in Lima, both sides are endeavouring to shape a solid South American area and create a free trade zone to play a key role with a view to negotiations with the FTAA, and relations between the two subregions and the whole of South America and the EU. Whether or not this is eventually expressed in the South American Community of Nations, recently created through a merger between Mercosur and the CAN, only time will tell, but whatever form it takes in the end, there is no doubt that both Mercosur and the CAN will form the basis of any future reorganisation of the

South American political, economic and institutional landscape and of any free trade area that may be created within it. Therefore, closer relations of all types with Mercosur and with the CAN through association agreements with each of them are undoubtedly an essential precondition for a European Union which rightly aspires to play a global role. Therefore the future EU-CAN agreement should form the cornerstone of Euro-Andean relations, which are essential for the success of the Bi-regional Strategic Association proclaimed at the four EU-CAN summits since 1999. If it is to be so, the incipient EU-CAN association agreement should be signed at the latest by the fifth summit, which will be held in Lima in May 2008.

22.6.2006

## **PROPOSAL FOR A RECOMMENDATION TO THE COUNCIL (B6-0374/2006)**

pursuant to Rule 114(1) of the Rules of Procedure

by Luis Yañez-Barnuevo García

on behalf of the PSE Group

on the negotiating guidelines for an association agreement between the European Union and its Member States on the one part, and the Andean Community and its member countries on the other

*The European Parliament,*

- having regard to Paragraph 31 of the Vienna Declaration, which notes the decision taken by the European Union and the Andean Community at the IV EU-LAC Summit to initiate in 2006 a process leading to the negotiation of an association agreement, which shall include a political dialogue, cooperation programmes and a trade agreement,
  - having regard to Title V of the Treaty establishing the European Union,
  - having regard to Rule 114(1) of its Rules of Procedure, in relation to Rule 83 thereof,
- A. whereas the Andean Community (ANC) and the European Union (EU) decided in Vienna to hold, by 20 July 2006, all the meetings required to clarify and define the basis of the negotiations, in order to enable both parties to participate fully and beneficially in the future Association Agreement;
- B. whereas respect for democracy, the rule of law and the full enjoyment of human rights by all individuals, including the fundamental rights and freedoms of the indigenous peoples, and the protection of those who work on behalf of human rights, and the elimination of impunity, should all constitute fundamental conditions for implementing the Association between the parties;
1. Submits therefore the following recommendations to the Council:
- (a) the negotiating mandate should explicitly state the legal basis on which the new Association Agreement is to be negotiated, namely Article 310 of the Treaty establishing the European Union, in conjunction with the first sentence of the first paragraph of Article 300(2) and the second paragraph of Article 300(3);
  - (b) the negotiating guidelines should clearly state support for the Andean partners in their efforts to overcome the crisis caused by Venezuela's withdrawal, prioritising an

Agreement between regional blocs which will not, however, exclude such differentiated treatment as may be required in terms of the development of the integration process within the Andean Community;

- (c) the guidelines should identify the central issues on which the agenda and the political dialogue will focus, including the updating of objectives and focuses on issues like democratic governability, peacekeeping and security, and conflict management; the guidelines should also include fresh objectives such as reducing poverty, supporting social cohesion, migration and human exchanges, and open the way to fresh action on issues like the adoption of common positions in international forums and the United Nations, respect for human rights, etc;
  - (d) the negotiating mandate should, in particular, include EU-ANC agreement on shared responsibility for fighting drug trafficking, its social and economic implications when implementing the measures proposed, and, in particular, those concerning market access for alternative crops, and the specific control mechanisms designed to contain and gradually reduce the related crimes of money laundering and arms trafficking;
  - (e) the negotiating guidelines should provide for progressive access to European markets for Andean products under competitive conditions, avoiding any worsening of existing imbalances as a result of the future Agreement; the guidelines should therefore provide for special, differentiated and flexible treatment, within deadlines to be agreed, in terms of commitments given within the framework of regional integration and improved competitiveness achieved by the Andean countries, on the basis of support measures on the part of the Union and by technology transfer, the inclusion of national requirements in the rules on origin, and the establishment of cooperation and technical assistance programmes; all of which should go hand in hand with a legal environment which guarantees safety for investment and the parties' economic and trade relations;
  - (f) as a demonstration of tangible, decisive support for the Andean regional integration process, in particular, there should be no subordinating conditions of any kind, whether explicit or tacit, making the conclusion of the future EU-ANC Agreement subject to the prior completion of the WTO round negotiations, without prejudice to the Agreement's including, in due time, those results of the Doha working programme which are compatible with the final goal of the EU-ANC Association;
  - (g) the new Agreement's provisions on development cooperation should take account of the specific features of the Andean region, and be based on the priority need for training of human capital in order to overcome poverty in the region; for this reason, particular attention needs to be paid to education, research, science and technology and culture;
  - (h) the Commission should provide Parliament with exhaustive information, on a confidential basis if necessary, as to its recommendations concerning the negotiating mandate;
2. Instructs its President to forward this recommendation to the Council and, for information, to the Commission, and to the governments of the Member States of the European Union.

20.12.2006

## **OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE**

for the Committee on Foreign Affairs

on the negotiating mandate for an Association Agreement between the European Union and its Member States on the one part, and the Andean Community and its member countries on the other part (2006/2221(INI))

Draftsman: Małgorzata Handzlik

### **SUGGESTIONS**

The Committee on International Trade calls on the Committee on Foreign Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas the conclusion of an EU-Andean Community (CAN) Association Agreement would represent a significant move towards the creation in the medium term of the Euro-Latin American global inter-regional area proposed by Parliament in its resolution of 27 April 2006<sup>1</sup>;
- B. whereas the conclusion and successful implementation of the Association Agreements between the EU and Mexico, and between the EU and Chile, draw attention to the strategic importance and economic, political and social interest of bi-regional relations between the EU and Latin America based on association agreements that include free trade areas (FTA);
- C. whereas, unlike the trade agreements negotiated bilaterally between the US and the CAN countries, the EU and CAN are proposing to form a global strategic association that goes beyond the strictly commercial aspects to include wide-ranging cooperation and political dialogue;
- D. whereas the successful conclusion of the EU-CAN Association Agreement must contribute to economic growth and poverty reduction, with a view to achieving the Millennium Development Goals, especially those relating to poverty reduction, fair and

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<sup>1</sup> Texts adopted, P6\_TA(2006)0155.



equitable redistribution of wealth, creation of stable employment based on quality jobs, and the social inclusion of excluded groups;

- E. whereas the European Union and CAN should, in the framework of the Association and the wider framework of world governance, agree to promote international and multilateral standards on commercial, social and environmental issues;
- F. whereas CAN countries have been beneficiaries since 1971 of the EU's Generalised System of Preferences for lower-income countries, and also benefit from the GSP plus, which provides additional preferential access for a total of approximately 7200 products;
- G. whereas an EU-CAN FTA would be an important contribution for the consolidation of CAN as a common market, customs union and global integration process;
- H. whereas an FTA of itself will not suffice to generate economic growth, unless it be accompanied by flanking economic policies that make it possible to take full advantage of the opportunities that arise and to reduce the potential risks;
- I. whereas the EU is, by far, the largest donor of development aid for CAN and the only one that has established a cooperation strategy geared towards the strengthening of regional integration;
- J. whereas close and constructive cooperation among all the EU institutions is needed in order to obtain satisfactory results in the negotiations with CAN;
- K. whereas it is to be welcomed that the EU and CAN have decided to initiate the necessary internal consultations and undertake the necessary steps allowing for the launching of negotiations for an Association Agreement, including a trade agreement, on the basis of the common strategic objectives of the Guadalajara Declaration and taking into account the outcome of the joint assessment exercise on regional economic integration carried out with CAN;

**Addresses to the Council the following recommendations concerning the directives for the negotiation, within the framework of the prospective Association Agreement, of a Free Trade Area between the European Community and the countries of the Andean Community:**

**As regards the negotiation of an FTA with the Andean Community**

1. to regard the negotiation of an EU-CAN FTA as vital for the reinforcement of the EU's role as Latin America's trade and investment partner, and for strengthening intercontinental integration, and that it must be urgently completed in a context marked by the expansion of US bilateral trade agreements, and the US-led proposal for an FTA;
2. to take into account that the conclusion of an Association Agreement with CAN, establishing an FTA, is a priority strategic objective for the EU's external relations in an international context characterised by increased interdependence, economic growth, the

emergence of new economic powers, and a series of global challenges which transcend national borders, such as security, world economic governance, the environment and poverty reduction;

3. to conclude a comprehensive and balanced Association Agreement with CAN, based on three pillars: a political and institutional chapter reinforcing democratic dialogue and political cooperation, a cooperation chapter promoting sustainable economic and social development, and a trade chapter taking full account of the specific development objectives of the countries of the CAN;
4. to join Parliament in asking the Commission to launch, as a matter of urgency, a Trade SIA (Sustainability Impact Assessment), which should be a preliminary step in the negotiation of a trade agreement, and to request that the Commission inform Parliament about the proposed timetable and the initiatives taken in this regard;

#### *Principles, scope and relationship to the WTO*

5. to request that both the Council and the Commission ensure a negotiation process that is inclusive, effective and transparent and counts from the beginning with the broadest participation of stakeholders, in particular the social partners and civil society in all countries concerned;
6. to commit to the establishment of an FTA in full compliance with the new WTO Transparency Mechanism and the rights and obligations arising out of the WTO, particularly Article XXIV of GATT and Article V of GATS, thus contributing to the strengthening of the multilateral trading system;
7. to negotiate a single and indivisible trade agreement which goes beyond the negotiating parties' present and future WTO obligations and establishes over a transition period compatible with WTO requirements an FTA which, without excluding any sector, takes account, in the least restrictive fashion possible, of the development dimension of the specific sensitivity of certain products;

#### *Special and differential treatment*

8. to effectively recognise the principles of 'asymmetry in the levels of development', 'special and differential treatment' and 'less than full reciprocity' and, therefore, to ensure that the agreed FTA balances the concessions in accordance with the levels of development and sectoral competitiveness of the two regions;

#### *Human rights and democracy clause*

9. to include the standard clause on respect for the general objective of developing and consolidating democracy and the rule of law and respecting human rights and fundamental freedoms and international core labour standards;

### *GSP*

10. to take into account the fact that the Generalised System of Preferences (GSP), including GSP plus, is an autonomous EU regime benefiting the countries of CAN in consideration of their levels of development and that the EU-CAN FTA therefore must maintain such preferences outside of any requirement of CAN countries to grant reciprocity in tariff reductions;

### *CAN economic regional integration*

11. to pay specific attention to the EU-CAN Joint Assessment on the regional economic integration of CAN, which points to a number of important concrete operational conclusions with a view to strengthening, developing and completing the CAN customs union and the common internal market, both of which are essential to the negotiation and completion of an effective FTA between the two regions;
12. to pay specific attention, as a very important step for the successful development of the negotiations, to the initiatives planned by CAN with a view to deepening regional economic integration and, in particular, those in respect of the tariffs applied to products originating in the EU, the simplification and harmonisation of customs regimes, as well as in the areas of services and crossborder road transport;

### *Agriculture*

13. to emphasise that, under the 2003 CAP reform, the EU has already substantially reduced its trade-distorting national subsidies and that in the Doha Round the EU has made an offer to scrap its export refund scheme by 2013;
14. to offer meaningful new opportunities for market access in agriculture, which is a crucial sector for CAN's development, but to consider that the degree of the EU's flexibility in agriculture should also depend on the progress made in other areas, such as access to the market in non-agricultural products (NAMA) and in services, as well as on agricultural issues other than market access;

### *NAMA*

15. to ensure a far-reaching and balanced outcome to the NAMA negotiations, so as to allow for new and real opportunities for market access across the whole trade spectrum, subject to the appropriate degree of flexibility regarding the timetable for CAN's elimination of tariffs;

### *Services*

16. to take into account the importance of guaranteeing universal access to essential services and of national rights to regulate, and therefore to proceed cautiously in negotiations on the liberalisation of trade in services in conformity with Article V of GATS in order to

achieve real improvements regarding the liberalisation commitments thus far agreed and applied and the need for a clear and predictable regulatory framework; to abstain from making offers or accepting requests in the areas of public health and education;

#### *Investment*

17. to make sure that the new FTAs to be negotiated by the EU with other countries and regions, including CAN, include, in conformity with the EC Treaty and the declaration of the European Council on guiding principles for sustainable development, a 'non-lowering of standards clause' that discourages and prevents foreign direct investment from leading to a lowering of domestic environmental, labour or health and safety legislation, norms and standards;

#### *Rules of origin*

18. to ensure that the rules of origin to be negotiated with CAN are transparent, simple to understand and apply, adapted to the level of development and degree of industrialisation of the countries concerned, and based on criteria which are tailored to the features of each product;

#### *Trade facilitation and rules*

19. to include a chapter aimed at facilitating trade through the simplification and streamlining of import procedures and removing differences on standardisation and conformity assessment and on sanitary and phytosanitary measures, all of which would help to improve the access of both regions to their respective markets;

#### *Intellectual property*

20. to include provisions aimed at ensuring effective and adequate protection of intellectual and commercial property rights, including protection against counterfeiting and piracy, in conformity with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) while taking into account at the same time that any TRIPS+ agreement must not preclude the public health safeguards available to WTO members under TRIPS, as this would restrict access to affordable medicines in developing countries;

#### *Public procurement*

21. to include specific provisions on public procurement in order to ensure progressive and effective access of both regions to their respective procurement markets in an environment that is considerably more predictable, reliable, transparent and non-discriminatory for economic operators;

#### *Dispute settlement*

22. to ask the Commission, given that the dispute settlement mechanisms included in similar

trade agreements already concluded by the Community and third countries are not being effectively utilised, to propose new ideas to develop a more effective bilateral dispute settlement instrument;

#### *Overall convergence*

23. to carefully examine, in order to prevent the increasing overlap of multiple bilateral, regional and multilateral liberalisation commitments and sets of rules in Latin America from resulting in unintended obstacles for trade and investment flows, the need for both the EU and Latin America to seek, as a matter of principle, the eventual convergence of the various agreements in force or under negotiation between the two regions;

#### **As regards economic cooperation and accompanying measures**

24. to ensure appropriate funding for the new strategy for regional cooperation with CAN for 2007-2013 so that the Association Agreement complements the FTA with the financial resources and technical cooperation required to support the process of economic adjustment and its social consequences and to tackle the challenges of institutionalisation and deepening of CAN's regional process, especially as regards completion of the customs area and common market;

25. to take into account that one of the EU's overriding trade-related policy objectives for the cooperation with CAN should be to strengthen the process of regional economic integration, including the completion of a Customs Union with a sufficiently complete Common External Tariff (CET), a sufficient degree of harmonisation of Sanitary and Phytosanitary rules (SPS) and technical norms;

26. to take into account, as is stated in the 'European Consensus on Development', that the EU, drawing on its own experience and its exclusive competence in the field of trade, brings a comparative advantage to providing aid to its partner countries for integrating trade in their national development strategies, for private sector development and for supporting regional cooperation;

27. to ensure from the beginning that the cooperation chapter and the new strategy for regional cooperation with CAN for 2007-2013 provides for specific measures in order for European and CAN SMEs to take full advantage of the opportunities arising from the trade agreement;

28. to ensure that the cooperation chapter of the Association Agreement with CAN encourages closer regional cooperation in the energy sector;

29. to take account, in the directives for negotiation, of the Fair Trade system which has proved to be an effective method for combating poverty and promoting long-term development, and which could in the long term permit the unrestricted participation of the CAN too in the multilateral trading system;

30. to take account, in particular in the directives for negotiation, of the consensus between

the EU and the CAN concerning their joint responsibility for combating the drug trade and its social and economic effects when implementing the proposed measures, particularly as regards access to the market for alternative crops and specific monitoring mechanisms aimed at containing, and then gradually reducing, crime relating to money laundering and the arms trade;

### **Conduct of the negotiations and role of the European Parliament**

31. to provide the process of negotiations for the FTA with CAN with greater legitimacy by means of increased transparency and greater participation on the part of all EU stakeholders, including the relevant actors in civil society, the social partners and economic operators in the two regions; in this connection, to pledge its support for the establishment of the Euro-Latin American Parliamentary Assembly, comprising Members of the European Parliament and of the Latin American integration parliaments, including the Parlandino, as the parliamentary institution of the bi-regional strategic partnership responsible for the parliamentary control and monitoring of the Association Agreements concluded between the two regions.
32. to take into account that the Association Agreement shall be concluded only after the assent of the European Parliament has been obtained; in this connection, to take into account that the Commission must provide early and clear information to Parliament both during the phase of preparation of the agreements and during the conduct and conclusion of international trade negotiations, and that this information should be provided to Parliament in sufficient time for it to be able to express its point of view if appropriate, and for the Commission to be able to take Parliament's views as far as possible into account;
33. to consult and inform Parliament in proper and timely fashion on the EU's strategy along the course of the negotiations and to take into account that at the end of each round or significant negotiating meeting, Parliament should receive a document describing its content and conclusions, subject to the confidentiality rules in force.

## PROCEDURE

<b>Title</b>	The negotiating mandate for an Association Agreement between the European Union and its Member States on the one part, and the Andean Community and its member countries on the other part
<b>Procedure number</b>	2006/2221(INI)
<b>Committee responsible</b>	AFET
<b>Opinion by</b> Date announced in plenary	INTA 28.9.2006
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Draftsman</b> Date appointed	Małgorzata Handzlik 12.6.2006
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	22.11.2006
<b>Date adopted</b>	18.12.2006
<b>Result of final vote</b>	+: 18 -: 0 0: 0
<b>Members present for the final vote</b>	Kader Arif, Jean-Pierre Audy, Enrique Barón Crespo, Daniel Caspary, Christofer Fjellner, Alain Lipietz, Caroline Lucas, Erika Mann, Helmuth Markov, David Martin, Georgios Papastamkos, Tokia Saïfi, Robert Sturdy, Gianluca Susta, Johan Van Hecke, Zbigniew Zaleski
<b>Substitute(s) present for the final vote</b>	Panagiotis Beglitis, Harlem Désir, Elisa Ferreira, Małgorzata Handzlik, Jens Holm, Jörg Leichtfried
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Comments (available in one language only)</b>	...

7.11.2006

## **OPINION OF THE COMMITTEE ON DEVELOPMENT**

for the Committee on Foreign Affairs

on the negotiating mandate for an Association Agreement between the European Union and its Member States on the one part, and the Andean Community and its member countries on the other part  
(2006/2221(INI))

Draftsman: José Javier Pomés Ruiz

### **SUGGESTIONS**

The Committee on Development calls on the Committee on Foreign Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Asks that the negotiating mandate should explicitly state the legal basis on which the new Association Agreement is to be negotiated, namely Article 310 of the Treaty establishing the European Community, in conjunction with the first sentence of the first subparagraph of Article 300(2) and the second subparagraph of Article 300(3);
2. Asks that the negotiating guidelines should be sufficiently flexible as to take account of the different levels of development that exist between the countries which form part of the Andean Community (CAN);
3. Stresses the need for those guidelines to take full account of the priority objective of eradicating poverty, inequality, social exclusion and all forms of discrimination, particularly discrimination on grounds of gender and ethnic origin, and stresses the need to have a general integrated development strategy and policies that will guarantee equal work opportunities and better living and working conditions for everyone, including the economic and cultural rights of indigenous peoples, as well as high priority for greater access to education and health;
4. Asks that internal mechanisms and joint measures within the framework of the association be strengthened so that the development strategies can reach their full potential, stimulating co-development projects, particularly with immigrant populations resident in the European Union;



5. Asks that a study be made of the possibility of reducing the cost of money transfers made by immigrants to their countries of origin and making them more transparent and secure, since, given the amounts involved, they represent a key factor for development within CAN;
6. Stresses the importance of enriching the negotiations with contributions from the respective regional parliaments, which are engines of integration and political dialogue, and stresses that they must be properly involved in the process; also stresses that there must be real involvement of NGOs and civil society;
7. Asks that the negotiating mandate should identify the objectives of democratic governability, peacekeeping and security, and conflict management as priority topics, as well as including support for social cohesion and the MDGs, with high priority for primary and secondary education and health, and the joint management of migration, the fight against drugs trafficking and the adoption of common positions in international forums and the United Nations, respect for human rights, etc;
8. Stresses the importance of strengthening the consensus regarding the fight against drugs trafficking, as has been done hitherto, pointing out that this is a shared responsibility both at internal level within CAN and at bilateral level between CAN and the European Union; stresses that the promotion of viable economic alternatives to drugs production is very important in this connection;
9. Points out that foreign investment is an essential element for the economic development of both regions and stresses that European undertakings with investments in CAN should be expected to apply the same standards as regards working conditions and investment as are complied with in the European Union, and that the legal security of investors should be guaranteed on the basis of international private law and with full respect for the principle of national sovereignty over natural resources; it is important that the greater part of the benefit of the national natural resources goes to the State and through the State to the realisation of the MDGs.

## PROCEDURE

<b>Title</b>	The negotiating mandate for an Association Agreement between the European Union and its Member States on the one part, and the Andean Community and its member countries on the other part
<b>Procedure number</b>	2006/2221(INI)
<b>Committee responsible</b>	AFET
<b>Opinion by</b> Date announced in plenary	DEVE 28.9.2006
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Drafts(wo)man</b> Date appointed	José Javier Pomés Ruiz 11.7.2006
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	2.10.2006
<b>Date adopted</b>	6.11.2006
<b>Result of final vote</b>	+: 13 -: 1 0:
<b>Members present for the final vote</b>	Margrietus van den Berg, Danutė Budreikaitė, Marie-Arlette Carlotti, Hélène Goudin, Maria Martens, Luisa Morgantini, Horst Posdorf, Feleknas Uca, Anna Záborská.
<b>Substitute(s) present for the final vote</b>	John Bowis, Fiona Hall, Alain Hutchinson, Jan Jerzy Kułakowski, Manolis Mavrommatis.
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Comments (available in one language only)</b>	...

## PROCEDURE

<b>Title</b>	Negotiating mandate for an association agreement between the European Union and its Member States, of the one part, and the Andean Community and its member countries, of the other part	
<b>Procedure number</b>	2006/2221(INI)	
<b>Proposal(s) for recommendations considered</b>	B6-0374/2006	
<b>Committee responsible</b> Date authorisation announced in plenary	AFET 28.9.2006	
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	INTA 28.9.2006	DEVE 28.9.2006
<b>Not delivering opinion(s)</b> Date of decision		
<b>Enhanced cooperation</b> Date announced in plenary		
<b>Rapporteur(s)</b> Date appointed	Luis Yañez-Barnuevo García 13.9.2006	
<b>Previous rapporteur(s)</b>		
<b>Discussed in committee</b>	28.11.2006	23.1.2007
<b>Date adopted</b>	25.1.2007	
<b>Result of final vote</b>	+: 60 -: 0 0: 6	
<b>Members present for the final vote</b>	Roberta Alma Anastase, Panagiotis Beglitis, André Brie, Elmar Brok, Marco Cappato, Simon Coveney, Véronique De Keyser, Ana Maria Gomes, Alfred Gomolka, Klaus Hänsch, Richard Howitt, Jana Hybášková, Stanimir Ilchev, Helmut Kuhne, Vytautas Landsbergis, Emilio Menéndez del Valle, Willy Meyer Pleite, Francisco José Millán Mon, Pasqualina Napolitano, Annemie Neyts-Uyttebroeck, Baroness Nicholson of Winterbourne, Raimon Obiols i Germà, Cem Özdemir, Ioan Mircea Paşcu, Hubert Pirker, Michel Rocard, Libor Rouček, Katrin Saks, José Ignacio Salafranca Sánchez-Neyra, György Schöpflin, Gitte Seeberg, Marek Siwiec, Hannes Swoboda, István Szent-Iványi, Konrad Szymański, Charles Tannock, Paavo Väyrynen, Inese Vaidere, Geoffrey Van Orden, Ari Vatanen, Kristian Vigenin, Francis Wurtz, Luis Yañez-Barnuevo García	
<b>Substitutes present for the final vote</b>	Laima Liucija Andrikiienė, Francisco Assis, Carlos Carnero González, Alexandra Dobolyi, Árpád Duka-Zólyomi, Glyn Ford, Michael Gahler, Tunne Kelam, Doris Pack, Pierre Schapira, Csaba Sándor Tabajdi, Marcello Vernola	
<b>Substitutes under Rule 178(2) present for the final vote</b>	Charlotte Cederschiöld, Małgorzata Handzlik, Filip Kaczmarek, Sylvia-Yvonne Kaufmann, Marcin Libicki, José Javier Pomés Ruiz, José Albino Silva Peneda, Kyriacos Triantaphyllides, Lambert van Nistelrooij, Zbigniew Zaleski, Stefano Zappalà	
<b>Date tabled</b>	5.2.2007	
<b>Comments</b>	...	