

THE DANISH GOVERNMENT 2007



DENMARK IN LATIN AMERICA

– OPPORTUNITIES AND PARTNERSHIPS

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TABLE OF CONTENTS

JOINT FOREWORD BY THE MINISTER FOR FOREIGN AFFAIRS AND THE MINISTER FOR DEVELOPMENT	2
1. LATIN AMERICA IN THE 21ST CENTURY – THE CONTINENT OF OPPORTUNITIES	4
Renewed Interest in Latin America	4
Figure 1: Average Growth in GNP, pct 2001-2006, Selected Countries	4
Figure 2: Calculated Growth in GNP, pct 2007-2027	4
Latin America – the Continent of Inequality	5
Stronger Democracies, but continuous Challenges	8
Peace in the Region – but Threats from Weak States	9
Latin America and the World.....	10
2. PRIORITIES FOR STRENGTHENED DANISH INVOLVEMENT IN LATIN AMERICA	12
What do We want – and how?	12
Common Goal: Peace, Democracy and Stability.....	13
Cooperation regarding the Environment, Energy and Climate Improvements	15
Increased Trade and Investments	17
Globalisation and Social Cohesion in Societies	23
Danish Development Cooperation: Financial and Political Opportunities for Everyone	25
Knowledge sharing and Cultural Exchanges	29
Appendix: Information about selected Latin American Countries	33
ARGENTINA:	33
BRAZIL	35
CHILE	37
MEXICO:	39

JOINT FOREWORD BY THE MINISTER FOR FOREIGN AFFAIRS AND THE MINISTER FOR DEVELOPMENT

Latin America is a continent of new opportunities. Stable, rapid growth and consolidation of democracy in a number of countries has led to optimism regarding the future of the continent. With its 550 million people, its large energy reserves, its role as a global supplier of foods and raw materials and the home of modern high-tech companies, the region offers a number of interesting perspectives for Denmark

Denmark has a number of values in common with the majority of the Latin American countries: democracy and human rights as the foundation for modern society, principles of market economy and the aim of reducing poverty. We also have a common goal of ensuring strong and effective multilateral organisations as the framework for globalisation. Hence there is a good basis for strong partnerships with Latin American countries.

With the strategy “Denmark in Latin America – Opportunities and Partnerships” the Danish Government wishes to point to a number of areas where Denmark is especially interested in strengthening cooperation with Latin America. The point of departure is the Government’s globalisation strategy and Ministry of Foreign Affairs’ globalisation analysis from 2006.

The Danish Government wishes to ensure that we make better use of the framework of common values in order to strengthen cooperation and further consolidate the progress of democracy in Latin America, and to promote human rights and multilateral solutions on a global scale. Due to its large energy reserves and its richness in natural resources Latin America can be

expected to become an important partner in the fight against global warming.

Danish export to and investment in Latin America is lower than that of countries we normally compare ourselves with. The Danish Government will do its best to ensure that Danish companies are given the best possible circumstances for making the most of the opportunities in new growth markets, including those in Latin America. The opening of the Embassy in Buenos Aires in the spring of 2007 and the strengthening of the Consulate General in São Paulo in 2006 are a clear indication of the priority Denmark gives to the opportunities, including the commercial opportunities, that Latin America offers. The Danish Government is working both multilaterally and bilaterally to ensure better access to markets and to strengthen research and development work. Though at the same time we must naturally ensure that globalisation benefits as many as possible through improving labour rights and environment.

Denmark will continue to be an active partner within development aid in Latin America. Although progress in reaching the UN Millennium Development Goals for 2015 has been made, the levels of poverty, inequality, marginalization and violence remain high, which can potentially undermine the positive development in the individual countries. As a donor nation Denmark is very active in the fight against poverty, the promotion of rights for indigenous peoples and the protection of the environment. Only by continuing to fight poverty and including all parts of the population in political processes

can the foundation for consolidating democracy and ensuring sustainable development be attained. Latin American countries have shown great interest in the Danish societal model. And we are happy to share our experiences with Latin America.

Denmark must focus on areas in which we have special competencies. This strategy will determine priorities for the coming years. If we use our competencies aptly Denmark can benefit from the potential Latin America offers and equally importantly contribute to Latin America realising its potential. This is the context in which the launch of a Danish strategy for Latin America should be seen.

The Latin America Strategy is a continuously evolving document and the Danish Government will evaluate its implementation and consider new initiatives on an ongoing basis. The Government will enter into dialogue with Danish stakeholders in the business community, trade organisations, research communities and NGO environments in order to discuss new initiatives that can nurture Danish interests and strengthen Danish presence in Latin America.



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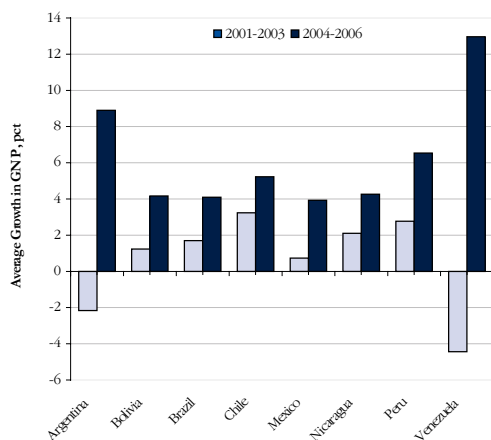
1. LATIN AMERICA¹ IN THE 21ST CENTURY – THE CONTINENT OF OPPORTUNITIES

Renewed Interest in Latin America

For the first time in decades Latin America is currently experiencing a period of stable growth, which almost all countries on the continent are benefiting from. The Latin American region constitutes about 6 pct of the global economy and its share is growing. In comparison China's share was about 5.5 pct of the global economy in 2006. In 2006 Brazil and China were the 10th and 14th largest economies in the World respectively.

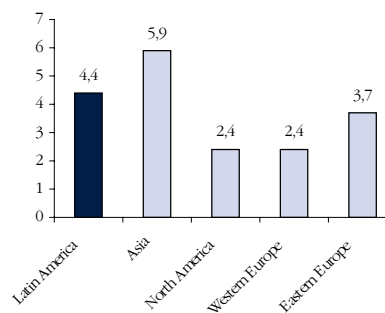
Forecasts show that during the coming decades the economic growth will be significantly higher in markets like Latin America and Asia than in Europe and Northern America. During the period of 2007-2027 the average annual growth in GNP in Latin America is expected to be 4.4 pct. In comparison the average growth in Western Europe and the USA is expected to be 2.4 pct.

Figure 1: Average Growth in GNP, pct 2001-2006, Selected Countries



Source: IMF: World Economic Outlook Database, April 2007

Figure 2: Calculated Growth in GNP, pct 2007-2027



Source: The Ministry of Economic and Business Affairs in Denmark

¹ There are many different definitions of Latin America. The common denominator is that the countries are Spanish/ French /Portuguese speaking and situated on the American continent (though they usually also include English speaking Belize and Guyana and Dutch speaking Surinam). In this strategy the term covers the following countries; Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Surinam, Uruguay and Venezuela.

The recent years' growth can be put down to more stable macroeconomic policies, increased foreign investment, a rise in prices of raw materials (especially agricultural products, minerals oil and natural gas) and an increase in money transfers from Latin Americans living abroad, which leads to a increase in demand in the countries. Having learnt from experience most of the governments have promoted market economic reforms and macroeconomic stability. Inflation and budget deficits have dropped significantly and rising tax revenues are being used to bring down the national debt.

Environmental problems, impacts caused by global warming and natural disasters like hurricanes, flooding, landslides, forest fires and droughts are becoming a growing problem in Latin American countries. Deforestation, erosion and pollution of land and water resources affect especially the poorest part of the population, and may also constitute a future threat to the economic opportunities of the region.

With its large oil and gas reserves Latin America has the potential to play an important role in a global economy in which competition related to energy resources is growing. Increased revenue from the oil and gas sector is currently improving the budget situation of the producer countries and creating opportunities for new investments and social programmes. Conversely, the financial scope of the oil importing countries – including the Central American countries for example – has

decreased. In a world where the demand for energy and raw materials is increasing Latin America is important.

Latin America – the Continent of Inequality

Latin America has the highest average national income per capita among the developing regions, but there are huge differences. There is considerable inequality between the individual countries. Of the 20 countries in the World with most skewed income distribution 12 of them are situated in Latin America and the economic growth during the recent decade has not led to a significant reduction in poverty. Hence, 209 million of the region's 550 million people still lived in poverty in 2006, 81 million of them in extreme poverty².

Poverty has led to extensive migration within and from the region, especially from Mexico and Central America to the USA, but also to Spain. It is estimated that in 2005 a total of 25 million Latin American emigrants lived in the USA. Today money transfers from Latin Americans living in Europe and the USA constitute a much larger sum than the entire amount of development aid to the region – estimated to be about 45.6 billion USD in 2005.

It is estimated that about 30–40 pct of the workforce is unemployed or underemployed. Thus there is a substantial reserve of labour. Between 25 and 70 pct of the workforce is employed in

² Source: UN Commission for Economic Cooperation in Latin America and the Caribbean (CEPAL) 2006. The definitions of poverty are determined according to CEPAL's method of calculation for income and food products etc.

the informal sector, which is characterised by lack of regulation and protection. In many countries problems related to effective protection of basic labour rights still persist, and there is no practice of including parties in the labour market in broad compromise deals that could contribute to social stability and cohesion.

75 pct of the Latin American population lives in urban areas. The distorted land distribution has been a contributory factor to the extensive urbanisation Latin America has experienced during recent decades. The challenge is to turn urbanisation into a positive trait.

Experiences in Latin America show that economic growth is essential but not in itself a sufficient condition to reduce poverty. Brazil and Mexico for example have therefore pragmatically combined market economic reforms and privatisations with more active social policies. This is due to the recognition of the fact that social programmes, boosting employment and effective redistribution policies are necessary if poverty and inequality are to be reduced significantly. More ambitious reforms - amongst others within the area of taxes - are required if financial means for social investments and increased social cohesion are to be attained.

However, growing discontent with the lack of progress within economic and social areas has also led to the election of leaders who want to break with traditional development models and argue for radical solutions. It is essential for the development

of the region that democratic stability and international confidence in the investment climate are not undermined.

Latin America in 2020: Opportunities for Success

Experience from recent years regarding economic growth and development in Latin America underline the fact that it is possible for Latin America to keep progressing. Although international conditions are important there is much the countries can do themselves:

- **Opportunities for growth are best when the economy is diversified and the competitive abilities are strong:** in many countries growth is driven by export of raw materials and agricultural produce or sectors characterised by low added value. Upgrading skills within the workforce and better and broader education are prerequisites for competitive strength in the future.
- **Countries with macroeconomic stability are in the best position:** this presupposes balanced finance, foreign currency and monetary policies.
- **A good investment climate attracts resources:** this can be ensured by strengthening institutions and legislation that create predictable and stable environments for investors.
- **Well functioning democracies and national principles of rule of law are also key factors:** this requires strong institutions and democratic processes that include all groups in the population and ensure democratic stability; furthermore corruption must be fought.
- **Liberalisation of trade should be expanded:** liberalisation of world trade within the framework of WTO is the most important challenge. But free trade agreements between Latin America and the EU can be an important supplement.
- **Regional integration is important:** with the integration of Latin American countries joint regional markets that will enable economic growth in Latin America and may attract foreign investment will be created. Integration is followed by strengthened political cooperation and stability. Regional integration can prevent the division of Latin America into winners and losers, i.e. successful countries on the one hand and poverty-stricken countries on the other.
- **Reforms and social investments can minimise poverty and inequality:** one of the prerequisites for minimising inequality in the Latin American societies is tax reform. If poverty and inequality are to be fought social investment within education and health and an active labour market policy is necessary.
- **Sustainable development ensures long-term societal success:** experience shows that long-term developmental success is based on an environmentally sustainable development model that includes responsible management of natural resources and cooperation in the fight against global warming.
- **Drugs and drug related crime is a significant challenge:** the production and trade of drugs, organised crime and laundering of money is a complex problem that can be fought among other ways by international cooperation.

Stronger Democracies, but continuous Challenges

All countries in Latin America except Cuba now abide by the most common criteria for democracies. Having signed the Inter-American Democratic Charter the Latin American governments have formally committed themselves, at regional level, to protect and strengthen democracy in the region.

Overall the human rights situation has improved in the past decades; however a number of major challenges still remain. International organisations such as Freedom House and Amnesty International point out the need to strengthen respect for human rights in Bolivia, Colombia, Guatemala, Haiti, Mexico, Nicaragua, Paraguay, and Venezuela. Cuba is, as the only country in the region, classified as a 'non free' country with extensive restrictions on citizen and civil rights.

In a large number of countries the governments have established and strengthened institutions such as the ombudsman function, ratified human rights conventions and modernised legislation in order to ameliorate the rule of law. Several countries, such as Argentina, Chile and Peru, are currently carrying out legal procedures against representatives for dictatorships of the past. Nevertheless there continues to be a great need for reforms of the judicial sector in order to ensure the due process of law for citizens.

However, in most of the countries in the region violation of human rights is no longer a direct result of official government policies, though there are still examples of the police and the

military being guilty of violations in certain countries. Important improvements within the area of legislation are, however, not always accompanied by the strengthening of institutions, which is necessary to create the concrete conditions for a well functioning democracy.

The indigenous population, which is estimated to comprise at least 30 million people, still constitutes a marginalized part of the population. Their social, cultural, civil and political rights are often ignored – even in countries where indigenous people constitute the majority of the population. As democracy is being consolidated the indigenous populations have become increasingly organised and aware of their rights. Denmark has contributed to this development via its development cooperation. Denmark has also worked to ameliorate the rights of the indigenous populations within the context of the UN.

There is long way to go before gender equality is attained, women are, for example, severely underrepresented in national politics. In countries like Brazil and Guatemala women hold respectively about 10 pct and 8 pct of the seats in the national parliament. Sexual abuse and violence against women is a widespread problem that also creates substantial negative economic consequences. It is estimated that up to a third of all women have been subject to sexual abuse and/or violence.

The Catholic Church remains an important power that has great influence especially with regard to areas such as legislation related to abortion.

Corruption constitutes a huge obstacle to the establishment of strong institutions and undermines the population's trust in democracy and authorities. With a few exceptions – such as Chile and Uruguay – the Latin American countries still rank badly in international indexes, such as Transparency International's Corruption Index. Corruption contributes to increased inequality and to minimising the effectiveness of the State in reallocating resources. Corruption and nepotism in public administration has led to growing resistance towards traditional political parties and to demands for fundamental reforms in order to secure broader participation and stronger control of public authorities.

Ultimately, the democratic consolidation of Latin America and the legitimacy of the democratic governments depend on the capability to deliver economic and social progress and personal security. If these expectations are not met populist leaders with radical agendas will have easier access to power.

Peace in the Region – but Threats from Weak States

The main threats to the security of the populations in the region stem from states with weak institutions and are aggravated by organised crime, drug dealing, access to weapons and lack of control over part of the territories in the countries. The combination of these factors increasingly constitutes a significant threat to security in a number of countries in Central America. In the Andean region in South America the production and trade of drugs continue to constitute a source

of instability. In Colombia this is closely combined with the internal conflict in the country.

Organised crime is also linked to trafficking of women, smuggling of illegal immigrants and money laundering. In the slums in the major cities of the region crime poses a growing problem to security, which among other things regularly results in violent clashes between criminals and the police. Crime and violence is an integral part of Latin American society. A broad spectrum of efforts that also target the underlying causes of violence is required if the problem is to be solved. Many Latin American governments have realised this.

Conversely, traditional security threats from armed rebellions are decreasing. Colombia is currently the only country experiencing large armed conflict in a region, which in a not so distant past was the setting of many civil wars and confrontations. The threat of terror and the risk of weapons of mass destruction being spread are estimated to be lower than in other regions.

At present the danger of conflicts between countries in the region would seem to be low and the region is characterised by low military expenditure – on average less than 1.5 pct of the GNP. Territorial conflicts and controversies related to resources are usually solved through dialogue and negotiation. In this context it is encouraging that countries and organisations in the region increasingly deal with their own regional security issues. This is done through regional organisations such as the Organisations of American States (OAS) and Mercosur and via

substantial contributions to the UN stabilizing missions and not least the UN peacekeeping mission in Haiti.

Latin America and the World

Today Latin America appears to be a region with overlapping networks of regional organisations and informal coordination mechanisms (Annex 1). OAS is the most important political organisation on the continent and, among other things, constitutes the core of the Inter-American human rights system.

Latin America has not as yet exploited the potential for regional economic and political cooperation to the full extent. Certain countries and sub-regions have entered into association and free trade agreements with, among others, the EU (Annex 2). Ambitious plans for comprehensive free trade agreements - among these a vision for a united free trade area of the Americas (FTAA) - have currently been suspended due to rivalry between countries. Trade liberalisation in the region has, however, been successful, at least to some extent - tax rates, for example, dropped from an average of 40 pct to an average of 10 pct during the 1990s.

The lack of binding regional cooperation mechanisms weakens the potential of Latin American countries to act jointly as a global player in order to strengthen the international opportunities of the region.

Regarding foreign policy Central America and South America can be expected to go in slightly different directions. Mexico,

which is an important regional player, and the Central American countries can be expected to continue orienting themselves mainly toward Northern America. Mexico has become closely integrated with the USA and Canada through the NAFTA collaboration. This integration is expected to be expanded through CAFTA - a free trade agreement between the USA and Central America. However, both the Central American countries and Mexico intend to diversify economic and political relations, including strengthening relations with Europe. Mexico has already entered into an association agreement with the EU. There is great interest from both sides to continue to strengthen cooperation. An association agreement between the EU and Central America is currently under negotiation.

South America, with Brazil in the lead, is expected to maintain close relations with the USA, but at the same time strengthen its orientation toward EU and Asia and continue to promote regional integration. Brazil represents a serious partner, closer collaboration with whom is attracting increasing global interest - cf. the EU-Brazil summit held in July 2007, which was the initiation of developing a strategic partnership between the EU and Brazil. EU and Chile have entered into an association agreement, and the EU and the Mercosur countries are negotiating an association agreement. The EU has in 2007 started negotiations with the Andean Community about an association agreement (Annex 2). Rising trade with and investment from Asia can also be anticipated. The rising global demand for raw materials, boosted, among other things, by the growth in Asia, will contribute to increasing international interest in the region.

Venezuela is currently attempting to be an alternative to conventional economic strategies and values and an alternative to the USA in the region. Venezuela has attained growing regional influence not least due to massive economic support of a number of governments and movements in Latin America. Venezuela has established the trade collaboration ALBA (Alternative Bolivariana para America Latina), which is to represent an alternative to the free trade agreements with the USA and currently counts Venezuela, Cuba, Bolivia and Nicaragua among its members. There are thus disparities between the USA and Venezuela – however these should not be overestimated. Anti American rhetoric is used in domestic policies in some of the countries in the region. In practice however this rarely influences cooperation or economic dealings, which the massive Venezuelan oil export to the USA is an example of.

Conversely there is a demand for more involvement from the USA in much of Latin America. It is a widespread opinion that the USA has neglected Latin America, from a foreign policy point of view, since September 11, 2001. Based on this the American Government has given greater priority to its involvement in regional relations, an example of this is the rising number of exchanges and high level visits. However, the main priorities in the US Latin America policy continues to be control of drugs, promotion of democracy and management of migration.

The EU also constitutes an important player in Latin America. The EU is Latin America's second largest trade partner. Trade has more than doubled during the period from 1990 to 2005.

This positive development is expected to continue – due, among other reasons, to new association agreements. EU is the most important source of direct investment in Latin America. Furthermore, the EU is the largest donor in the region. Finally the EU constitutes a powerful partner in the region at the political level through summits (EU-Latin America/Caribbean) regular dialogues and collaboration with individual countries and regional organisation in priority areas.

2. PRIORITIES FOR STRENGTHENED DANISH INVOLVEMENT IN LATIN AMERICA

What do We want – and how?

Denmark has been present in and collaborated with Latin America for decades - in relation to foreign policy, development, commerce and culture. Civil society in Denmark has had strong ties with partner organisations in the region for decades, the same applies to many Danish companies that have been present in the regional markets for a long time. There are strong human ties between Denmark and Latin America. Especially the considerable emigration from Denmark to Argentina in the 19th century and the arrival of Latin American refugees in Denmark during the years of military dictatorship have strengthened these ties.

The strengthened economic development and democratic consolidation provides new opportunities for Denmark.

The strategic goals for strengthened action in Latin America are:

- To promote democracy, human rights and international rule of law.
 - To support sustainable environmental development and the fight against global warming.
 - To ensure the best conditions possible for Danish companies, institutions and other players – through free trade agreements among other things – in order for them to benefit from globalisation by making the most of the opportunities Latin America offers within production, investment, trade and research.
- To contribute to the promotion of globalisation by strengthening social cohesion.
 - To contribute to the fight against poverty, attaining the UN Millennium Development Goals and the participation by all groups of society in the economic development, and to contribute to democratic development by continuing development cooperation with the poorest countries in the region.
 - To ensure cultural cooperation and knowledge sharing with mutual benefits within research and education and to increase Latin Americans' knowledge about Denmark and knowledge about Latin America in Denmark.

Management of Danish interests in Latin America is concentrated around a number of countries chosen on the basis of their political weight, economic and commercial dynamism or challenges related to their development. Having strengthened the Danish representations in the region in recent years Denmark has become better equipped to handle these tasks. The Danish presence in the region will be evaluated on an ongoing basis in order to ensure efficient use of resources and the safeguarding of Danish interests.

Due to the fact that the Latin American countries share historical, cultural, linguistic and socio-economic traits it makes sense to look at the countries of the continent as a whole. Meanwhile it is clear that there are significant differences between the countries that must naturally be taken into consideration when implementing initiatives.

Denmark needs to be able to exploit the entire range of possibilities that can lead to the accomplishment of the above-mentioned goals. EU cooperation will play a central role within the areas of foreign and security policies, not least in relation to the most significant conflicts in the region – in, among other places, Colombia and Haiti. With regard to commerce EU will, due to the division of competencies, per definition be the main instrument for promoting Danish interests. In other areas the appropriateness of applying either a bilateral EU-based or an international approach should be assessed from time to time. The Danish Government will contribute to ensuring presence, capacity and opportunities in Latin America by:

- Continuing to develop contacts with governments and policymakers in selected countries in order to create better conditions for collaboration, for example by entering into agreements.
- Making Danish core competencies more visible and marketing them. Increasing visits to and from Latin America will contribute to increasing awareness of Danish expertise. More active public diplomacy will also be part of the strategy to promote Denmark.
- Strengthening collaboration between Danish players. If Denmark is to hold a stronger position in Latin America collaboration between Danish players (Danish businesses, educational establishments, media, civil society and the Government) must be strengthened in order for us to be able to support each other's efforts, this can be done through Latin America network meetings, for example.

Areas of priority that the Danish Government wishes to strengthen during the coming years are presented below. The strategy in itself only indicates priorities, but does not provide for new financial means.

It will be necessary to assess opportunities for new initiatives on an ongoing basis in order to ensure Danish interest in Latin America, this can, for example, be done through collaboration between actors at network meetings.

Common Goal: Peace, Democracy and Stability

The democratisation process and economic reforms in Latin America have brought the region closer to Denmark and the EU. This provides us with the opportunity to take advantage of the fundamental shared values based on respect for democracy and human rights and support of market economic principals. The challenge is to contribute to Latin America's continuing enjoyment of regional, political and economic stability while the region fights poverty and fulfils its potential as a constructive partner working to strengthen international rule of law and identify international solutions to global problems.

Denmark will:

- Strengthen political dialogue through partnerships and alliances in order to promote peace, democracy, respect for human rights and the fight against poverty and also strengthen international rule of law.

- Contribute to strengthening democracy and respect for human rights through development cooperation in Bolivia, Nicaragua and Central America, and use the access to the countries' governments provided by the collaboration to lead a critical but constructive dialogue in order to promote a culture of democracy that includes all groups in society.
- Develop a close dialogue with EU-partners and the USA about development in Latin America, focusing especially on the consolidation of democracy and the fight against poverty, social inequality, environmental and climate changes as well as promoting regional integration.
- Strengthen the dialogue on Cuba with all stakeholders in order to contribute to peaceful and democratic development in Cuba.
- Collaborate with the Latin American countries on a reform of the UN in order to promote joint solutions to global problems and strengthened international rule of law. Special attention will be paid to the UN Security Council in order for it to reflect the World of today better; to the UN Human Rights Commission as a central body to promote human rights; to strengthening the UN Permanent Forum for Indigenous Issues in order to promote the rights of indigenous peoples, and to the UN Peace-building Commission.

Denmark will – through the EU – strive to:

- Strengthen the EU's dialogue and collaboration with Latin America within the framework of the institutionalised EU– Latin America cooperation (EU-LAC), and as part of this focus the dialogue on the challenges of globalisation such as environment and climate issues and social cohesion.
- Contribute to the development of EU dialogues with important Latin American players; cf. the strengthened dialogue that was established in 2007 between the EU and Brazil.
- Encourage the efforts of the EU and Latin American countries to promote democracy and human rights in Latin America through dialogue and concrete initiatives, among other things by means of critical involvement in countries with anti-democratic trends.
- Encourage the EU to strengthen political dialogue with Cuba and, in concurrence with the EU's joint position of 1996, contribute to promoting human rights, democracy and improving the economic situation.
- Encourage the EU to contribute to strengthening regional integration by entering into agreements with Mercosur, the Andean countries, the Central American countries, and by engaging in the political dialogue linked with this in addition to providing development aid.
- Ensure that through political dialogue the EU contributes to strengthening the judicial sector and focuses on the fight against violence, especially in Central America.

Cooperation regarding the Environment, Energy and Climate Improvements

Global economic growth and growing demand for energy increase the international focus on Latin America as a supplier of energy. Latin America possesses 10 pct of the World's oil reserves and 6 pct of the World's natural gas reserves. Mexico possesses the World's 8th largest oil reserves. Venezuela is the World's 5th largest net exporter of oil. Other Andean countries (Bolivia, Colombia, Ecuador and Peru) possess considerable – often un-exploited – oil and gas reserves. Brazil is expected to be an important net exporter of oil in a few years time.

However, Latin America – especially Brazil – is also at the forefront when it comes to alternatives to fossil fuels. Brazil is thus already one of the World's leading producers of bio-fuel. This is relevant with regard to the search for energy sources that reduce CO₂ emissions.

As in other parts of the World there are indications that natural disasters are becoming more frequent and more forceful due to the global rise in temperature and climatic changes. In the Andes measurements show that the glaciers are disappearing, which has serious consequences for the watercourses and supply of water and electricity in the region. In many regions agricultural production is affected by droughts and lack of water. There have been great costs related to reconstruction after landslides, storms and hurricanes especially in the Central American region.

The problems have drawn attention to the necessity of adapting development assistance to consequences brought about by climate changes. Better water resource management, development of drought resistant agricultural production and investment in preventive measure against disasters, for instance, are necessary.

In its development cooperation with Latin America Denmark supports sustainable use of natural resources and the struggle to prevent pollution, both through the sector programme in Bolivia and through the regional environment programme in Central America, which also includes activities in Nicaragua, and by including environment as a crosscutting issue in all aid activities.

A pro-active Danish focus on export of efficient energy and environmental technologies to Latin American markets can serve Danish interests but also be beneficial to Latin America and contribute to advancing such technologies. An initiative taken by the Ministry of Foreign Affairs, the Ministry of Transport and Energy and the Ministry of Environment in 2006 Denmark set the stage for strengthened export to and cooperation with Brazil. The initiative is aimed at promoting the export of efficient energy and environmental technologies (focusing on energy efficiency and environmental sustainability: wind, biomass/ biogas and water) to the so-called BRIC countries (Brazil, Russia, India and China). At the same time Denmark is also interested in cooperating with other countries especially with regard to research into bio-fuels and other renewable sources of energy. In connection with the UN Climate summit

in 2009 hosted by Denmark extensive marketing of Danish key competencies within the area of environment and energy will be carried out abroad. A number of trade and research related activities are expected to be carried out in, among other places, Latin America.

The biosphere of Latin America has a significant impact on the Earth's climate. Logging and burning the World's rainforest areas leads to considerable emission of greenhouse gasses, this currently accounts for 18 pct of all global emissions. Latin America and in particular Brazil and Mexico that both emit substantial amounts of CO₂ play an important role in international debates on environment and climate changes and in negotiations. Firstly, they manage large natural resources, including rainforests and Antarctic areas, in the most southern part of the continent. Secondly, the region has a potential role in creating a common understanding between rich countries and developing economies. Thirdly, the countries are both buyers and sellers of 'carbon credits'.

As the host of the UN climate summit in 2009 Denmark will pay special attention to ensuring that future climate agreements do not hinder economic growth in developing countries, but support development and transfer of technology and emissions trading. At the present point in time Denmark has signed so-called "Clean Development Mechanism" agreements with 5 countries in the region: Argentina, Brazil, Chile, Mexico and Nicaragua.

Several other Latin American countries have shown interest in entering into cooperation based on Danish experiences in the area of environment and energy. An agreement related to this was formed with Mexico in 2007.

In the area of environment and energy Denmark will:

- Ensure that the Danish competencies relating to environment and energy are marketed extensively, benefiting both Danish businesses and the Latin American and global environment.
- Strengthen collaboration and partnerships related to research and technological development in prioritised areas such as renewable energy, energy efficiency, environmental technology, biomass and waste, on the basis of cooperative agreements.
- Promote the involvement of Danish companies in Clean Development Mechanism (CDM) activities in the region, in order to contribute to the reduction of CO₂ emissions and strengthen the interaction between the tools of development assistance, the CDM activities and the business community.
- Continue aid to environment and climate initiatives and efforts in the two Danish programme countries, Nicaragua and Bolivia, and in Central America.
- Strengthen the involvement of multilateral organisations – among these the World Bank, the UN organisations and the Inter American Development Bank within the areas of renewable energy and sustainable

development in the region; especially in as far as this benefits the poor.

- Strengthen the dialogue and enter into partnerships with especially the large countries in the region in order to attain active participation and concrete input to a global post-Kyoto climate agreement after 2012, also with respect to the UN climate conference in Copenhagen in 2009.

Increased Trade and Investments

Globalisation and liberalisation of world trade has already helped millions out of poverty, especially in Asia. Open markets in Latin America and Europe are the best guarantors for continued growth in both regions. If the growth in Latin America is combined with stable visionary economic policies and reforms this can lead to a stronger basis for a sustainable development process.

Increased trade between Denmark and Latin America will also bring wealth to Denmark if Danish companies are able to make the most of the opportunities offered by the Latin American markets. The largest global growth is anticipated to take place in remote markets such as the Latin American market. Denmark's commercial interests in Latin America are increasing; export of goods for instance increased by 13 pct in 2006 compared to the previous year while the export of services increased by 16.5 pct during the same period. Nevertheless, trade with Latin America still only constitutes a very small part of Denmark's trade.

Denmark's leading global position within shipping means that Danish shipping companies in particular are well positioned to gain from the increase in international trade as a result of the economic growth in Latin America and the increase in trade liberalisation and global trade.

A number of structural issues such as bureaucracy, inflexible regulation, lack of market liberalisation and weak confidence in the judicial system continue to pose hindrances to trade and investment in Latin America.

In order to provide Danish companies with the best possible terms for their activities in a globalised world – including the Latin American markets – the Danish Government presented a new assertive trade policy in June 2007 (which can be found at www.um.dk). A central premise in this strategy is that liberalisation should take place in way that is fair and sustainable and takes into consideration the needs of developing countries, the environment, basic social rights and international labour rights.

Hence, the strategy takes its point of departure in the Danish Government's strategy for trade and development from 2005, which stresses that the Danish trade policy goes beyond narrow commercial interests and aims at accommodating the development needs of poor – including Latin American – countries. Denmark has also attached great importance to the fact that the EU negotiating directives for free trade agreements with Central America and the Andean countries include

environmental considerations and international labour rights with ILO standards as the central parameter.

The strategy points to three ways in which to reach the goals:

1. The multilateral trade system in the WTO. This continues to be the first priority for the Danish Government.
2. The EU bilateral trade and investment agreements with regions and countries, which can be a good supplement to the road taken by the WTO. These are important as Danish companies might otherwise risk being left behind many of their competitors from countries that have already entered into bilateral agreements.
3. Strengthened cooperation between government institutions and the business environment, which can often be the quickest way of solving specific problems related to trade policy.

In this connection the markets in Latin America and Asia play a special role, as this is where the highest growth rates are expected during the coming years. The efforts related to trade policy will be concentrated primarily around the main markets in Argentina, Brazil, Chile, Mexico and others, which is where the potential for increased trade is expected to be greatest in the medium term. In recognition of this Denmark's commercial position has been strengthened by the reinforcement of the representation in São Paulo, the opening of an embassy in Argentina and by targeting strengthened promotion of export through strengthened regional cooperation. Furthermore, opportunities for Danish companies to establish themselves in

the region have been increased by the creation of a so-called business incubator in São Paulo.

Environment and energy are general areas of priority for the sector specific efforts of the Danish Government. In a narrower export and investment promotion context there are, however, other sectors that are granted equally great importance. A number of potential areas – food products, food processing, pharmaceutical products, equipment for the health sector, oil and gas and shipping - are already attracting much interest. In connection with the implementation of the Assertive Trade Policy Strategy the Trade and Investment Council in Denmark and the Danish embassies in the region will contribute continuously to ensuring the focus of the support to Danish companies based on the often very different circumstances in the individual countries.

The efforts of the Danish representations abroad will focus on strengthening trade between Denmark and Latin America including identifying and lowering trade barriers related to industrial goods, foodstuffs and services.

Investment in Latin America is increasing. The EU is the most important source of this. Therefore protection of and conditions for investment are very important elements in future EU agreements with Latin American countries. In cases where there are no EU agreements there will be a need for bilateral agreements.

Regarding commercial and trade policy Denmark will strive to:

- Ensure that Danish companies reap maximum benefit from market opportunities in Latin America by identifying specific market potentials and by offering individual assistance to Danish companies in gaining a foothold in the market
- Identify and bring down barriers that limit the opportunities of Danish companies in the growth markets of the region in accordance with the Danish Government's strategy for an assertive trade policy.
- Ensure that the cooperation with trade organisations focuses on selected export sectors, for example in connection with official export campaigns and visits to and from the region.
- Ensure that small and medium sized Danish companies gain a foothold in the Latin American market via programmes such as BornGlobal and BornCreative (see textbox).
- Ensure that the EU makes ambitious trade agreements with the regional organisations in Latin America (The Andean Community, Central America, Mercosur and individual countries) as a supplement to the WTO agreements. The aim of these agreements is to remove current trade barriers. Denmark will continue to work to ensure that human rights, labour rights and social standards that comply with ILO conventions are integrated in EU agreements.
- Ensure that the potential for increasing liberalisation within the framework of existing free trade agreements between the EU and Chile and Mexico respectively is exploited.
- Ensure that the countries in the region implement measures that improve conditions for the business and investment sector, through bilateral dialogue and within the EU framework, and that WTO agreements that have already been agreed upon (like the TRIPS rules on protection of intellectual property rights) are respected.
- Ensure predictable and favourable conditions for Danish investment in Latin America through bilateral dialogue with Latin American countries and by signing agreements on double taxation and protection of investment.
- Give Danish companies the offer of co-financing of projects in a number of low-income countries in Latin America via the IFU (see textbox).
- Ensure that the EU also strengthens dialogue and cooperation with Latin American countries in order to ensure predictability and favourable conditions for direct European investment in the region.

The Industrialisation Fund for Developing Countries (IFU)

IFU can co-finance private companies in a number of low-income countries in Latin America. The fund co-finances companies by investing in shares and /or providing companies in host countries with loans. Furthermore, IFU can contribute with various types of mezzanine capital and last but not least provide a guarantee for loans from other financial sources. IFU financing is done on commercial terms.

In order for the IFU to co-finance a company a private Danish company must put venture capital into the company too. During the start-up and the operational phase the IFU participates in the work of the board work in the project company, thus allowing the board to profit from IFU's 40 years of experience and participation in 600 projects in more than 75 developing countries

Brazil is a relevant Market for both Large and Small Companies

After almost 20 years' experience on the Brazilian market Novo Nordisk recently opened a factory in Montes Claros. Investment in the production, the filling process and the packing of insulin making use of the world's most advanced technology adds up to 200 million USD – in addition to an investment of a further 50 million USD for the production of Flexpens. When implementation is complete 850 people will be employed in Montes Claros and a further 160 will be employed in São Paulo. From the production platform products are delivered to the Brazilian market and for export. The Danish Embassy in Brasilia assisted Novo Nordisk in setting up the factory.

In 2006 the Danish IT company Nangate decided to take on Brazil. Nangate established a company in Porto Alegre in southern Brazil, as the company had learned that there was extensive research in software used for developing chips at the federal university in Porto Alegre. The Danish General Consulate in São Paulo assisted Nangate in establishing the company. Nangate mainly sells to export markets and employs 20 people that are all connected to the university in Porto Alegre.

Many Danish Companies have become aware of the Opportunities in Mexico

Mexico is the country in Latin America that attracts most European investment and it is the country that receives second most direct investment from Europe in the World (after China). In 2006 Mexico ranked as number 33 on the World Bank's list of countries with the best investor protection (number 3 in Latin America after Chile and Puerto Rico). The attention paid to creating a good environment for foreign investment by previous and current governments has borne fruit.

Danish companies have managed to make the most of the lucrative investment climate in Mexico and the many opportunities the country offers due to its geographical situation, workforce, raw materials etc. During the period of 2003-2007 Denmark has been the fifth largest EU-investor in Mexico. Around 30 Danish companies have currently set up affiliated companies in the country. These include large traditional export companies like Danfoss, Danisco, F.L. Smith, Grundfos, Maersk, Lego, Lundbeck and Novo Nordisk as well as smaller companies like for example design:success.

GoGlobal

The guide at GoGlobal.dk offers Danish companies assistance with regard to export, finding sub-contractors, getting established abroad and for projects both in Eastern and Central Europe and in developing countries. The assistance comprises both advice and financial assistance in the way of guarantees, credits, loans, capital and subsidies. GoGlobal is a joint collaboration between The Trade Council of Denmark, Eksport-Kredit Fonden (The Export-Credit Fund) Danida and the investment funds IFU and IØ (the Investment Fund for Central and Eastern Europe).

BornGlobal og BornCreative

BornGlobal og BornCreative are initiatives focused on small and medium sized companies working within high-tech or creative areas that wish to become more international. Experts of the Danish Trade Council working with the two initiatives BornGlobal and BornCreative have specialised knowledge about high-tech and creative businesses and extensive experience in initiating export. They put together programmes based on the needs of the individual companies and on a number of outputs especially relevant for knowledge based or creative companies.

Opportunities for Danish Export: Argentina is getting ready for Globalisation

Argentina has a diversified industrial production, an export oriented agricultural and food sectors, large natural resources and a well educated population. The country's economy has grown by more than 10 pct annually since 2004, and in several sectors such as the building sector and parts of the food sector the economy has grown by more than 20 pct.

Due to the modest level of investment since the previous economic upturn in the 1990s a number of long-term investments aimed at ensuring future growth and strengthening the competitive position – especially within the export oriented sectors - are expected.

Argentina's economy has traditionally primarily been reliant on raw materials – however, there has been a wholehearted effort in several sectors to develop a more differentiated production – a tendency that requires new technology and streamlining of production processes. Hence Argentina has a whole range of unexploited sectors with great prospects that

Danish suppliers could potentially modernise and “globalise” through long-term initiatives.

28 Danish companies are already taking part in the positive development in Argentina. By establishing subsidiary companies the companies have made clear their intention of long-term presence with a view to building up sales in the country and exporting to other countries primarily in South America. The companies include the Martin Group, Novo Nordisk, Maersk, Vestas, SoftScan, Lundbeck, Hempel, Grundfoss, Chr. Hansen, Gerstenberg Schröder, Cheminova, C&C Travel, Coloplast etc.

Globalisation and Social Cohesion in Societies

If countries are to ensure continuous support to globalisation and counter protectionism in both Europe and Latin America they need to make sure that development benefits all parts of the public. Denmark has special interest in ensuring that globalisation receives popular support and has experience and models that are relevant to Latin American countries when dealing with globalisation.

A well-educated labour force and flexible labour markets are amongst the most important parameters for competition in a globalised world. Many Latin American countries have shown great interest in the Danish social model, which combines economic growth with a great degree of social equality, continuous upgrading of skills and education of the labour force. A point of departure can be the “Flexicurity” model that Chile and Brazil, among other countries, have shown great interest in.

Direct foreign investment and outsourcing are part of globalisation but should not happen at the expense of the environment and fundamental social rights. Danish companies that invest in or deal with Latin American countries should live up to their social, ethical and environmental responsibilities, termed Corporate Social Responsibility (CSR)³. Similarly it

³ *The term Corporate Social Responsibility (CSR) covers companies' voluntary efforts to integrate social and environmental considerations in company procedures and activities and in interactions with stakeholders. Companies can introduce voluntary initiatives internally in their organisation and in their relations with suppliers, customers and other partners in the local community or other interest groups.*

is vital that trade agreements with the region include provisions to protect the environment and secure human rights and labour rights. According to international studies Danish companies rank second globally when it comes to implementing CSR activities⁴. Latin American companies are at very different stages ranging from Chile, which is ranked 24th, to Paraguay, which is at the bottom of the list. Generally there is growing recognition of the importance of CSR in Latin America. In order to strengthen the exchange of knowledge in the area of CSR the Danish Government took the initiative to hold a Danish – Latin American conference on CSR in Brazil in 2006. This has contributed to the initiation of active cooperation between Danish and Latin American companies in an area that should also be a priority in the future.

Denmark will:

- Sustain support for globalisation by helping to strengthen Latin America's opportunities to participate in globalisation. This will be done by sharing Danish experiences on flexible and negotiation based labour markets, upgrading of competencies and life-long learning. Initiatives include a seminar and a study in the region in collaboration with the regional UN Commission for Latin America (CEPAL) and Brazil and a joint initiative to encourage adult education in Chile and Bolivia. Results of the collaboration with CEPAL

⁴ *Assessed as "responsible competitiveness"*

will feed into discussions at the summit between the EU and the Latin American countries in May 2008.

- Based on the demand from the Latin American and Caribbean countries and in cooperation with labour market partners, convey Danish experiences of organising a labour market that combines flexibility with social security and an active labour market policy, which are characteristics of the Danish “Flexicurity” model, and elements in the Danish welfare model in general, including tax systems.
- Strive to ensure that Danish embassies in Latin America work with CSR locally by providing advice on local standards, putting into practice local compilation of experience and supporting and making visible initiatives promoting CSR in Latin America by Danish and local companies. In the Danish programme countries Bolivia and Nicaragua work can be carried out through the programme “Public-Private Partnerships” (see textbox).
- Strive to ensure that CSR becomes an embedded and important theme in the cooperation between the EU and Latin America in connection with the regular summits between the two regions.
- Develop practical tools that can help Danish companies work strategically with CSR including the further development of CSRkompasset.dk (the CSR Compass, see textbox).
- Strive towards strengthening CSR activities of Latin American companies in accordance with the 10 UN Global Compact basic principals on the social responsibility of companies and as a follow-up to the

Danish – Latin American CSR conference “The Best of Two Worlds”, which took place in Brazil in December 2006.

CSR kompasset.dk

The “CSR Compass” is an internet tool that can help Danish companies handle social, ethical and environmental issues related to supply chain management. The tool has been developed by the Ministry of Economic and Business Affairs, the Confederation of Danish Industries and the Danish Institute for Human Rights with support from Danida. The CSR Compass can help both companies that receive CSR requirements from their customers and companies that wish to demand CSR standards from their partners - Latin American suppliers for example.

Public Private Partnerships (PPP)

The programme focuses on companies’ social responsibility and on innovative partnerships with Danish companies in developing countries that wish to improve the conditions for workers, initiate local activities or protect the environment. The programme offers financial support and guidance that can make it easier for especially small and medium sized companies to get started. In Latin America PPP can be applied in the Danish programme countries Bolivia and Nicaragua.

Danish Development Cooperation: Financial and Political Opportunities for Everyone

Development cooperation is an important part of Denmark's profile in Latin America. Danish development aid underlines the fact that Denmark is a responsible global partner that takes poverty, inequality, good governance, human rights, equal rights between men and women and environmental issues seriously on all continents. Denmark will continue to do this.

In comparison with other developing regions human development indicators (high life expectancy, low rate of illiteracy) in Latin America are relatively good. Despite poverty having been reduced in a number of countries it seems unlikely that Latin America as whole will reach the UN Millennium Development Goals of reducing poverty and hunger by 50 pct by 2015. The region is, however, well on its way to reaching the goals concerning primary education, equal rights between men and women and reducing child mortality. There are however big differences between the countries; Chile for example has already reached the Millennium Development Goals, while Haiti, the least developed country in the region, has progressed poorly with regard to all social indicators. There are also great differences within the countries themselves in relation to attaining the Millennium Development Goals; indigenous people, women and rural populations are among the most vulnerable.

The overall goal of cooperation is to assist the countries in their efforts to fight poverty and to reach the UN Millen-

nium Development Goals by 2015. Development aid to Latin America is planned and implemented in accordance with overall principles and policies for Danish development aid. About 25 pct of the development assistance to Latin America is provided through Danish civil society organisations. Development assistance provided through the Danish Government is directed toward two of the poorest countries in the region – the programme countries Bolivia and Nicaragua - and toward two regional programmes in Central America promoting environmental issues and human rights and democracy (see textbox).

Based on the development in the different countries the Danish Government will consider the nature of this cooperation on an ongoing basis and adjust development accordingly. Decisive factors will continue to be the needs of the countries and Danish key competencies.

The challenge for the Latin American countries during the coming years will be to reverse the current trend of inequality and marginalization, as a means to securing democracy, stability and the fight against poverty. Growth must be accompanied by effective distribution policies ensuring the fight against poverty. Well functioning, credible institutions that deliver expected services are a precondition not only for the consolidation of democracy but also for economic progress and reducing poverty and social inequality. Political mechanisms and democratic negotiation processes must replace the widespread use of confrontation and violence as instruments of change. A precondition for this is that all groups in society participate

actively in the democratic processes. The basis for active participation of civil society must be strengthened.

Large population groups – indigenous and poor people - have been marginalized both politically and economically and their rights have been neglected. It is a challenge to ensure that all population groups are part of societal development. Denmark has played a very active role in ensuring the rights of indigenous people, first and foremost in Bolivia, where the indigenous population constitutes more than 60 pct of the entire population. Denmark has contributed to ensuring indigenous people's rights to land, education in their own language and to the strengthening of civil society organisations, hence ensuring that indigenous people get a chance to influence the development of society by participating in democratic processes.

Another great challenge is to ensure that countries get a share of the economic growth and the increase in trade resulting from globalisation by developing the private sector, establishing stable conditions for investment and education and by upgrading the working force.

A dynamic private sector is the most important driving force for economic growth and for generating jobs for the many young people that enter the labour market each year. Danish development assistance will continue to contribute to the development of a competitive private sector by improving framework conditions. This can be done by establishing effective public institutions and an adequate infrastructure. New ways of contributing to the development of the private

sector are being found in Danish development aid, via business policy instruments, such as the B2B programme and mixed credits. Danish companies are increasingly seeking to enter into partnership with Nicaraguan and Bolivian companies.

Education is another area in which Denmark actively strives to support the participation of Nicaragua and Bolivia in globalisation. Adequate high quality education constitutes part of the foundation for sustainable and broad economic growth and a diversified economy; besides, it is an important parameter in the competition to attract investment in a global economy. This is especially important in Latin America as wages in the region are higher than in many Asian countries and most African countries. Furthermore, education can enhance social mobility and hence increase social equality. Moreover, education is an important instrument in ensuring broad participation in political processes and consolidation of democracy.

Finally it is important to protect the environment and prepare the poorest countries for the effects of global warming. Pollution, overexploitation of natural resources and climate changes lead to lack of food, water and fuel. This especially affects the poorest parts of the population. Consequences of climate changes are already noticeable in the form of an increase in the number of hurricanes, droughts and changes in temperatures.

Within development cooperation Denmark will:

- Maintain development aid to Latin America in 2008-2012 as a central instrument in Denmark's involvement in the continent, as a means to promote consolidation of democracy, participation in globalisation and protection of the environment.
- Continue to focus governmental development aid in two programme countries, namely Bolivia and Nicaragua, primarily aiming at strengthening institutions and promoting good governance, indigenous people's rights, equality, environment, democratisation, and education. Furthermore, regional environment, human rights and democracy programmes in Central America will be continued.
- Continue striving to assure the rights of indigenous people, including influence on the condition of their lives, access to land and political participation.
- Investigate the possibilities of supporting regional cooperation in the Andean region in order to promote the rights of indigenous people.
- Support the development of democracy and safeguarding of human rights in Cuba when the circumstances permit.
- Continue to support pluralism and the growth and strengthening of a civil society that can support democratic development in which all groups of the population participate.
- Promote private sector development and employment by strengthening basic conditions and contributing to a better-educated work force.
- Apply the business oriented Danish development aid instruments (export credit, mixed credits, investment guarantees and the B2B programme) in order to pro-mote economic development in the region and strengthen technological development and commercial cooperation between Denmark and Latin America.
- Stimulate trade of products based on sustainable principals between Denmark and the Danish programme countries through, for example, the B2B programme.
- Strengthen cooperation with the Organisation of American States (OAS) especially in connection with the organisation's work on ensuring human rights, including the rights of indigenous people.
- Through multilateral organisations like the UN and the EU strive to ensure a poverty-oriented approach to development cooperation focusing on rights and on combatting violence.
- Implement anti-corruption policies through targeted activities and dialogue in order to strengthen institutions and policies that combat corruption in Denmark's partner countries.

Danish Development Cooperation with Bolivia, Nicaragua and Central America

In 2006 bilateral aid to Latin America amounted to a total of about 539 million DKK. Aid is focused on the Danish programme countries Bolivia (150 million DKK annually) and Nicaragua (190 million DKK annually) and two regional programmes on environment and human rights and democracy in Central America (2005-2010 about 50 million DKK and 20 million respectively a year). The overall goal of Danish development aid is to fight poverty and strengthen democracy and stability in the region. Equality, human rights, environment, HIV/AIDS and good governance are all areas that are also included in the development work. With a GNP per capita of 1,010 USD Bolivia is the poorest country in South America. Poverty especially afflicts the more than 60 pct of the population that is of Indian origin. Nicaragua is the poorest country in Central America its GNP is 910 USD.

Denmark primarily works by supporting a limited number of sectors. In both Bolivia and Nicaragua this includes support to sector programmes within agriculture, environment, education and reform of the public sector and programmes promoting democracy and human rights. Furthermore Denmark supports a sector programme for transport infrastructure in Nicaragua and a sector programme promoting the rights of indigenous people in Bolivia. Support to civil society through Danish NGOs is also an important part of Danish development aid to Latin America and constituted 25 pct of Denmark's bilateral aid to the region in 2006 (137.1 million DKK). Finally development of the private sector in Bolivia and Nicaragua is supported through the so-called B2B programmes that strengthen cooperation between Danish and local companies.

Aid effectiveness in recent years in the form of coordination and division of labour with other donors, implementation of programmes in accordance with the partner governments' priorities and procedures and new aid modalities like basket funding and (sector) budget support require that Danish development aid to Latin America becomes even more focused.

Knowledge sharing and Cultural Exchanges

Globalisation increasingly calls for more knowledge and innovation. Greater cooperation within research and education between Latin America and Denmark is advantageous for both parties. Many larger countries in Latin America have research environments that represent interesting partners for Danish researchers. Bio fuels are an obvious example of a potential area for collaboration. Collaboration between Danish researchers, universities, companies and innovation environments and countries in Latin America, which have a significant number of leading global companies, research environments and innovation environments, should therefore be promoted. There are a number of EU programmes for this type of exchange, which Denmark could make better use of.

Latin America has a dynamic and internationally recognised cultural life that is attracting more and more interest in Denmark. Cultural areas such as art, film, music, architecture, tourism and sports offer great opportunities for cooperation and exchange. The opening of the Danish Cultural Institute in Rio de Janeiro in 2008 will strengthen Denmark's position in this respect.

The Danish embassy in Nicaragua has supported the production of documentary films and many of these films have received international film awards.

Globalisation puts increasing demands on the ability of countries to brand themselves. The Danish Government has

launched a plan of action for global marketing of Denmark. This plan intends to generate a clear image of Denmark and the Danish societal model.

It is anticipated that the number of Danish tourists, students and business people staying in Latin America will increase. There is thus an increased need to offer citizen services in the most popular tourist areas. During the autumn of 2007 the Ministry of Foreign Affairs will open 24 hour consular services ensuring optimal service. Furthermore, the possibility of entering into strengthened consular partnerships with other Nordic countries in the region in order to strengthen services for Danish tourists in Latin America will be investigated.

Denmark will strive to:

- Ensure that the mechanisms that exist within, among others, the EU framework for strengthened cooperation between research and educational institutions are exploited efficiently in the cooperation between Danish and Latin American research and educational institutions.
- Strengthen the marketing of Danish educational institutions in relation to young Latin Americans who wish to study abroad. Efforts to attract highly qualified and specialised labour will also be made. This will be done both as part of the export promotion work and as part of Public Diplomacy.
- Ensure that Danish administration of visa regulations functions efficiently in order to ease and make access

for Latin American researchers, students and artist to Denmark more flexible.

- Strengthen cultural cooperation between Denmark and Latin America by supporting the creation of networks and knowledge and information sharing between relevant stakeholders in both Denmark and Latin America. The main partners in Denmark will be the Danish Centre for Culture and Development, the Danish Arts Agency, and cultural organisations, the Danish Institute of Culture in Rio de Janeiro, the Danish representations in Latin America and civil society.
- Increase the knowledge of Denmark in Latin America through targeted public campaigns. The Danish embassies in the region will play an important role in the implementation of the Danish Government's action plan for global marketing of Denmark.
- Provide consular services to Danes in trouble, and as part of this provide updated information regarding travelling conditions in the region on the Danish Ministry of Foreign Affairs' website. Cooperation with the travel industry will continuously be developed aiming, among other things, at ensuring that travellers have taken out the necessary insurances.

The Danish Centre for Culture and Development (CKU)

The Danish Embassy in La Paz and CKU have developed a culture programme for Bolivia for 2006-2009, which is to strengthen the inter-cultural relations and promote dialogue on cultural diversity between Denmark and Bolivia. A culture fund, which has supported a number of cultural activities in Bolivia, has been established

Annex 1: Regional Organisations and Bodies in Latin America

The Organization of American States (OAS)

is the continent's primary multilateral democratic forum, members include the USA and most of the Latin American and Caribbean countries – a total of 35 member countries. Meetings of the countries' Ministers of Foreign Affairs are held annually in order to discuss regional policies and regional relations with the rest of the World. The OAS has played an important role as mediator in previous civil wars and conflicts between states in the region.

The Inter-American Court on Human Rights

was established in 1979 and is an autonomous judicial institution of the Organization of American States. Its objective is the application and interpretation of the American Convention on Human Rights. The Court consists of 47 members and holds one annual meeting.

Mercosur

was formed by 4 South American countries, namely Argentina, Brazil, Paraguay and Uruguay in 1991 and has since functioned as a regional free trade agreement. Venezuela left the Andean Community in 2006 and is currently being accepted as a member of Mercosur. Bolivia, Chile, Colombia, Ecuador and Peru are associate members. Mercosur has been extended both with respect to the scope of its work and its resources. Hence Mercosur now concerns itself with trade policy, regional policy issues and labour market policy. The EU has provided and continues to provide substantial financial support to integration in Mercosur.

The Andean Community (CAN)

In 1979 the Council of the Andean Community was established. The community consists of Bolivia, Colombia, Ecuador and Peru and associate members throughout South America. Venezuela was part of the community until 2006. CAN is a trade block whose aim is to integrate partner countries both politically and trade-wise by making use of the common history and understanding between the countries.

Central America

In 1993 the current Central American System of Integration was established. Member countries are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. There are a number of secretariats and specialised institutions. The EU has provided and continues to provide substantial financial support to the integration of the Central American countries.

Annex 2: An Overview of EU Trade Agreements with Latin America

Trade Agreements

Cooperation between the **EU** and **Mexico** builds upon a number of association agreements. The free trade agreement came into effect 1 July 2000 and covers political dialogue, trade and cooperation. The trade agreement was the first transatlantic EU free trade agreement and is ambitious in its scope (goods, services, supply regulation, competition, intellectual property rights, investment and capital flow).

Association agreements between the **EU** and **Chile** were signed under the Danish EU-presidency in November 2002. The trade elements came into effect 1 February 2003. The association agreement between the EU and Chile is the most comprehensive agreement the EU has yet entered into and includes goods and services, liberalisation of investment and capital flow, protection of intellectual property rights etc. Regarding trade issues the agreement proposes complete liberalisation of 97 pct of the trade over a period of 10 years.

Ongoing Negotiations on Trade Agreements

The current cooperation between the **EU** and **Mercosur** (Argentina, Brazil, Paraguay, Uruguay and Venezuela) is based on a cooperation agreement signed in 1995. Since 1999 there have been ongoing negotiations concerning an association agreement between the EU and Mercosur. The EU-Mercosur association agreement contains three main areas: (1) political dialogue, (2) cooperation within various sectors and (3) trade and investment.

The EU – Andean Community. The Andean community consists of Bolivia, Colombia, Ecuador and Peru. The EU's cooperation with the Andean Community is based on an agreement from 2003 on political dialogue and cooperation. The parties have agreed to start negotiating a more binding

association agreement, which, among other things, is to include an ambitious trade agreement. Trade between the Andean Community and the EU already takes place to a great extent within the framework of preferential agreements that ensure the Community favourable market access to the EU (the so-called GSP-agreements).

EU- Central America. The EU has agreed to start negotiations on an association agreement with the group of Central American Countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama). The Commission's negotiating mandate has been drawn up simultaneously with the mandate concerning the Andean Community, and the aim is to come up with a trade agreement that is of a similarly ambitious character.

APPENDIX: INFORMATION ABOUT SELECTED LATIN AMERICAN COUNTRIES

ARGENTINA: GEOGRAPHY

Capital	Buenos Aires
Area	2,766 million km ²
Inhabitants	39.9 million
Language	Spanish
Religion	Roman-Catholic

ECONOMY

GNI pr. capita	4,470 USD (2006)
Growth in GNP pr. capita	8.4 pct (2006)
Currency	ARS

GOVERNMENT

Head of State	President Néstor Carlos Kirchner
Minister of Foreign Affairs	Jorge Taiana

DOMESTIC POLICY:

President Kirchner (The Peronist Party) was elected with only 22 pct of the votes as his opponent chose to pull out of the second round. His political stance is centre-left and the main project of his presidency is to rebuild the country socially and economically after the crisis. President Kirchner has started to carry out popular legal procedures against representatives of the military dictatorship of the past (1976-1983).

FOREIGN POLICY:

Since the reintroduction of democracy in 1983 Argentinean foreign policy has been driven by a wish to bring the country out of international isolation and strengthen relations to countries in the region as well as countries in Europe and the USA. Relations with Europe are generally good. However, the fact that Argentina upholds its claim to territorial rights to the Falkland Islands influences relations with the UK negatively. Cooperation with the USA is important for Argentina especially

with regard to the non-proliferation of nuclear weapons, anti-Semitism, human rights, drugs and the fight against terrorism.

Argentina

is a member of Mercosur.

ECONOMY (SECTORS):

Since 2004 the Argentinean economy has grown by more than 10 pct a year. This has led to a significant decrease in unemployment rates (from 20 pct in 2002 to 11 pct in 2006) and lifted many out of poverty (in 2002 about 57 pct were below the poverty line and in 2006 about 34 pct were under the poverty line). It is first and foremost export of raw materials that has led to the economic growth. The country's economy consists of a broad range of industrial production. The country possesses oil, gas and minerals. Significant sectors include agriculture, foods, energy, the building sector, extraction of minerals, tourism, steel, and production of cars, chemicals, printing machinery, domestic appliances, education, health and IT/telecommunication. Agriculture remains the main driving force of the country's export but today it constitutes just 10 pct of the GNP, while industry and services constitute about 36 pct and 54 pct of the GNP respectively.

BRAZIL

GEOGRAPHY

Capital	Brasília (3,455,000 inhabitants)
Area	8,510,000 km ²
Inhabitants	187 million
Language	Portuguese
Religion	Roman-Catholic (about 74pct of the population), Protestants (about 15 pct of the population)

ECONOMY

GNI pr. capita	5,824 USD (2006)
Growth in GNP pr. capita	3.7 pct (2006), 4.4 pct (estimate 2007)
Currency	BRL

GOVERNMENT

Head of State	President Luiz Inácio Lula da Silva
Minister of Foreign Affairs	Celso Amorim

DOMESTIC POLICY:

Brazil is a federal republic with 26 states and a federal district. At the most recent elections in 2006 President Luiz Inácio Lula da Silva (Lula) was re-elected with 60 pct of the votes. President Lula is expected to give priority to economic growth while maintaining macroeconomic stability. Brazil is still struggling with corruption within the political and judicial systems.

FOREIGN POLICY:

Brazil is part of the G8+5 countries and is actively pursuing a permanent seat in the UN Security Council. The country has increased its international involvement through the WTO, among other organisations, and gives high priority to liberalising trade of agricultural products. Regional cooperation in Mercosur is also an important part of Brazil's foreign policy. The so-called G-3 cooperation with India and South Africa is an example of Brazil's involvement outside of Latin America.

ECONOMY (SECTORS):

The Brazilian economy grew by 3.7 pct in 2006. The positive development is expected to continue in 2007 where the growth is expected to be about 4.4 pct. Brazil is rich in natural resources and has comparative advantages within agriculture and primary products. Agriculture constitutes about 8 pct of the entire economy and important products include coffee, soybeans, oranges, tobacco, cocoa, meat and poultry. The industrial sector (36 pct of the GNP) consists of both traditional industries such as machinery, electrical equipment, cars, and more advanced industries such as aeroplanes and telecommunication equipment. The service sector constitutes about 56 pct of the GNP.

TRADE WITH DENMARK (PRIMARY COMMODITIES):

Denmark has a surplus in export/import with Brazil. In 2006 Brazil's export of goods to Denmark came to 1,712 million DKK. Export of Danish goods to the Brazilian market came to 1,856 million DKK the same year.

CHILE

GEOGRAPHY

Capital	Santiago
Area	756,626 km ²
Inhabitants	16.3 million (2005)
Language	Spanish
Religion	Roman-Catholic

ECONOMY

GNI pr. capita	USD 8,875 (2006)
Growth in GNP pr. capita	4.2 pct (2006), 5-6 pct (2007 estimate)
Currency	CLP

GOVERNMENT

Head of State	President Michelle Bachelet
Minister of Foreign Affairs	Alejandro Foxley Rioseco

DOMESTIC POLICY:

Chile is currently led by the fourth democratically elected government since the abolition of the military dictatorship in 1990. The Government consists of a centre-left coalition led by a female president. Reforms to improve the social security net and health services, and to develop the private sector and the educational sector are part of the Government programme. Chile has already met the UN Millennium Development Goals for 2015, for instance poverty has been reduced from 41 pct to 13 pct since 1990. Some of the problems common to many Latin American countries such as underdeveloped democracy, populism, weak political parties, unstable and weak institutions and corruption are issues that in recent time are almost unknown in Chile.

FOREIGN POLICY:

Chile conducts an active foreign policy and participates in both global and regional institutions, including peacekeeping initiatives (especially with regard to Haiti). Chile is a member of APEC, OAS and an associate member of Mercosur and the Andean Community and supports the WTO, though it also seeks to supplement the multilateral way with a significant number of bilateral free trade agreements in order to ensure the best possible access to markets for its own products. The most important free trade agreements include agreements with the USA, Canada, South Korea, Mexico, China and Japan and an association agreement with the EU.

ECONOMY (SECTORS):

The Chilean economy is one of Latin America's most stable, open and growing market economies. The market has seen an average annual growth of 5.6 pct during the past 20 years. In 2007 growth is expected to be 5-6 pct. The Central Bank aims to keep inflation within the limits of 2-4 pct. Chile's export is to a large extent based on minerals (copper), agricultural products (fruit, vegetables and wine) fish (salmon and trout) and wood (cellulose).

TRADE WITH DENMARK (PRIMARY COMMODITIES):

Danish export to Chile consists mainly of a limited number of products: machines and machine fittings constitutes 65 pct. The remaining 35 pct consists mainly of products such as medicinal and pharmaceutical products, chemical materials, organic chemicals and technical and research related equipment, etc.

MEXICO: GEOGRAPHY

Capital	Mexico (D.F.)
Area	1,972,550 km ²
Inhabitants	107 million (2006)
Language	Spanish (officially), Maya, Nahuatl and other Indian languages
Religion	Catholics 89 pct, Protestants 6 pct

ECONOMY

GNI pr. capita	7,821 USD (2006)
Growth in GNP pr. capita	4.8 pct (2006)
Currency	MXN

GOVERNMENT

Head of State	President Felipe Calderón Hinojosa
Minister of Foreign Affairs	Patricia Espinosa Cantellano

DOMESTIC POLICY:

Mexico consists of 31 states and a federal district. In 2006 the conservative party "PAN" (Partido Acción Nacional) won the elections, and became the largest party both in the Senate and in the Deputy Chamber for the first time in Mexico's history.

FOREIGN POLICY:

Mexico is one of the G5-countries, which is the body of developing countries that corresponds to the G8-countries. Mexico conducts a very active foreign policy, which is emphasised by the fact that Mexico has entered into free trade agreements with 47 countries including the EU.

ECONOMY (SECTORS):

Mexico has a stable market based economy, although there is considerable public management, which for example includes public ownership of energy resources. Economic growth has been 4 pct during the last 3 years. Oil and natural gas are the most important export goods and source of public income.

TRADE WITH DENMARK (PRIMARY COMMODITIES):

Export of Danish goods to Mexico amounted to 1,177 million DKK in 2006 and imports amounted to 551 million DKK – which is a historical record. The most important commodities are: machines and industrial equipment, pharmaceutical products, and various motors. Mexico is Denmark's second largest export market in Latin America.

DENMARK IN LATIN AMERICA – OPPORTUNITIES AND PARTNERSHIPS

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