



BUSINESS STATEMENT

IV EUROPEAN UNION – LATIN AMERICA AND THE CARIBBEAN BUSINESS SUMMIT

“Investment for economic growth, social inclusion
and environmental sustainability”

MESSAGE FROM THE BUSINESSES OF EUROPE, LATIN AMERICA AND THE CARIBBEAN TO THE I CELAC-EU SUMMIT

Santiago de Chile, 26 January 2013

Brief summary of previous EU – ALC Summits

The **I EU-ALC Business Summit** was held in **Vienna** in **2006**, with the theme of “**Building a bridge between two Worlds through Business and Culture**”. The event covered the issues of business relations; encouraging direct investment; creation and growth of employment by promoting increased competence; boosting education, research and technology; increasing financing for infrastructure; design of cooperation plans for key industries; instigation of long-term energy and environmental policies; consideration of culture and tourism as economic catalysts; and improvements to dialogue with the business community.

The **II EU-ALC Business Summit**, held in **Lima** in **2008**, under the theme “**Wellbeing, Sustainable Development and Social Inclusion**”, set out the following as priority goals: wellbeing in terms of consolidated and strengthened democracy, institutions and public safety; promoting universal access to education, health and basic sanitation; enhancing access to new information and communications technology; and tackling transnational organized crime.

This summit also took time to analyze sustainable development with the perspective of paying special attention to climate change and natural disasters; the preservation of the environment and biodiversity for future generations; the use of clean and renewable energy; the construction of infrastructure; increasing employment; commerce and investment under the condition of legal certainty; and cooperation with relatively less developed and middle income countries.

Thirdly, the issue of social inclusion was discussed along the lines of boosting the fight against poverty; promoting respect for the rights and more equality for women, children and the disabled; encouraging training and education to stimulate employment; as well as promoting State reform, transparency and anti-corruption actions.

At the **III EU-ALC Business Summit** held in **Madrid** in **2010**, under the theme **“Innovation and Technology: Sharing challenges”**, and in the context of the effects of the economic crisis in the finance sector in 2008, the discussions reflected on bi-regional business relations; infrastructure and the importance of Public-Private Alliance; technological innovation as an essential factor for reducing economic and social inequalities; the challenge of finding the energy equation that combines secure supply, competitiveness and sustainability; and the need to consolidate existing financial instruments, support the creation of new instruments and strengthen bi-regional cooperation between institutions.

IV CELAC-EU BUSINESS SUMMIT

In a few months it will be three years since the III EU-ALC Business Summit was held in Madrid and business leaders from both regions have come together again in Santiago de Chile, reaffirming their desire to continue strengthening multiple relations and ties that unite businesses from both sides of the Atlantic Ocean, along with their commitment to contribute ideas and opinions to create a Bi-regional Agenda for the coming years. This will then become the focus of the Heads of State and Government Leaders from Latin America, the Caribbean and the European Union at the IV CELAC-EU Business Summit, under the theme: **“Investment for economic growth, social inclusion and environmental sustainability”**.

Economies around the world are increasingly interdependent and what happens in one part of the globe affects all the rest. Since the financial crisis of 2008, economic turbulence continues to impact countries in the European Union, which is in addition to difficulties seen in the US and China. All of this has meant a weaker global economy and a slowdown in growth in the economies of Latin America and the Caribbean, though most emerging economies in these regions have shown great responsibility in the management of their main macroeconomic variables.

It is important to recognize that the European Union and Latin America and the Caribbean together represent more than a billion people, a third of the Member States of the United Nations, a third of the members of G-20 and more than 30% of the global GDP. The EU is still the second most important business partner of Latin America and the biggest investor in the region.

The businesses present and represented at the Summit demonstrate the potential of the private sector for making contributions to ensure that the States achieve the goals of the Bi-regional Agenda, demanding that political leaders include the business world in this important process.

More than 800 business leaders met in Santiago de Chile to discuss some of the more important issues on the Bi-regional Agenda, such as investment in the environment and sustainable development, investment in development of small and medium-sized enterprises, and investment for the development of human capital. Similarly, in order to promote business cooperation, a previous session included an intense day of bilateral meetings between European, Latin American and Caribbean businesses in an activity organized by Eurochambres and EuroChile as part of the AL-Invest program, co-financed by the European Commission.

With regard to the difficult times for the global economy and its unwanted effects on the quality of people's lives, the business representatives reiterate their desire to work together with the States of Latin America and the Caribbean and the European Union to attain the Millennium Development Goals by 2015.

They also express their commitment to actively collaborate with bi-regional policies that promote social cohesion and economic development as essential tools for the eradication of poverty, for improving access to a society of knowledge and for contributing to the development of human capital, as the latter is a fundamental pillar to building societies that are fairer, freer and more democratic.

In order to continue the economic development of both regions, to promote European cooperation with Latin America and the Caribbean, and to provide more opportunities for fluid commercial, industrial, technological, energy and labor exchange between the regions, the business representatives believe that it is necessary to broaden relations in the following areas, focusing cooperation according to the needs of each country.

1.- Investment in the environment and sustainable development

The need to protect the environment and to ensure that economic development is based on sustainable means represents two aspects that have been fully accepted by the countries of both regions. They imply important challenges for national economies, and especially for the countries of Latin America and the Caribbean, which are continuing their attempts to grow at significant rates in order to guarantee substantial improvements to the quality of life and opportunities for their citizens.

The balance between the environment and sustainable development is fundamental to the preservation of the planet, but so are equal opportunities for all countries and their inhabitants. For this reason, we want to ensure that States create fair regulations and procedures that recognize the rights involved, defining clear rules that are in line with the different situations arising from companies' investments in the environment and sustainable development.

Therefore, Governments must develop the role played by public-private alliances in which public capital can be used as leverage to attract private capital, thus boosting the development of projects for water, sanitation, renewable energy and making the most of the region's natural resources.

Legal certainty is a key issue for national and foreign investments. It is therefore important that all policies promote the necessarily fair balance between the protection of the environment and economic growth, which at the same time is accompanied by strong technical institutions that use solid proposals to discourage investment becoming a legal issue.

In this context it is important to highlight the active leadership that many business representatives have undertaken in the implementation of more environmentally-friendly and sustainable technology in their processes. It is also important to remember that countries in both regions, as well as many economies around the world, are still facing the effects of the energy crisis, which is a central issue to production and the development of competitive markets. This demands the creation of new and powerful

bi-regional alliances that allow the study and implementation of strong energy agreements that are in line with the natural potential and technological opportunities of each country. It should be noted that any energy source must comply with three basic requirements: that it respects standard environmental demands, that it is safe and that it is economically competitive.

Climate change is a concept that reminds us that the planet's products are limited and that economic development must respect the environmental balance necessary to preserve the human race, while avoiding becoming an imaginary barrier that blankly inhibits any type of investment in necessary sustainable projects that guarantee better opportunities for countries.

All energy development involves some level of cost, even when the energy sources are clean and renewable, and this is where it becomes necessary that the State possesses a vision that oversees the greater interests of the countries, generating clear and simple legal frameworks that ensure public participation and guarantee improvements to the quality of life and the opportunities available to the population.

We therefore encourage Heads of State and Government, and especially those of Latin America and the Caribbean, to take a view of the future projections and review national policies on energy/environmental issues, and also indigenous issues, in order to amend their content to bring them in line with the Millennium Development Goals 2015, while safeguarding the preservation of quality of life and opportunities for future generations through the efficient use and conservation of energy resources.

2.- Investment for the development of small and medium-sized enterprises

Small and medium-sized enterprises (SMEs) represent an important percentage of business activity in the European Union and Latin America and the Caribbean. They generate a large part of employment in these countries and they work in many different fields and areas of both production and services. However, the main differences between SMEs in both regions are seen in terms of productivity, levels of internationalization and production chains.

In addition, the European Union is still the main source of direct foreign investment for Latin America and the Caribbean, which is an important opportunity to continue improving the competitiveness of SMEs through new production chains between multinationals and smaller firms.

In order to achieve sustainability for SMEs, it is fundamental to improve the levels of productivity. This is largely achieved by incorporating technological innovation, focused on areas with good growth projections, spaces that are normally captured by direct foreign investment in countries that offer acceptable levels of legal certainty and guarantees for medium and long-term development.

Considering that direct foreign investment is key to the development of production chains, it is also the case that it is not a sufficient solution because SMEs require adequate national conditions that provide incentives to private business activity through specific public policies adapted to the capacities of the SMEs and aimed at promoting enterprise and internationalization.

In order to break this Gordian knot of low productivity, low competitiveness, low innovation and badly paid jobs that sometimes stifle SMEs, the private sector recommends looking for widespread consensus between public and private institutions in order to move forward in four interrelated areas of support policies: a) innovation to strengthen production and managerial capacities; b) access to markets; c) production coordination and business cooperation; d) access to financing.

Taking advantage of the close link between competitiveness and internationalization, the business representatives from both regions propose implementing actions in three major policy areas: a) training and awareness-raising for SMEs towards internationalization; b) promotion of production chains and the identification of business opportunities with transnational companies and global value chains; and c) making easier the process of search and direct cooperation between Europe and Latin America and Caribbean SME's. These measures should be supported by: a) information and scouting activities on market opportunities and the possibilities for collaboration and association; and b) promotion of maps of complementation between companies and improvement of visibility and distribution of support programs.

Looking to the medium term, private players propose adopting measures that provide incentives to production coordination in order to make the links between SMEs and larger companies more dynamic and stronger. They also call for better use of competitive and technological advantages in order to stimulate cooperation between companies from both regions in the areas of renewable energy, clean technology and green economics and biotechnology. It is therefore considered a priority to create an expert work group to identify and assess these actions, to measure any improvement and to promote exchange of experiences and models. This would mean that any development, especially those made on line, had concrete objectives and goals in order to effectively tackle the challenges of internationalization and new enterprise.

Today there are instruments and programs that aid in the development of business collaboration between the EU and Latin America. It is necessary to capitalize on this rich experience and on the results of these programs, such as the AL-Invest Program, that have been incredibly useful in supporting the private sector and the networks of intermediary organizations, becoming, over several years, a reference point and solid basis for actions to support SMEs in Latin America and the European Union.

At the same time, the experience of other actions and instruments in the EU, such as the Enterprise Europe Network, the Export Help Desk, framework programs for research that are available today in some Latin American countries, could be used very effectively and give a great number of new opportunities and synergies to the entire region.

In order to develop long-term strategic alliances and to ensure their sustainability, today more than ever, perspectives of cooperation for the internationalization of SMEs in Latin America and Europe must take into consideration the reciprocal interests of Latin Americans and Europeans.

In addition, SMEs require stable conditions that favor free enterprise, in which the possibility of access to credit is reasonable, the State generates clear incentives for formalizing business activity and in which there are guarantees of adequate protection of free and true competition.

SMEs represent a necessary first step for a large number of new business ventures. This makes them the heart of free enterprise, and it is therefore fundamental that public policies recognize this role and its importance as a vehicle for a country's development.

One of the basic challenges for business activity that is a priority for advancement in productivity in private business is respect of intellectual and industrial property in order to ensure true competition. It is also necessary to highlight protection of intellectual property as a key aspect of guaranteeing innovation and technology transference.

Generating reciprocal opportunities for commerce and investment between the two regions implies the need to overcome asymmetries in information and barriers to the incorporation of international commercial regulations, access to credit and identification of strategic contact points. All of this makes it imperative to facilitate the effective transfer of knowledge and improved practices with regard to promoting commerce and investment between Europe and LAC, through the involvement of academic institutions, the private sector and governmental institutions specialized in the promotion of commerce and investment between the two regions. Thus, incentives, such as "Connect Americas" recently announced by the BID, represent important steps to allow SMEs to face all these challenges.

Therefore, considering that business costs are a significant constraint for the growth of small and medium-sized firms both nationally and globally, harmonizing customs procedures becomes an important task in promoting the exchange of goods between Latin America and the Caribbean and the European Union, in order to make the process more flexible and at the same time safer.

In particular, procedures and the flow of information for the movement of merchandise between the regions needs to be simplified and brought into line, while security mechanisms need to be introduced for those businesses operating within the supply chains. This will result in optimized and efficient border controls, which will then in turn have a positive effect on reducing the final cost of exported goods between the two regions, by decreasing the time taken and the costs incurred in international business operations.

Finally, we congratulate the approval by the European Parliament of the latest free trade agreements between the EU and Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and with Colombia and Peru, which will liberalize service markets in a balanced way, reduce fees and technical barriers to commerce which affect small and medium-sized enterprises from both regions. This will undoubtedly increase commerce between the regions and benefit economic growth and employment. We hope such agreements will soon be approved for other countries in the region.

3.- Investment for the development of human capital

Economic development and inclusive growth of countries must be based on the development of opportunities for the population in all aspects and areas. This is a minimum guarantee of equity and social inclusion that means that all achievements have the commitment of the general public both in good economic times as well as in

other not so favorable times that countries cyclically experience for several different factors.

At time of economic slowdown, SME play an essential role in increasing growth and creating jobs. However, to promote sustainable growth of employment, qualified local personnel are needed to consolidate a basis of human capital with the adequate talent and abilities to cover the requirements of employers.

The nations of the European Union and Latin America and the Caribbean have broad and varied experience with training and education for their people's work opportunities. Many of these experiences have been key in decreasing levels of unemployment, boosting new enterprise and strengthening the talent of human capital in these countries.

Today, many countries in the European Union are facing historic levels of unemployment due to the crisis that continues to affect the region, and due to the slowdown seen in important economies around the globe. Nevertheless, one of the strengths recognized in these countries comes from the capacity of their citizens to develop business activities efficiently and productively, along with their ability to adapt to new business models and technologies.

Recognizing that training and education for work must take human beings into account integrally and in accordance with their different talents, opportunities and needs in order to be relevant, it is essential that this training is linked to production activity and to the demands, challenges and competences that companies face in their strive to become sustainable. This is why training formats that approach teaching through job placements in companies or that combine work and training, such as dual training programs, are highly regarded by companies, which is shown in the higher employment rates for trained personnel, even in times of crisis.

There are several experiences in Latin America and the Caribbean which replicate to a greater or lesser degree the European models of education and training, and which validate the use of training strategies that are linked with private business as a model that can accurately focus on job demands. These experiences therefore contribute to the efficacy of public policies that aim to improve social inclusion, such as job intermediation, which generates capabilities that are actually required by the labor market.

This is why private enterprise encourages training models that maintain close relations with production, adjusting to new knowledge needed in business activity and innovation as the cornerstone of real sustainability in business. In this context, the experience of business organization can help achieve this objective.

Innovation is considered a key factor in achieving better social inclusion for human capital, and it is the belief of the business representatives that it deserves to be the object of special attention from States, which should use their policies to promote alliance between private enterprise and universities and technical institutions, both national and international. This type of link generates competitive skills that enrich human capital, favoring national and international mobility among the population. It also allows companies to adjust to new market demands in time, giving countries an important leap forwards in competitiveness, with subsequent improvements in the quality of life of the general population.

4.- Commitment to the values of liberty and democracy

All that has been described above could not be attained, guaranteed or maintained over time, without a stable framework of liberty, legal certainty and democracy. Undoubtedly, in recent years, significant effort has been made by many countries in Ibero-America in order to build States that are able to achieve sustainable development that encompasses economic growth and the wellbeing of the population.

This development is based on fundamental economic principles, such as free economy, the freedom of the company and private property law. This must be accompanied, however, by democratic stability, legal certainty, and a strengthened institutional and political system.

Any relaxation or violation of these principles and conditions leads to structural damage that harms the perspectives for economic growth and endangers a country's future multilateral relations.

It is necessary to guarantee a transparent and stable investment framework in order to maintain and encourage foreign investment in the region, and to guarantee non-discriminatory treatment of investors, irrespective of their country of origin.

We must support the opening of markets as the best way to boost commerce and investment and reject the application of measures of a protectionist nature. We advocate the reactivation of the negotiations of the Doha Development Round, firstly through the conclusion of an agreement to facilitate commerce, and through negotiations with MERCOSUR with the aim of intensifying and mobilizing economic relations between the European Union and this region.



CONCLUSIONS OF THE IV CELAC-EU BUSINESS SUMMIT

In accordance with the preceding declaration, the conclusions reached by the IV CELAC-EU Business Summit held in Santiago de Chile on 27th January 2013, are the following:

1. The alliance between the European Union and Latin America and the Caribbean is strategic and represents a commitment to bi-regional collaboration that must be maintained and promoted by Governments, incorporating the private sector at all times as a catalyst for global economic development.
2. It is vital that governments consider the values of liberty, legal certainty and democracy when taking any decisions, understanding that democracy must be an expression of popular will, respectful of the rule of law and the separation of powers, and with political alternation in the power held by leaders. In order to achieve economic growth, there must exist conditions for transparent and stable investment, respecting the Rule of Law at all times. There must be guarantees for fair and equal treatment of investors, not allowing inequality between foreign and national investors.
3. The development of the economies of countries must occur through respect for the environment, and there must always be a balance between economic growth and protection of the environment.
4. We advocate the establishment of a legal framework that would encourage the creation and subsequent development of sustainable small and medium-sized enterprises, and the adoption of public policies that are specific and adapted to the real needs of SMEs.
5. The main challenges facing countries in this context are related to the elimination of differences in productivity, levels of internationalization and production chains.
6. In order to overcome these challenges, we propose additional technological innovation in areas with growth projection possibilities, establishing integrated development programs that lead to the creation of online networks and platforms for knowledge, access to information, exchange of experience and

7. models and worker training, generating reciprocal opportunities for commerce and investment and overcoming legal asymmetry.
8. Adequate protection of intellectual property constitutes an essential axis to guaranteeing the innovation and technology transference that are vital to the development of a sustainable economy.
9. Investment in human talent constitutes a fundamental factor for guaranteeing economic development over the long term, and it is a fundamental tool for attaining equal opportunities and overcoming poverty. In order to attain this objective, it is necessary to design a training strategy that is in line with society's needs, and which is defined with the active participation of business organizations, both to favor the insertion of young people in the labor market and to ensure continuous training for professionals in order that they can adapt to the needs of the market. It is also essential to focus academic training more intensely on the branches of science, engineering and technology.
10. We must support the balanced opening of markets as the best way to boost commerce and investment, and we reject any type of measures of a protectionist nature. We therefore advocate the reactivation of the negotiations of the Doha Development Round and the conclusion of a first agreement to facilitate commerce as well as negotiations for an EU – MERCOSUR Free Trade Agreement that would intensify and mobilize economic relations between the European Union and this region.
11. It is vital that governments consider the values of liberty, legal certainty and democracy when taking any decision. In order to achieve economic growth, there must exist conditions for transparent and stable investment, respecting the Rule of Law at all times. There must be guarantees for fair and equal treatment of investors, not allowing inequality between foreign and national investors.
12. In order to overcome the crisis which to a greater or lesser degree is affecting the two regions, we propose a more central role for the private business sector to guarantee effective development and inclusive growth. This demands putting into practice the aforementioned policies and measures, which will support the business sector in general and SMEs in particular. In the face of this challenge, the business sectors of the EU and ALC, instead of competing, need to become allies, necessary collaborators in a common project; that of generating richness and employment and promoting sustainable development that is effective in the fight against poverty and inequality.