

BUSINESS STATEMENT
V EUROPEAN UNION – LATIN AMERICA AND THE CARIBBEAN
BUSINESS SUMMIT
“Promoting inclusive and sustainable growth by enhancing the role of Small and Medium Sized Enterprises”

CONCLUSIONS FROM EUROPEAN UNION AND CELAC MEMBER STATES
BUSINESSES TO THE HEADS OF STATE AND GOVERNMENT MEETING AT THE 2015
CELAC-EU SUMMIT

Brussels, 10 June 2015

Two years after the IV EU-CELAC Business Summit, held in Santiago de Chile, Heads of Government and Business Representatives coming from 61 countries from both sides of the Atlantic gathered in Brussels on 10 June 2015. This year’s Business Summit focused on **“Promoting inclusive and sustainable growth by enhancing the role of Small and Medium Sized Enterprises”**.

The Business Summit was a unique opportunity to build momentum and to enable the European Union’s entrepreneurs and industry representatives and their Latin American and Caribbean counterparts to work together towards enhancing trade and investment links, further investing in each other's economies, namely in resource efficient technologies and innovative industry and sectors, and to actively promote the role of SMEs in the development of sustainable and inclusive growth. The Business Summit took stock of previous Summits conclusions and underlined areas where business cooperation and technology transfer between EU and CELAC member states should be further promoted, as established below.

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 the second most important trade partner of Latin America and the biggest investor in the region. These figures depict the potential positive effects increased targeted investment and technology transfer can have, *iter alia*, on their economies and job markets. The businesses present and represented at the Summit show that the private sector has an interest in ensuring that EU and CELAC member states achieve the goals established in the EU/CELAC political Agenda. In order to support strengthening the economic development of both regions, to provide more opportunities for trade and investment, as well as, industrial, technological, energy and professional exchange between the regions, the business representatives demand political leaders to take stock of the private sector demands and include the business community in this important process and deepen cooperation in the following areas:

1- Better Integration of SMEs in trade and investments opportunities

Micro, small and medium-sized enterprises (SMEs) are an essential component of the production structure both in Latin America and the Caribbean and in the European Union. Their importance can be illustrated by the extremely high proportion of all businesses that are SMEs (more than 99% of businesses in the EU, providing more than 100 million jobs and 85 % of new jobs in the private sector), the number of jobs they create (67% of employment), and their contribution to gross domestic product (GDP) –e.g. more than 58% of total gross-added value.

European Union Member States ('EU') and CELAC countries display differences in productivity between large firms and SMEs, but the gap is greater in Latin America and the Caribbean. This productivity gap reflects SMEs' heterogeneous production structure, their specialization in low value-added products and their limited contribution to exports. SMEs have a key role to play in enhancing Latin America and the Caribbean's economic growth; however in the region there are a large number of micro-companies, often "informal" firms whose emergence is the result of self-employment strategies. In Europe, SMEs have shown resilience in the recent crisis and remain one of the key engines of the European economies. However they often lack international exposure and expertise for internationalisation.

For SMEs to fulfil their role as engines of structural change, public policies must sustain their development through the following actions: a) reducing the financing gap for SMEs b) enhancing SMEs' competitiveness through the incorporation of knowledge and the use of new technologies; in particular, more intensive use of information and communication technologies (ICTs) can indeed help SMEs lower entry costs to international markets and improve management, c) contributing to improve skills in the workforce by enhancing the connection between education systems and the productive sector, and d) promoting the integration of SMEs in clusters, value chains and international markets to increase opportunities for SMEs.

The EU and CELAC business communities therefore recommend their Heads of Governments to consider devising paths to increase opportunities for SMEs and develop their competitiveness, namely by identifying best practices that can be shared both by public institutions and by industry and their representatives. The establishment of a true bi-regional perspective on innovation, market access/internationalisation and investments, and the mechanisms and means –including financial ones- to achieve them, are necessary. Moreover, joint EU-CELAC programmes to encourage SME inclusion into bi-regional value chains in order to access their respective markets inter alia, should be envisaged and implemented, while taking stock of existing programmes and exploring new ways to enhance coordination and develop joint initiatives and projects.

2- Sustainable business cooperation

Sustainable Development offers a vision of progress that integrates immediate and longer-term objectives, local and global action, and regards social, economic and environmental issues as inseparable and interdependent components. Sustainable development does not solely rely on public policies, but must be taken up by society at large with businesses playing a key role.

During the 4th EU-CELAC Summit in Santiago de Chile the business community committed to work together with Governments in implementing policies and goals that promote sustainable development goals while at the same time enhancing the potential for economic growth and high-quality jobs, including, inter alia through the adoption of internationally agreed principles and guidelines on Corporate Social Responsibility (CSR) such as the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and the ILO Tripartite Declaration of principles for multinational enterprises. The 2015 Summit was an opportunity to take stock of EU-CELAC joint initiatives in the field of sustainable development, share views on best practices but also discuss how to promote more sustainable investments and cooperation with the active participation of SMEs.

Many Latin American and Caribbean countries are rich in natural resources, many of which are still relatively untapped. The way this potential is managed will therefore be critical for

their future economic development, as well as to ensure more social inclusiveness and better living conditions in the region.

The use of environmental-friendly and resource-efficient technologies should be promoted to achieve economic growth objectives while protecting natural resources. Many European companies, including SMEs, have taken the leadership in developing more environmentally-friendly and sustainable technologies in their production processes. Their experience and know-how can help creating new business opportunities and joint projects in CELAC countries, with the active participation of LAC companies and with the support by relevant institutions.

2015 will be a decisive year to tackle global warming and climate change with the organization of COP21 in Paris that should set ambitious but also workable emission targets. Companies shall play a decisive role in devising new technologies that could better meet the defined targets. This is also an opportunity to further strengthen cooperation between EU and CELAC private sectors including SMEs, which could develop together new investment and businesses opportunities.

In order to respond to such challenges for the international community and the need for ambitious commitments in the area of sustainable growth and climate change, the business community calls on Political Leaders to work towards promoting a low-carbon, innovation-based, resource-efficient economy while taking into account growth and competitiveness needs and the objective to create high-quality employment. The development of stable regulatory frameworks will allow for long-term investments in sustainable, resource efficient technologies. Such regulatory framework should also lead to the promotion of entrepreneurship, develop industrial output and stimulate social inclusion.

Finally, CELAC and EU business communities call for the promotion of public-private partnerships to develop flagship projects, namely but not only, in the areas of cleaner technologies, energy and resource efficiency.

3- SMEs' access to finance and financial instruments

The key role of SMEs in the economy and how to improve their access to finance was a key topic at the previous EU-CELAC Business Summit in Santiago de Chile. The recommendations made in 2013 on this matter have been taken on board but further steps are still necessary to ease SMEs' access to finance.

In the Latin America and the Caribbean region the predominance of high levels of informality and limited financial market, and sometime difficult to access to, slow down growth prospects for SMEs. Efforts to expand financing require not only the appropriate legal framework -- including those underpinning bankruptcy and property law, secured transactions, and credit information - but also a host of financial instruments that allow firms to allocate risk efficiently and access to finance swiftly. Support for dynamic, formal enterprises is a key to improving growth and equity: SMEs, especially in their early stages, create more jobs and increase sales more rapidly than other firms. Easy access to financial instruments is therefore a key to success, particularly when finance is required to increase linkages with international markets, leveraging digital solutions for access to funding and its delivery, and when finance is targeted to specific market segments which are interesting to develop to achieve greater economic diversification and the development of innovative products and services, more competitive on the international stage.

Consequently, easing access to long-term financing is crucial to enhance business cooperation and investment in LAC and the EU, inter alia, especially for SMEs.

Increased access to external markets will in turn contribute to boost productivity as firms expand production to compete globally. Particular attention should be given to the role of value chains, namely through clusters, and mechanisms to increase trade finance, supplier financing and long-term investment funds for SMEs investing abroad. The business community also calls for an increased use of digital technology to deliver financial services through web-based platforms that can overcome barriers to access by firms –though this will require further investments in networks and relevant technologies. Finally it is necessary to develop targeted financial instruments to reach specific segments of the SME market – particularly for those operating in CELAC countries. Three areas were discussed where important productivity gains can be made by better targeting: expanding access to credit for women-led businesses and young entrepreneurs, developing and deploying financial tools for the “greening” of SMEs, developing tools to support high-growth SMEs with equity capital and advisory services in order to stimulate job-market growth and productivity gains in the regions’ economies.

CONCLUSIONS OF THE V CELAC-EU BUSINESS SUMMIT

EU-CELAC Business Summits represent key strategic events for the business communities from both sides of the Atlantic. Ensuring consistency and continuity in the decisions taken is therefore of paramount importance for building a stable business environment. Therefore taking stock of previous conclusions, the business community would hereby submit the following conclusions after this year's EU-CELAC Business Summit:

1. The alliance between the European Union and Latin America and the Caribbean (CELAC member states) is strategic and represents a commitment to bi-regional collaboration that must be maintained and promoted by Governments and incorporate the private sector including SMEs on a consistent basis, for them to fulfil a catalyst role in sustainable economic development. Emphasis needs to be placed on better regulation in both regions, so that businesses and particularly SME's are not overly constrained by an increasingly complex and burdensome regulatory environment, hampering their growth potential as key players in realizing a strong market economy.

2. It is vital that Governments consider the values of market liberty and legal certainty as key conditions to spur sustainable long term growth and quality employment. In particular Governments need to put in place the right mechanisms and frameworks to ensure that conditions for a transparent and stable framework for business activity and investment are granted, including the adoption of effective anticorruption measures, non-discriminatory and transparent rules to access finance and public procurement, with due respect for the rule of law, as well as upholding guarantees for the fair and non-discriminatory treatment of both national and foreign investors. In addition, any formalities and procedures related to business operations should be transparent and fair, so as to allow for the necessary predictability for economic activity.

3. The development of EU and CELAC countries' economies must show a high level of respect for core labour rights, the protection of the environment, and the promotion of resource efficiency, while duly recognizing the essential role of the private sector in achieving this goal through the development of sustainable and innovative technologies, goods and services, which are to be promoted and duly supported. Sustainable business practices, including and the adoption of internationally agreed principles and guidelines on Corporate Social Responsibility (CSR), should be promoted. In this regard, Europe and Latin America should work together towards ambitious but also workable emission targets on the global level at the COP21 in Paris this year.

4. The EU and CELAC business communities advocate to work together with relevant authorities, towards the establishment of a true bi-regional perspective on internationalisation and market access for SMEs, namely through the implementation of joint programmes and development of appropriate financing conditions, to support the inclusion of SMEs in regional and trans-Atlantic value chains and global trade and investment.

5. The EU and CELAC business communities call for the development of a stable legal framework that spurs the creation and subsequent development of sustainable SMEs, by offering them a better access to financing solutions, including financial blending between public and private funding sources.

6. Recalling the importance of innovation and intellectual property rights for business, and recognizing them as key drivers for SME's to fully exploit the potential of the knowledge based society, we call on governments in both regions to promote innovation and an IPR friendly legislations, by working towards the ratification of WIPO conventions, increasing the

level of regional harmonization in both regions and encouraging stronger cooperation among National Intellectual Property Organizations.

6. The adoption of public policies in the EU and CELAC countries should duly take into account SMEs specific interests and be adapted to their needs, as they are engines for sustainable growth and large sources of employment. Measures to address the gaps in productivity and export capacity highlighted by the 2013 study on “Building SME competitiveness in the European Union and Latin America and the Caribbean”¹ should be addressed. The lack of information on markets and business opportunities, the low degree of integration, the shortage of human resources and training for managing these processes, and cost of financing SME’s going international were identified in particular as key factors contributing to the generation of those gaps and should therefore be tackled by public policies in the EU and in CELAC countries, *inter alia*.

7. Investments in innovative and sustainable products, services and value chains constitute a fundamental factor to guarantee economic development over the long term. Therefore, long-term investments in sustainable and resource efficient technologies must be promoted, both in the EU and in CELAC countries, through the establishment of appropriate, non-discriminatory and attractive to foreign investment regulatory frameworks and support services, networks and financing mechanisms. Such frameworks should promote entrepreneurship while stimulating social inclusion, innovation and business cooperation between EU and CELAC private sectors.

8. Strengthen economic ties among both regions through a more consistent advancement of negotiations for Free Trade Agreements (FTA’s), in the spirit of mutual benefit, as well as ensuring a more consistent implementation of agreements already completed, so that particularly small and medium sized enterprises (SME’s) are able to better reap their benefits.

¹ ECLAC / AI Invest/ EUROCHAMBRES: Building SME competitiveness in the European Union and Latin America and the Caribbean: policy proposals by the private sector.