

15 June 1999

**COMMISSION'S COMMUNICATION ON  
"A NEW EU-LATIN AMERICA PARTNERSHIP FOR THE 21<sup>ST</sup> CENTURY"**

**- UNICE COMMENTS -**

UNICE welcomes the Commission's Communication on "A new EU-Latin America partnership for the 21<sup>st</sup> Century" [COM (1999) 105 final] and broadly shares the new Commission's approach to EU-Latin America relations reflected in this Communication. UNICE agrees on the basic areas for action proposed by the European Commission for closer EU-Latin America co-operation namely: strategic alliance between the two regions to strengthen the partners' hand in negotiations at international level, adoption of a sustainable development model, and opening-up of political dialogue to civil society that most notably includes business associations.

With a view to contributing to the implementation of this new partnership, UNICE submits the comments below.

***EU-Latin America trade relations***

While a multidimensional world is building up on the threshold of the 21<sup>st</sup> century, Latin America is a priority trading partner for the EU as well as a region with close cultural and political traditions to those of the EU.

In this context of strengthening relations, there is a need for a long-term overall strategy which should consider the capabilities of each economic sector in the EU and Latin America. This comprehensive strategy should insure coherence between multilateral, bilateral and regional approaches, and other specific policies such as the Generalised System of Preferences (in both the general and drugs aspects). Strengthened relations between EU and Latin American partners will improve mutual understanding, thus helping to prevent new conflicts from arising and facilitating resolution of trade friction.

With a view to the WTO Ministerial Conference to take place in Seattle at the end of November, UNICE believes that EU and Latin America should increase their co-operation on WTO issues in order to build the necessary consensus for launch of a comprehensive forward-looking round of negotiations, to be concluded by a single undertaking, at this conference.

## ***EU-Latin America investment flows***

UNICE believes that a global regime for investment based on multilateral rules to be developed in WTO will contribute significantly to world financial stability and to regional integration in the global economy. It is vital that moves towards the creation of greater transparency, accountability and predictability that all economies need to attract long-term capital are continued. UNICE encourages the EU to support Latin American governments' efforts to commit themselves to multilateral disciplines that will enhance investor confidence in their economies.

UNICE considers that freedom of capital movement and appropriate conditions for sustainable investment should be included in any model for long-term sustainable development in Latin America. This implies that governments in the region should continue to adopt rigorous macro-economic policies to control inflation and reduce public deficits, as a necessary way to reduce high real interest rates substantially, restore confidence in national economies and strengthen national currencies. Once this is in place, it is necessary to continue the reform of state-controlled activities. These reforms will in turn encourage private initiative and improve efficiency in public spending and investment.

Development of domestic markets will depend on the previous macro-economic stability, mobilisation of national saving capacities and establishment of a framework favourable to foreign direct investment in terms of political, macro-economic and social stability, as well as a legal system supporting direct investment. This being achieved, in particular in the field of regional co-operation groupings, a harmonised system of technical standards should be developed both between countries participating in the regional co-operation groupings and between those countries and other regions in the world. In this respect, EU experience in building up the internal market is of exceptional importance in practical terms, as will be EU technical assistance in building such a model.

## ***EU-Latin America economic co-operation***

Latin American countries are currently discussing the possible creation of a common currency or adoption of a reference currency outside Latin America. In the light of experience gained by EU when introducing the Euro, some lessons should be drawn, such as the need for prior co-ordination of macro-economic policies and progressive transfer of monetary sovereignty to a common but independent body. The importance of trade between participating countries should also be recognised. These kinds of co-ordinated measures could help to eliminate risks such as those linked to exchange rates or a loss of competitiveness at world level.

Finally, with a view to strengthening EU-Latin America trade and investment relations and economic co-operation, UNICE believes it essential to put into practice the conclusions of the Rio Declaration adopted at the first Mercosur-EU Business Forum (Rio de Janeiro, 22/23 February 1999). Specifically, UNICE calls on European Commission and on EU and Latin American governments to make every effort to:

- Accelerate finalisation of Association Agreements with Mercosur, Chile and Mexico and to start negotiations with other Latin American countries and regional groupings with the objective of facilitating trade, services and investment flows in all sectors and maintaining ongoing dialogue and co-operation. UNICE expects that agricultural aspects will not slow down the progress of these negotiations.

- Support the development of a close EU-Latin America business relationship with the aim of eliminating existing obstacles to business operations.
- Avoid the creation of new obstacles for trade and investment within and between the two regions.

### ***Approaching strategy on EU-Latin America relations***

UNICE welcomes the moves that have been made in Latin America in institution building and recognises the positive effort that this has had on the political, economic and social circumstances in the region. UNICE realises the difficulty of developing a policy focused primarily on the region as a whole. Any overall political strategy vis-à-vis Latin America must be based on both a regional and on a country-by-country approach.

On that basis, UNICE believes that importance should be given to regional groupings and, within these, to organisations – such as Mercosur – which are more deeply integrated and for which co-operation with the EU could be strengthened on the basis of existing structures. Such a strategy implies that the EU should foster development of inter-regional co-operation schemes, together with the global integration of these countries in the multilateral trade and financial institutions.

The European Union should make it clear for other countries and economic areas that the relationship with Latin American countries aims to contribute to further liberalisation of Latin American markets in conformity with the WTO system to the overall benefit of all countries. Such an approach should strengthen competitiveness at world level.

### ***Regional integration in Latin America***

*UNICE believes that economic integration between Latin American countries is important for fostering sustainable economic development in the region. For that reason, UNICE strongly supports the different initiatives under way aiming at regional integration, in conformity with WTO rules; such sub-regional agreements would contribute actively to the liberalisation of trade and investment at international level.*

UNICE acknowledges that EU experience could be useful for Latin America in the field of the regional integration. Construction of the European Economic Community was based on a series of general and sector policies (customs, agricultural, competition, steel and coal) which triggered the integration process. The European Union should co-operate with the different regions in examining the feasibility of adopting similar patterns to stimulate such an integration process, yet with an individualised approach for each regional co-operation grouping.

The increased involvement of Latin American business organisations in political, economic and social development of the region in recent years is having and will continue to have an effective impact on continuation of the reform and liberalisation process under way and regional integration.

## ***EU assistance for Latin America development***

*EU financial assistance for Latin American countries is important for democratic consolidation, development of their social institutions and economic stabilisation. UNICE encourages the EU to pursue its action in that direction with due consideration of the specific needs of each country.*

Concerning the strategy for EU development aid to Latin America, UNICE supports the rules of intervention proposed by the Commission, which are based on a focus on the less developed countries and geared towards a better planning and legal framework for action. However, UNICE believes that some key priority sectors in the whole region should also be identified, and would like to see establishment of “dialogue-led” co-operation and better co-ordination and coherence between EU donors and also with other donors at the international level.

Concerning the preferential sectors of co-operation identified by the Commission, UNICE proposes a more systematic categorisation, on the basis of the following criteria:

1. Support for the consolidation of democracy and development of social institutions including employers' organisations.
2. Support for economic co-operation of mutual interest in innovative and high-tech sectors such as telecommunications and information society.
3. *Support for the creation and implementation of a harmonised system of technical standards and the gradual elimination of non-tariff trade barriers.*
4. Support for education and training activities and cultural action as factors for industrial development and for fostering both indigenous culture and Europe's own culture adapted to local circumstances.
5. *Support for policies aimed at creating a sustainable environment and promoting bio-diversity, including measures to implement them.*

### **Civil society involvement in EU-Latin America co-operation**

*UNICE welcomes the recognition, in the Commission's Communication, of the active role played by civil society, in particular business organisations, in the process of enhancement of EU-Latin America co-operation. UNICE believes that a permanent dialogue between civil society representatives from both regions should be strengthened and that stronger involvement of civil society in both regions will be achieved through reinforcing contacts and mutual support. The traditional EU co-operation policy towards less developed countries in the continent has allowed progress towards this objective, as it has made it possible to support the development of civil society in setting up many co-operation bodies.*

*In the future, however, it seems useful to strengthen support for the most representative co-operation groupings. For that reason UNICE supports stronger business involvement in the different political and economic dialogue bodies, at national and regional levels, and the reinforcement of representative business organisations in Latin American countries. UNICE encourages the EU institutions and Latin American governments to recognise the particular role business organisations play as a key factor for restructuring civil society and developing new, stable, job-creating and environmentally sound industrial activities.*

The first meeting of the Mercosur-EU Business Forum is a good example of how European and Latin American industrial organisations can give their input to the political process and contribute to a strengthening of EU-Latin America partnership.

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The European Union should support the process of democratic consolidation and economic prosperity under way in Latin America, considering the closeness of EU and Latin American economic interests. This could increase the added value that the regions can offer each other in a new global economic scenario. European business organisations, as an important component of civil society, are ready to play their role actively in that process.

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