

## UNICE STATEMENT TO THE 3<sup>rd</sup> EU-LATIN AMERICA AND CARIBBEAN SUMMIT (Guadalajara, Mexico, 28 May 2004)

19 May 2004

1. UNICE very much welcomes the 3<sup>rd</sup> European Union (EU) - Latin America and Caribbean (LAC) Summit, which will take place on 28 May in Guadalajara (Mexico), as a continuation of the Rio de Janeiro (1999) and Madrid (2002) editions. European business believes that this high-level meeting is a key opportunity to reinvigorate and give new momentum to the strengthening of relations between the EU, Latin America and the Caribbean.
2. The EU is the second trade partner with this area (first with Mercosur and Chile), with more than € 58 billion of exports. The EU has also been the first investor in the region in recent years. The accumulated stock of foreign direct investment reached € 206 billion in 2002.
3. Social cohesion and multilateralism as the principal themes of this 3<sup>rd</sup> Summit are important issues for European business. It supports improved coordination between the European Union, Latin America and the Caribbean positions in the multilateral institutions on subjects of common interest. For UNICE, cooperation on WTO issues is essential to make progress in the Doha Development Agenda negotiations.
4. Regarding social cohesion, UNICE is concerned that social exclusion prevents large sectors of society from contributing to growth, undermines democracy and threatens peace and stability. As recognised by the United Nations Development Programme<sup>1</sup>, the private sector can contribute effectively to national strategies to reduce poverty through the impetus it gives to economic growth, job creation and higher incomes for the most disadvantaged groups, and push for economic reforms. Any strategy to promote social cohesion must ensure sustainable growth, leaving behind the cyclical crises that have shaken the LAC region during recent years.
5. UNICE believes that the time has come to build economic growth on solid pillars, taking advantage of the gradual recovery in investors' confidence and the progressive decrease in inflation in the region, currently below 10%. However, others factors, such as low interest rates and buoyant prices for raw materials are unlikely to support growth and the reduction of social exclusion in the longer term.
6. To reconcile economic growth with more cohesive societies, UNICE considers it absolutely necessary to deepen and improve institutional reform in the region. The quality of the institutional framework, as well as the efficiency and transparency of administration and the judiciary system are key factors in this strategy. Effective institutions are a prerequisite to prompt changes and make it possible for macro- and micro-economic policies to extend growth opportunities to all segments of populations.

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<sup>1</sup> Report "Unleashing Entrepreneurship: making business work for the poor" by the Commission on Private Sector and Development (<http://www.undp.org/cpsd>)

7. UNICE supports Latin America's focus on maintaining stability. With this in view, the region now has an important step to make in implementing structural reforms, such as strengthening of financial systems, and fiscal, labour market and pensions reform. Moreover, clearer and stable regulatory frameworks should be defined.
8. If the private sector is to contribute to reforms and play a fundamental role in boosting growth, job creation and a more efficient allocation of productive resources, the LAC region must remain attractive for local companies and foreign investors. In this context, UNICE believes that initiatives along the lines of the *Plan Puebla Panama* or the Infrastructure Initiative of the South American Region (IIRSA), if properly implemented, could contribute to eliminating physical and technical barriers to a real integration of these economies.
9. UNICE supports renewed efforts in the EU-Latin America and Caribbean negotiations under way as well as in the process of regional integration. Both are high-priorities to stimulate not only business cooperation, but also trade and investment, improving social and economic conditions in the region.
10. Regarding relations with the different integration processes in LAC, European business underlines the importance of the current negotiations between the EU and Mercosur and supports its conclusion by the end of this year, as was agreed in the roadmap adopted in November 2003. Towards that aim, it is necessary that the two sides fully commit to the negotiations, ensuring that efforts made by one side are matched by the other, with the same will to progress in the negotiations on all the remaining difficult issues. Regarding the Andean Community and Central America, it is necessary to progress in establishing new frameworks for relations, which take into account the trade and investment interests of European companies in the region and prevent European companies to be in a less advantageous situation than their competitors from third countries.
11. Finally, UNICE wants to stress the importance of EU support for projects which enhance the dialogue between EU-LAC business. As a matter of priority, the European Commission should support efforts aimed at reinforcing the private sector in the region, in order for the relevant actors to play fully their role as partners vis-à-vis their administration and other social players.

With the objective of contributing to the different bilateral meetings which will take place back to back to the Guadalajara Summit, UNICE presents at annex specific comments on each of the Latin American and Caribbean regions or countries.

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AND CARIBBEAN SUMMIT**

**ANNEX**

**1. EU-Mercosur relations**

European business strongly supports the EU-Mercosur negotiations underway which aim at the conclusion of an Association Agreement between the two partners as soon as possible. It is persuaded that the Agreement, which includes a bi-regional Free-Trade Area, will bring closer cooperation and mutual benefits in the political, economic and socio-cultural fields. Trade and investment liberalisation will make both Mercosur and the EU more competitive globally.

Four years have passed since the beginning of the EU-Mercosur negotiations and some progress has been achieved. However, to carry the process to a successful conclusion in 2004 it is absolutely vital to ensure major progress simultaneously in all areas of negotiations.

UNICE calls on the EU and Mercosur to find an appropriate and balanced agreement on agriculture, to deal with urgency with the remaining difficult issues on the negotiating table. UNICE is particularly looking for improved market access for industrial goods, services, government procurement and investment. Failing such progress, we are afraid that the timely conclusion of the EU-Mercosur Agreement will be at risk and subject to further delay.

In parallel to the negotiations, European business firmly supports Mercosur's integration process. Mercosur governments should keep on working with determination towards the gradual abolition of remaining barriers to the movement of goods, services and capital. UNICE believes that the current negotiations with the EU have to be seen as an opportunity for Mercosur to coordinate its position and to speak with one single voice, to ensure real negotiations between two custom unions.

A bi-regional agreement is in the interests of European and Mercosur business, as repeatedly expressed in the Mercosur-EU Business Forum (MEBF), in which UNICE participates. UNICE supports the MEBF process as a way to reinforce EU-Mercosur business relations, while contributing to the negotiating process underway.

**2. EU-Andean Community relations**

UNICE welcomes conclusion of the EU-Andean Community Agreement on Political Dialogue and Cooperation in December 2003. European business believes that regional economic integration between the Andean countries is essential for fostering sustainable economic development in this region. The European Union should pursue its cooperation towards that aim.

For the Andean Community, it is necessary to progress in the search for new frameworks for relations in trade and investment issues, which take into account the interests of European companies in that region and prevent European companies finding themselves in a less advantageous situation in that market than their competitors from third countries. Those new instruments should also serve to give EU FDI in the Andean Community stable, predictable frameworks, which are at the same time consistent with EU rules.

Political dialogue must be oriented towards reaffirming the rule of law, market economy and macroeconomic stability, together with the consolidation of participation of organised civil society.

### **3. EU-Central America relations**

UNICE welcomes conclusion of the EU-Central America Agreement on Political Dialogue and Cooperation in December 2003. It encourages the Central American countries to continue efforts towards deeper regional integration. This should be seen as a first step towards further strengthening relations with the EU.

As for the Andean Community, it is necessary to progress in the search for new frameworks for EU-Central America relations in trade and investment issues, which take into account the interests of European companies in that region. These new instruments, in accordance with WTO rules, should prevent European companies finding themselves in a less advantageous situation in those markets than their competitors from third countries, and also serve to give EU FDI in Central America stable, predictable frameworks.

The support to business organisations in the region is essential to allow them to become key partners of their governments in contributing to the economic and social development of the region.

### **4. EU-Caribbean relations**

UNICE welcomes the launch of negotiations for an Economic Partnership Agreement (EPA) between the EU and 16 Caribbean countries on 16 April 2004. These negotiations, which are part of the EU relations with the ACP countries under the Cotonou Agreement, should help to enhance economic integration and trade liberalisation between Caribbean countries themselves.

### **5. EU-Mexico relations**

UNICE welcomes the positive effects in increasing trade and investment flows between the EU and Mexico created by the bilateral FTA. UNICE calls on EU and Mexican authorities to develop the full potential of the EU-Mexico FTA, to facilitate abolition of remaining bilateral barriers to trade. Particular attention should be given to aspects such as investment protection, intellectual property, as well as liberalisation of the services sector. This could be accompanied by further information on the benefits of that agreement for EU and Mexican businesses. UNICE also supports the creation of an Economic and Social Committee in Mexico as a forum of dialogue for organised civil society.

### **6. EU-Chile relations**

UNICE welcomes the positive impact of the EU-Chile Association Agreement in bilateral trade relations. However, the EU and Chile should continue working together towards full implementation of that agreement, particularly in its trade and investment aspects. This could be accompanied by information campaigns on the benefits of the agreement for EU and Chilean businesses.

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