

EU-LAC BUSINESS SUMMIT 2006

Bridging the two Worlds through Business and Culture

Message to the Heads of State and Government at the IV EU-LAC Presidential Summit Vienna – May 12th, 2006

At the first EU-LAC Business Summit, which was convened to coincide with the IV Presidential Summit, more than 350 business leaders from the European Union, Latin America and the Caribbean met on May 12th, 2006 at the Belvedere Palace in Vienna, Austria.

In several plenary sessions and panel discussions the distinguished guests analysed and investigated the following topics: Investment and Trade, Enterprise and Industry, Technology and Innovation, Nature and Energy as well as Tourism and Culture. All participants benefited from the exchange of innovative ideas and insights relating to trade relations, investment opportunities and the market environment in both continents. The EU-LAC Business Summit also provided an excellent forum for high level networking and lobbying under the common theme of “Bridging the Two Worlds through Business and Culture”.

Despite the fact that EU-LAC trade relations have reached an all time high in 2005 and the European Union has become the most important foreign direct investment partner in the LAC region, corporate leaders at the Business Summit agree that the full potential of EU-LAC economic relations has not yet been realized.

Participants at the EU-LAC Business Summit 2006 therefore urge Heads of State and Government to focus on the following political priorities until the next EU-LAC Presidential Summit in 2008:

1. BOOST EU-LAC TRADE

Trade flows between the European Union, Latin America and the Caribbean reached a record level of Euro 125 billion in 2005. Meanwhile, the EU accounted for only 12 percent of total LAC trade and LAC in the EU for only 5,6 percent in the same period. Market shares of companies from both regions are under continued pressure from North American and Asian competitors.

Business leaders recognize the importance of the multilateral rule-based trading system under the World Trade Organization and the finalization of the Doha-Round as the most effective way to expand trade relations between the EU-LAC partners. At the same time, the successful examples of the Free Trade Agreements between the EU and Mexico as well as Chile demonstrate the great benefits of a more focused regional approach to trade liberalization, provided they are compatible with WTO regulations.

In order to guarantee an annual increase in trade flows at the current level of more than 10 percent in the long term and to reach the business leaders’ target of doubling bi-regional trade by 2012, political leaders must take on board the conclusions of the Doha Round as well as the Free Trade Agreements between the EU and Mercosur, the Andean Community and Central America. Economic Partnership

Agreements between the EU and the Caribbean can also be an efficient tool for the private sector to achieve economic progress and boost sustainable growth.

In addition, stronger cooperation on business facilitation measures in the field of custom procedures such as the regional-wide adoption of the Carnet ATA System or the harmonization of standards and regulations should improve business conditions on both sides immediately.

2. PROMOTE FOREIGN DIRECT INVESTMENT

Foreign Direct Investment in Latin America has recovered strongly since 2003 and reached nearly Euro 50 billion in 2005, although it still remains short of the record levels of 1999/2000. European businesses contributed significantly to this positive development, so that the EU has now become the most important source of investment in the EU-LAC region.

These investments, which benefit all citizens of both continents, will only continue to flourish, if a favourable investment climate can be sustained by political leaders. This will require adherence to the rules of transparency and non-discriminatory treatments of foreign investors by local and national governments, effective legal systems and the protection of intellectual property rights as well as stable democratic institutions and social justice. Further economic integration, particularly in the Mercosur and Andean Community is also seen key to remain attractive for FDI growth in the future.

To double the current EU-LAC FDI level by 2012 and to increase future competitiveness with other world markets, we would urge political leaders to support these prerequisites with the aim to attract foreign direct investment flows and to refrain from populist and nationalistic rhetoric or actions which would undermine the positive effects of globalisation.

3. PUSH JOB CREATION AND GROWTH THROUGH MORE COMPETITION

Studies presented to the EU-LAC Business Summit indicate that more jobs and economic growth can only be achieved if policies are developed to enhance competition within the markets and industries in both continents.

In order to create more competitive conditions there will need to be more measures to enable businesses to get started and derive benefit from economies of scale, to reduce product market regulations which have become redundant, and to lift unnecessary land use restrictions. To encourage competitiveness with a view to creating more jobs and achieving higher GDP growth, it will also be necessary to liberalise service sectors and to encourage more flexibility in the labour markets.

Business leaders – embracing the concepts of corporate social responsibility and sustainable development - do not favour the lack of rules and regulations. They do not see any contradiction between highly competitive, open and changing markets on the one hand, and strong social systems, environmental and consumer protection on the other. Accordingly we appeal to political leaders as a matter of urgency to implement the necessary regulatory reforms, to reduce the informal economy and to improve public services. To achieve this goal more swiftly, business leaders highly recommend a stronger social dialogue between associations of entrepreneurs, trade unions and the respective governments on both continents.

4. FOSTER EDUCATION, RESEARCH AND TECHNOLOGY

Within a competitive environment, public and private spending on education, research and technology all contribute to productivity growth and employment opportunities, thereby benefiting not only businesses but also the society at large. Business leaders take the view that public spending on education, research and development should be expanded through closer private sector cooperation, so that basic research findings can be applied faster in the market place.

Subsidies for inefficient industries should be gradually reduced and/or redirected towards the most dynamic sectors of the economy. To boost overall innovation and creativity levels, business leaders in the EU-LAC regions strongly recommend improving educational measures related to science and technology, supporting joint EU-LAC research and development projects, and the harmonization of technical standards. Special attention should be given to a stronger cooperation between small and medium sized corporations and multinationals as well as the creation of trans-regional industry clusters.

5. INCREASE FINANCING FOR INFRASTRUCTURE

Businesses – small and medium sized as well as multinationals – can only thrive if the public sector provides a strong infrastructure. Both EU-LAC continents require enormous investment to build, upgrade and integrate transportation systems, energy generation and distribution, water management facilities, environmental protection measures and telecommunication networks.

The level of investment required, should be achieved by enhanced collaboration with the financial institutions including the Andean Development Corporation, the Central American Bank for Economic Integration, the European Investment Bank, the Inter-American Investment Bank and the World Bank.

Of paramount importance in the quest for a stronger physical integration in and between the EU-LAC continents is that a more significant role should be played by the private sector, which will ultimately lead to more competitive markets and industries and increased prosperity for all. We appeal to political leaders to demonstrate more proactive support for new trans- and intra-continental infrastructure projects.

6. DEVISE FRAMEWORKS FOR COOPERATION IN KEY INDUSTRIES

Business leaders have identified key sectors of the economy that demonstrate not only above average growth potential, but also enormous socio-economic challenges over the next 10 years. These sectors include electronics, information technologies, infrastructure, transportation and logistics, financial services, healthcare, the wholesale and retail trade.

In many of these industrial sectors Latin American, Caribbean and European Union business leaders envisage an increased potential for synergy and cooperation as long as sufficient formal and informal platforms are in place for know-how transfer, the breakdown of cultural barriers and the exchange of information and personal contacts. The recent CONNECT meeting in Vienna served as an excellent example into the right direction.

Political leaders are asked to devise new, decentralised initiatives for these sectors of business and to expand and develop existing programmes such as AL-Invest and @Lis. In that sense, we request from the political decision makers a specific action plan for the continuation of EU-LAC economic cooperation on an institutional level for the years 2007-2013.

7. IMPLEMENT LONGTERM ENERGY AND ENVIRONMENTAL POLICIES

The negative implications of climate change and the current energy crisis send a clear sign that our planet has only limited resources. Many of the business leaders present at the Summit have served as change agents and forceful leaders in the quest of transforming our economies to a more balancing act between economic development, environmental protection and social justice.

Business leaders see the energy crisis and climate change as a great responsibility but also as a dynamic business opportunity. The growing markets for environmental technologies, organic food, renewable energy sources as well as biotechnology offer great perspectives for a closer economic, scientific and social dialogue between EU-LAC. Therefore, the Heads of State and Government are urged to implement energy and environmental policies that reflect a more visionary and long-term approach to preserve our planet for future generations. This includes a stronger commitment towards

the use of renewable energy sources, a focus on energy efficiency and conservation and a redirecting of subsidies from fossil fuels and nuclear energy towards green technologies. EU-LAC political leaders should also coordinate their lobbying efforts so that all countries join the Kyoto Protocol.

8. TAKE TOURISM AND CULTURE AS ECONOMIC CATALYSTS

Latin America, the Caribbean and Europe share a long and complex history. The strong cultural heritage and incredible natural beauty of the 2 continents connect our people and build a unique common ground. Business leaders are convinced that both tourism and culture could become essential cornerstones of economic development and cooperation in the future. Tourism and culture help to stimulate intercultural understanding as well as creativity. Personal networks and ideas will make our businesses more competitive. It is not without reason, that tourism as well as innovative industries such as design, multimedia, music and fashion demonstrate above average growth rates compared with more traditional sectors of the economy.

Political leaders are therefore requested to put in place specific programmes that deepen the intercontinental dialogue in the fields of tourism and culture. This should include the increase of public funding for cultural production and promotion, new frameworks for know-how transfer and professional training as well as investment incentives for eco-tourism.

9. IMPROVE THE DIALOGUE WITH THE BUSINESS COMMUNITY

Business leaders acknowledge the support of political leaders for the first EU-LAC Business Summit convened to coincide with the IV EU-LAC Presidential Summit. To improve the dialogue between political and business leaders we propose to establish a permanent EU-LAC Business Summit Office with the participation of leading EU and LAC business leaders and their representative organisations to serve as an ongoing platform for the exchange of information, the promotion of business friendly policy frameworks and networking between business and political leaders from both continents.

The EU-LAC Business Summit Office should also prepare for the second EU-LAC Business Summit to coincide with the V Presidential Summit in Lima, Peru in 2008.

We are convinced that the 12th May, 2006 will represent an historic cornerstone, and have a long lasting, positive effect on the interaction between political leaders and the business community in creating together a more effective and mutually beneficial strategic partnership between Latin America, the Caribbean and the European Union.

Finally, all business leaders present at the first EU-LAC Business Summit wish the Heads of State and Presidents a successful IV EU-LAC Presidential Summit for the benefit and well-being of all citizens in both continents.

VIENNA, 12th of May, 2006