

# **A critique of the EU-Latin America Business Summit in Vienna**

## **A Corporate Europe Observatory Backgrounder**

**By Abel Esteban, May 2006**

*Parallel to the 4<sup>th</sup> EU-Latin America/Caribbean Summit in Vienna this week, large corporations from both regions will gather at a Business Summit. Apart from discussing business opportunities in different sectors, the 300 business representatives attending the event are expected to demand that governments speed up a whole range of free trade talks between the two regions. In stark contradiction with the rosy image of European investments in Latin America provided at the Business Summit, many EU-based corporations are facing growing criticism over their social and environmental records in the region. In Vienna, a number of these corporations will feature both with keynote speakers at the Business Summit and face charges during the People's Tribunal on European Transnationals.*

### **Two Summits**

Heads of State and Governments from 60 countries will meet in Vienna on May 12<sup>th</sup> for the 4<sup>th</sup> EU-Latin America/Caribbean (LAC) Summit. The summit agenda covers issues ranging from human rights, environment and development co-operation, over drugs and terrorism to trade negotiations<sup>1</sup>.

The EU-LAC Business Summit, also on May 12<sup>th</sup> in Vienna, is hosted by the Austrian Ministry for Economics and the Austrian Federal Economic Chamber, a business lobby group.<sup>2</sup> The event, with the slogan "Bridging the two Worlds through Business and Culture", will bring together around 300 business leaders, each paying a 840 euro conference fee.<sup>3</sup> Topics discussed in plenary sessions include "Transcontinental Business Opportunities" and "Finance and Trade"; while panels deal with issues like Enterprise & Industry, Technology & Innovation, Nature & Energy, and Tourism & Culture. Panellists include executives from Nestlé, BBVA, Siemens, Sidus, Union Fenosa, Embraer, and other large corporations from both sides of the Atlantic.<sup>4</sup>

The Business Summit is not only a "forum for business opportunities and discussion on economic topics between the EU and LAC countries", but also very clearly a lobbying event. The organisers promise that the conference "will provide a direct contact between CEOs and Heads of States of both regions".<sup>5</sup> A set of recommendations from the conference will be presented at the governments' summit.<sup>6</sup> Among the keynote speakers are European Commissioner Benita Ferrero-Waldner (responsible for External Relations) and Gunter Verheugen (Enterprise and Industry),<sup>7</sup> as well as the Mexican government's Secretary of Economy Sergio García de Alba Zepeda. Also the Vice-President of the European Investment Bank (EIB) and the President of the Inter-American Development Bank (IDB) will speak at the Business Summit.

The European Commission is a strong supporter of the Business Summit, which the EC hopes will bring added momentum efforts to launch talks on new free trade agreements with Latin American and Caribbean countries. According to a representative of the Commission's External Relations department, EU Commissioners Ferrero-Waldner and Verheugen will "highlight the benefits that may derive from Association Agreements and the important ties that link Europe and LA".<sup>8</sup> More specifically, the Commission representative explains, "we do hope that the forum will contribute to advance our association agreements negotiations by actively engaging the business world into the process". Teaming up with corporate lobby groups and inter-regional industry coalitions in order to increase pressure on other governments is a central element in the European Commission's strategy in international trade negotiations. In EU-US trade talks and in the Doha Round of the World Trade

Organization (WTO), for instance, the Commission works closely with the Trans-Atlantic Business Dialogue (TABD), which brings together the largest EU- and US-based corporations.<sup>9</sup> Similarly, in the context of free trade negotiations with the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay), the Commission has since 1998 been a strong backer of the Mercosur European Business Forum (MEBF).<sup>10</sup> By encouraging large corporations from both sides of the Atlantic to develop a joint agenda, the Commission hopes to overcome resistance from the Mercosur governments. Siemens, Telefónica and BBVA are among the many active MEBF companies that will be present at the Business summit in Vienna.<sup>11</sup>

MEBF member corporations are determined to use Vienna to lobby for speeding up the EU-Mercosur talks,<sup>12</sup> but in contrast to the previous EU-Latin America/Caribbean Summit (Guadalajara, Mexico, 2004), there will not be any separate MEBF conference this time. The reason is probably that the EU wants the Vienna summit to boost talks on trade and investment liberalisation, not just for the Mercosur region but for all parts of Latin America and the Caribbean.

#### **Business lobbying at former EU-LAC Summits**

When the previous EU-LAC Summit was held in Guadalajara in May 2004, the Mercosur European Business Forum (MEBF)<sup>13</sup> held an Extraordinary Meeting together with high-level EU-Mercosur negotiators, including the trade ministers of Brazil and Argentina as well as Pascal Lamy, who was then the EU's Trade Commissioner.<sup>14</sup> The MEBF summarised the event as follow: "The candid debate and the quality of the opinions expressed made of the MEBF meeting an "unofficial" negotiation round, providing participants with a direct view of the process".<sup>15</sup>

The EU-LAC Business Organizations Summit that took place during the 2<sup>nd</sup> EU-LAC Summit in Madrid in May 2002 was co-hosted by European employers' federation UNICE<sup>16</sup> and their Mexican counter-parts PARMEX-CONCAMIN. The declaration from this Business Summit, which in contrast to the Vienna event was co-financed by the European Commission, specifically called for the launch of negotiations on new free trade agreements with Central America.<sup>17</sup>

#### **EU Trade Ambitions**

As was the case with the three previous EU-Latin America/Caribbean Summits, the EU hopes Vienna will help advance its trade and investment agenda. The EU competes with the US for economic dominance in the region and is already the most important source of foreign direct investment for Latin America, and the biggest trading partner for Mercosur and Chile.<sup>18</sup> The EU signed free trade agreements with Mexico and Chile back in 2000 and 2002. Negotiations on a similar treaty with the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) were put on halt in September 2004, but have now been resumed and the EU hopes that the Vienna Summit will bring new momentum to these talks. The EU is very eager to convince the countries of the Andean Community and Central America to agree to free trade negotiations as well. Finally, EU is negotiating an Economic Partnership Agreement (EPA) with Caribbean States (as part of the group of ACP countries). Brussels hopes to use these EPA talks to achieve increased market opening in the Caribbean region. The EU is moreover putting pressure on governments from all parts of Latin America and the Caribbean to move ahead with regional integration. Homogeneous, deregulated and sufficiently large markets are attractive for European exporters and investors.<sup>19</sup>

## **Tribunal Examines Reality of European Investments**

Parallel to the official and the business summit, social movements and NGOs from both regions will meet in Vienna on May from 10-13<sup>th</sup> for the “Linking Alternatives 2” Social Encounter Forum.<sup>20</sup> A strong motivation for organising this event is the growing realisation that the EU’s ambitions towards Latin America – despite the rhetoric about social cohesion and political dialogue – are very similar to the controversial US-proposals for a Free Trade Agreement of the Americas (FTAA). In Vienna, civil society groups will discuss emerging economic, political and social alternatives to the neoliberal approaches promoted by both the EU and the US.

As part of this Forum, a Tribunal will be held on human rights violations in Latin America committed by transnational corporations based in the EU and their subsidiaries. The Tribunal will evaluate evidence against specific corporations, and will decide whether grounds are sufficient to press charges in a follow-up trial session. Tribunal cases cover five areas, ranging from public services (water and electricity), over natural resources (oil, tourism, forests, mining, etc.) and food industries, to the financial sector.<sup>21</sup>

A number of corporations will experience very different forms of exposure in Vienna. BBVA, Unión Fenosa and Telefónica, for instance, will be represented with key note speakers and panellists at the Business Summit while facing serious charges during the Tribunal. The many cases brought against these and other companies show that growing volumes of European investment in Latin America by no means automatically benefits the region’s people and environment. The cases are a dire warning against the EU’s agenda of accelerated deregulation of trade and investment. The organisers of the tribunal call for the power of these corporations to be scaled back and for establishing standards and binding regulations, rooted in the rights of peoples, for accountable performance of these firms.

### **Corporate (Ir)responsibility**

Spanish Bank BBVA, whose General Director is a key note speaker at the Business Summit, is directly involved in 4 out of 25 Tribunal cases (and indirectly in others as a significant shareholder of companies like Repsol-YPF and Telefónica). BBVA, for instance, is implicated in the 503 km long Heavy Oil Duct (OCP) Venture in Ecuador. This project endangers Amazonian and Andean nature reserves by poisoning soils and water, and violates local and indigenous communities rights and livelihoods.<sup>22</sup> BBVA also finances the controversial paper pulp factory in Fray Bentos (Uruguay), with serious environmental, economic and social impacts that have caused a diplomatic crisis between Uruguay and Argentina.<sup>23</sup> BBVA has also been denounced for its slandering of civil society groups involved in education, health, human rights and peace projects in Latin America.<sup>24</sup>

Extremely grave are the accusations against the electricity multinational Unión Fenosa, whose Managing Director will be a panellist during the Business Summit.<sup>25</sup> The Tribunal will hear charges against the company including abusive tariffs, low-quality service with frequent power cuts, failure to fulfil investment obligations for maintenance and network improvement, massive dismissals, labour rights violations, as well as destruction of the water sources of local and indigenous communities.<sup>26</sup> Shockingly, 27 trade unionists were murdered by paramilitary troops during the privatisation process in Colombia’s Caribbean coastal area, where power utilities are now run by Unión Fenosa.<sup>27</sup>

Telecom giant Telefónica, with headquarters in Spain, is the second-ranking corporation in Latin America in terms of sales volume.<sup>28</sup> In Vienna Telefónica will be accused of being responsible for the violation of labour rights in Peru.<sup>29</sup> The company has also repeatedly been accused of irresponsible tariff increases in Chile and Peru.<sup>30</sup>

Repsol-YPF faces lawsuits for ecological damage in Argentina, Peru and Bolivia. Some of corporation's Latin American subsidiaries have been accused of illegal lands occupation, bribery, continuous oil spills, water and soil pollution, destruction of indigenous livelihoods, and labour rights violations. According to International Amnesty, Repsol-YPF is responsible for continued militarization by funding security forces linked to paramilitary groups.<sup>31</sup>

### **Vienna Summit: Business as Usual?**

The Business Summit, with strong endorsement by the European Commission and EU governments, continues a deeply problematic practice that emerged in the mid-1990's, at the time when the EU adopted a more aggressive neoliberal trade agenda. The problem is not only that large corporations enjoy undue privileged access to government leaders and negotiators during events like the Business Summit. The deeper problem is that EU governments shape their international trade policies around the interests of large corporations and pursue strong collaboration to promote their shared objectives.

In the light of the record of gross misbehavior by many EU-based transnational corporations and the more general failure of the neoliberal development model in Latin America, governments ought to use the Vienna summit to explore new approaches. Instead of steam-rolling ahead with trade negotiations serving the interest of large corporations, governments should re-assess the flawed model which has over the last decades caused a harmful over-dependency on often irresponsible corporations.

A starting point for exploring better approaches could be the People's Trade Treaty proposed by newly elected Bolivian President Evo Morales last month, a model in which increased trade and investment flows are just not a goal in itself but must be made to serve sustainable, just and people-centred development.<sup>32</sup>

<sup>1</sup>[http://europa.eu.int/comm/world/lac-vienna/objectives\\_en.htm](http://europa.eu.int/comm/world/lac-vienna/objectives_en.htm)

<sup>2</sup>The official programme includes dinners and sightseeing on 11<sup>th</sup> and 13<sup>th</sup> of May, but the actual conference will take place only the 12<sup>th</sup>. See: <http://www.eulac2006.com/>

The Austrian Federal Economic Chamber is the Austrian Foreign Trade Organisation. It is financed entirely by Austrian companies and incorporates Austria's trades associations. See: <http://www.austriantrade.org>

<sup>3</sup><http://europa.eu.int/comm/world/lac-vienna/events/business.htm>

In contrast to the Business Summit entrance fee of 840 euro, the "Linking Alternatives 2" Forum is accessible at a (voluntary) solidarity fee. See: <http://www.alternativas.at>

<sup>4</sup>*Ibid.* eulac2006

<sup>5</sup>"Realizarán en Viena foro empresarial UE-América Latina", Notimex, El Universal Online, March 27<sup>th</sup> 2006, <http://www.eluniversal.com.mx/notas/339155.html>

<sup>6</sup>"Empresarios de Europa y Latinoamérica se reunirán con 60 jefes de Estado en Viena", Jesús Hernández, Expansión Digital, April 20<sup>th</sup> 2006, <http://www.expansion.com.mx/>

<sup>7</sup>Email correspondence with Matteo Gomirato, European Commission, Assistant Desk Officer, Directorate-General for the External Relations. May 3<sup>rd</sup> 2006.

<sup>8</sup>*Ibid.*

<sup>9</sup>For detailed information regarding privileged access and influence enjoyed by EU corporations, see for example: "Under the Influence". Action Aid, January 2006. Available at:

[http://www.actionaid.org.uk/doc\\_lib/74\\_6\\_under\\_the\\_influence\\_final.pdf](http://www.actionaid.org.uk/doc_lib/74_6_under_the_influence_final.pdf); and - "The EU Corporate Trade Agenda", Seattle to Brussels Network. Available at [http://www.s2bnetwork.org/EU\\_corporate\\_trade\\_agenda.pdf](http://www.s2bnetwork.org/EU_corporate_trade_agenda.pdf)

<sup>10</sup>"Mercosur for sale?", Claudia Torrelli, CEO & TNI Info brief, 2003. Available at:

<http://www.corporateeurope.org/eumercosur/MercosurForSale.html>

<sup>11</sup>Siemens, a prominent co-organiser of the Business Summit, coordinates the MEBF Working Group on Market Access.

Telefónica and BBVA provide panel speakers to the Summit. In 2000, Repsol-YPF President, Alfonso Cortinas, became MBEF President and actively lobbied EU and Mercosur negotiators to advance business demands in the trade negotiations. *Ibid.*

<sup>12</sup><http://www.mebf.org>

<sup>13</sup>The MEBF is composed by leading EU and Mercosur companies, as well as their main business organizations, with the aim of developing joint trade policy recommendations. MEBF offers a platform to address governments "with one voice", as the more effective method to influence in the future trade area regulations. See: <http://www.mebf.org>

<sup>14</sup>The European Commission was also represented by other high-level officials like Karl Falkenberg and Hervé Jouanjean. From Mercosur, the meeting was attended by Brazilian trade minister Luiz Fernando Furlan and his Argentinean colleague Martín Redrado.

<sup>15</sup><http://www.mebf.org/en/document/SummaryGuadalajarameeting.pdf>

<sup>16</sup>UNICE is the Federation of European Employers, while COPARMEX is the Mexican Employers Organization and CONCAMIN the Mexican Industry Chambers Confederation.

<sup>17</sup><http://europa.eu.int/comm/world/lac/bf.htm>

<sup>18</sup>[http://europa.eu.int/comm/external\\_relations/la/index.htm](http://europa.eu.int/comm/external_relations/la/index.htm)

<sup>19</sup>*Ibid.*

<sup>20</sup>For more information see: <http://www.alternativas.at> or <http://www.tni.org/acts/tribunal.htm>

<sup>21</sup><http://www.alternativas.at/English/indexenglish.htm>

<sup>22</sup>"OCP no cumple estándares del BM". Acción Ecológica, 2001. <http://www.accionecologica.org>

<sup>23</sup>See for example: <http://www.cedha.org.ar>

<sup>24</sup>The bank accounts of Enlace Civil (México) were closed following unproven money-laundering allegations, see: <http://www.enlacecivil.org.mx/>; a similar incident happened to the San José de Apartadó "Peace Community" (Colombia), see: <http://www.solidaridad.net/noticias.php?not=3040>

<sup>25</sup>"¿En busca de un nuevo "El Dorado"?": La Europa de las transnacionales en América Latina. Impactos y Alternativas" CENSAT Agua Viva, April 2006.

<sup>26</sup>"La Deuda Ecológica Española. Impactos ecológicos y sociales de la economía española en el extranjero" Miguel Ortega Cerdá (c), 2005, p 161-162.

<sup>27</sup>"Informe Seguimiento social en el Caribe colombiano a la corporación Unión FENOSA" Martha Rincón. Censat Agua Viva. 2004. Available at: [http://censat.org/Documentos/Corporaciones/Seguimiento\\_Social\\_Caribe\\_Union\\_Fenosa.pdf](http://censat.org/Documentos/Corporaciones/Seguimiento_Social_Caribe_Union_Fenosa.pdf)

<sup>28</sup>According to CEPAL data (2005). In "Telefónica, una empresa para todos los públicos" Pedro Ramiro. Observatorio de las Multinacionales en América Latina. Boletín OMAL N.12, Abril 2006. Available at: <http://www.omal.info/docs/dc179.pdf>

<sup>29</sup>Accusation briefing against Telefónica, submitted to the People's Tribunal on European Transnational organisers. Programa Laboral de Desarrollo (PLADES) and Sindicato Único de Trabajadores de Telefónica (SUTTP), 2006

<sup>30</sup><http://www.omal.info>

<sup>31</sup>For an overview of Repsol-YPF's record and the civil society opposition, see Miguel Ortega Cerdá, 2005; or "La recolonización: Repsol en América Latina: invasión y resistencias" Marc Gavaldá, 2003, Icaria Editorial.

<sup>32</sup>See also: [http://www.bilaterals.org/article.php3?id\\_article=4585](http://www.bilaterals.org/article.php3?id_article=4585)