

Bulletin AL-Invest



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The New Member States of the European Union

WHAT POTENTIAL DO THEY HOLD FOR LATIN AMERICA?

The accession of three new Member States to the European Union - Austria, Finland and Sweden - certainly marks a turning point for the Union, and the start of a new, more ambitious phase in European integration. These three countries, with their high per capita incomes, are experiencing economic growth accompanied by falling inflation, as well as an encouraging upswing in investment. Their accession will undoubtedly contribute to the strengthening of cooperation between the European Union and Latin America. The respective policies for Latin America adopted by the new Member States are closely akin and complementary to that of the European Union. In this context, it should be noted that Sweden, Finland and Austria all play an active role in the field of development aid, and attach a great deal of importance to human rights, democratisation, equitable distribution of wealth, and social themes in general. The European Union initiatives in this field will benefit from the active support of the new Member States, both at political level and in terms of economic cooperation and humanitarian aid. Today, thanks to the new trend within the majority of Latin American countries, and the renewed dynamism of their economies, characterized by an opening up to trade and technology, through the consolidation of democratisation, development cooperation within the new Member States has expanded to cover economic cooperation on a larger scale, operating in both directions and in a spirit of partnership and mutual interest. This approach corresponds closely with that of the European Union.

Austria, Finland and Sweden: Three European countries with great industrial creativity

AUSTRIA

Austria's success as a small market economy, open to the world, is due to its ability to produce goods and services for export markets. A main feature of the Austrian economy is the predominance of small and medium-sized enterprises (close to 500 000). They constitute the backbone of the country's economy and show great industrial creativity. Their interests are represented by the Austrian Federal Business Chamber, which is an umbrella organisation for:

- the regional chambers of commerce of the 9 federal provinces of Austria and
- the industrial federations of these provinces.

The Chamber covers every sector of the country's economy. Its objectives are to improve the economic situation of the country, and to promote the internationalisation of SMEs in keeping with the rules of a market economy (competitiveness, private enterprise, competition and welfare). The Austrian Federal Business Chamber is familiar with the Community instruments designed to bring businesses together, and this was the case long before it actually joined the Union. It

plays host to the Austrian Euro Info Centre, and is part of the BC-NET and BCC networks. The most highly developed sectors of Austria's economy are the following:

- services, which account for 64% of the working population;
- metal and metal products;
- construction;
- manufacturing industry (textiles, leather, wooden objects, toys);
- mining and extractive industries.

This is followed by agriculture and development of natural resources.

FINLAND

Finland has experienced rapid growth, making the transition from an essentially agrarian society to a high-tech and services-based economy within a few decades.

One of the cornerstones of the Finnish economy is undoubtedly forestry. Indeed, the latter represents 3 to 4% of world production, and employs over 200 000 people in forestry-related industries. It should be noted in this context that Finland is the world's second-largest exporter of paper and cardboard, which represents about 40% of the country's total export earnings. The preservation and

competitiveness of the forestry industry is therefore of vital importance for Finland. Other noteworthy sectors of the Finnish economy are the following:

- the metallurgical industry is one of the most advanced in Europe, specialising in the production of machinery for the forestry and mining industries;
- the chemical industry, which exports refined petroleum products, fertilisers and petrochemicals;
- the pharmaceutical industry, to which we owe two innovations in particular, i.e. the sweetener known as Xylitol and the drug Interferon;
- the country has also developed outstanding skills in the field of electronics and information technologies. Finnish know-how can be seen in flat television screens, mobile telephones (NOKIA) and breast-screening equipment.

SWEDEN

Sweden is a highly industrialised country (with some 500 large firms and 500 000 SMEs), with extremely specialised production, in particular in the following fields:

- forestry and timber (machines, equipment, production systems). Sweden, with a population of 8 million, produces 11 million m³ of cut and dried timber, of which 7 million are for export. Sweden is also home to a unique research centre, known as TRATEK, which specialises in the development of new and revolutionary techniques for drying and transporting timber;
- furniture and design. This sub-sector is one of the most high-performance sectors in the Swedish economy. The company known as IKEA is one of the world's largest manufacturers and exporters of furniture;
- the automobile industry (VOLVO - SAAB), which has already established production plants in Mexico;
- advanced environmental technology (environmental protection, waste processing, recycling), a sector which ranks high on the European Union's list of priorities, and which could meet the requirements of many Latin American countries;
- the mining and manufacturing industries also have enormous potential.

editorial

European politicians have confirmed that Latin America, as an "emerging continent", is the focus of increasing attention at European level: the latest European Council meeting, which took the Heads of State and Government of the Union to Essen, under the presidency of German Chancellor Helmut Kohl on 12 and 13 December 1994, highlighted the importance attached to the ties with Latin America. New and ambitious initiatives in favour of the Latin American countries are due to be launched in 1995 in terms of political dialogue, trade relations and cooperation.

At the beginning of the year Mexico was seen to be in dire financial straits and the focus of worldwide media attention. However, these problems - albeit considerable - should not be allowed to foster a feeling of widespread scepticism vis-à-vis the Latin American continent as a whole.

1995 is not 1982. During the course of the last 13 years, the Latin American countries and Mexico in particular have adopted bold policies to open up their markets, curb inflation and attract foreign investment; 1994 was the third successive year of sustained growth on the Latin American continent, and solid foundations have been laid for the future.

AL-Invest Bulletin No. 2 features a series of analyses on MERCOSUR, which is set to become a centre of attraction for foreign investment, in light of the increasing convergence of its member countries' economies (Brazil, Argentina, Uruguay and Paraguay), thus encouraging closer cooperation between European and MERCOSUR enterprises.

The AL-INVEST programme is supporting this process.

Since the accession of Austria, Finland and Sweden to the European Union on 1 January 1995, bringing the number of its members to a total of 15, and the subsequent joining of these three countries to the European network for the promotion of industrial cooperation (COOPECO), Latin American companies now have increasing opportunities for access to European technology.

The ECE network in Latin America is expanding, and in addition to the increasingly numerous links being established between ECEs and COOPECOs, in particular with a view to setting up and following-up on meetings between members of the business community, "structured" training courses and information sessions will be organised throughout 1995.

1995 will also witness the adoption and launching of AL-INVEST 2. The Seminar held in Brussels on 13 and 14 March, which brought together the Latin American and European business associations which have been involved in AL-INVEST for over a year, was an opportunity to take stock of the encouraging results achieved through the various actions undertaken so far, and to table some new proposals for further promotion of industrial cooperation between the European Union and Latin America.

It is up to everyone, especially ECEs and COOPECOs to seize the opportunities available!

Latin America Directorate
European Commission

Development of links between private-sector enterprises is strengthening MERCOSUR (MERcado COMun del SUR)

The signature of the Treaty of Asunción in March 1991, and the process of gradual removal of trade barriers between the four member countries of MERCOSUR (Argentina, Brazil, Paraguay and Uruguay) led to an unexpectedly high rate of growth in trade. Intra-MERCOSUR rose from \$3.6 billion in 1990, to an estimated \$10 billion in 1994.

significant disparities between its members: Brazil is by far the largest market in this area, with a population of 156 million and GDP of \$472 billion. The gradual reduction in tariffs is enhancing the respective areas of specialisation of each country. Argentinian food processing industries (dairy products, biscuits, chocolates etc.) have successfully penetrated the Brazilian market, especially in the Southern and Central regions, where the standard of living is relatively high. Brazilian firms have taken advantage of Argentina's booming economy to sell a wide range of their products: paper, beer, chickens, capital goods, steel products etc. But more significant still is the private sector's determination to go beyond merely exporting their products. Since 1991, there has been a strengthening of ties between companies in the region, especially between Argentina

MERCOSUR has led to an expansion of business opportunities for enterprises in the region. It is a market of nearly 200 million people, with a total GDP of the order of \$735 billion in 1993. There are, however,

and Brazil: there has been a proliferation of business trips, meetings, joint events and consolidated partnerships in a variety of forms (distribution agreements, reciprocal marketing agreements, joint ventures etc.). This process has been eagerly encouraged by the governments of member countries. The rapprochement between the MERCOSUR economies has given rise to a sharp increase in foreign investment. In 1993, the Brazilian firm Sadia took a 70% stake in Argentina's chicken producer Granjas Tres Arroyos. The beer giant Brahma opened a brewery in Argentina. Its Argentinian competitor, Quilmes, is also considering setting up a plant in Brazil. Foreign firms are also involved in this process.

In the automobile industry, MERCOSUR has come to be looked upon as a "common market" in which trade in automobiles and their accessories is conducted in the same way as that of the United States of America and Mexico long before the NAFTA agreement. MERCOSUR has enabled the French automobile manufacturers Renault and Peugeot to penetrate the Brazilian market through its plants in Argentina, when Brazilian customs barriers were still prohibitive. Under these circumstances, automobile manufacturers are devising integrated strategies at MERCOSUR level. Brazil remains the prime target for investment, because of the size of its market. However, significant investments have been made in Argentina, with a specialisation in small batch production run (at

Toyota, this means pick-ups) or sub-assemblies (engines made by Fiat for the Brazilian market).

Another example is the food industry in Argentina. This is one of the strengths of the country's economy, and foreign investors (Nabisco, Cadbury Schweppes, Danone etc.) have made major purchases of local firms. These decisions were motivated by Argentina's high standard of living, but also by the fact that it is a member of MERCOSUR. Argentina therefore constitutes an ideal springboard for market penetration in the region.

The completion of the customs union on 1 January 1995, for 90% of the products traded in the zone, should guarantee further integration between firms. Nevertheless, a few obstacles still remain. There is an effect on trade through fluctuating exchange rates. An over-evaluation of the Brazilian Real in a context of strong economic growth has led to an upswing in Argentinian exports, thus contributing to a significant reduction in the trade deficit with Brazil. The lack of appropriate infrastructure constitutes an additional deterrent, which the governments are seeking to overcome. About 60% of goods are transported by road, but the road network is inadequate; a project for a Sao Paulo-Buenos Aires motorway is currently under consideration. Rail and waterway-links are mediocre; a major project for canalisation of the Parana and Paraguay rivers ("Hydrovia") is also on the drawing board.

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Cooperation between the European Union and MERCOSUR

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The European Union is currently supporting MERCOSUR through cooperation in the following fields:

1) The second phase, up to April 1995, of technical assistance to the Administrative Secretariat of

MERCOSUR (staff training, computer network, documentation and archives), with a total budget of 420 000 ECU.

2) Six-month programmes of support to the Presidency of MERCOSUR (alternating Presidency, currently held by Paraguay). Four programmes have already been implemented, their purpose being to support promotional activities (seminars and conferences). These projects, with a budget of 250 000 ECU each, are run by the European Commission's delegations in Latin America.

3) Technical and quality standards (total budget of nearly 4 million ECU). The programme involves provision of technical support from the European Union, based on the know-how of the European Standards Committee (CEN).

It involves, inter alia, the organisa-

tion of special courses for MERCOSUR officials, international meetings and training courses. A conference on Technical Standards is scheduled for mid-1995 and thereafter annually.

4) Customs: a 3-year programme with an overall budget of 965 000 ECU. The project is aimed mainly at establishing a customs code for MERCOSUR, organising training courses for customs officials in the European

Union and posting experts to the customs administrations of MERCOSUR.

5) Agriculture: a project covering three main areas of action, i.e. the institutional aspect, the veterinary sector and the phytosanitary sector, has been shaped, with a total budget of 11.2 million ECU.

Source: MERCOSUR Desk, European Commission

EUROPEAN UNION - MERCOSUR 1995: Towards substantial strengthening of relations

The European Union plans to negotiate an inter-regional framework agreement for trade and economic cooperation in 1995, pursuant to the mandate conferred upon it by the Heads of State and Government at the European Council in Essen, in December 1994.

The agreement should cover the following fields:

- increased trade cooperation and gradual and reciprocal liberalisation of trade;
- intensified cooperation to assist in the integration of MERCOSUR;
- cooperation of mutual interest in promising fields such as research and development, the environment, telecommunications and the audiovisual industry.

Development of links between private-sector enterprises is strengthening MERCOSUR

Continued from page 4

It should be noted, however, that the ball is well and truly on the roll at entrepreneurial level. For Europe, the stakes are high.

The countries of the European Union are already the leading investors in the MERCOSUR area. Big names in

European industry have already taken the initiative (Volkswagen, Bayer, Hoechst, BAT, Rhône-Poulenc, Fiat, Unilever, Total, Telefonica, etc.). It is hoped that an increasing number of European SMEs, which are currently under-represented in the region, will soon follow suit. MERCOSUR holds huge potential for busi-

nesses and its entrepreneurs are keen to set up partnership agreements. The existence of this powerful force for private-sector integration is a contributing factor to the increasing presence of European SMEs in the region.

Daniel SOLANO

MEXICO: the crisis is an opportunity to increase the accessibility of the economy



Following the crisis which Mexico has been experiencing since January this year, two independent experts give their views. This country continues to represent considerable potential for all the actors in the AL-INVEST programme.



Major reforms have been carried out in Mexico since 1985: privatisation, fiscal reform, etc. The most significant of these changes is the opening up of Mexico's economy to the rest of the world. Today, manufactured goods represent 70% of Mexico's exports. In 1982, oil exports were the mainstay of the economy, during a period commonly referred to as the "age of oil". Nowadays, oil accounts for a modest 20% of total exports.

However, despite all these reforms, in recent decades Mexico has been unable to solve the most fundamental of its economic problems, i.e. its trade deficit. In the absence of a sufficiently solid industrial framework

(for example the like of Brazil's), each period of growth has led to a further increase in the trade deficit.

Carlos Salinas relied on the massive influx of short-term capital, and the over-valuation of the currency to bridge the gap. Such a strategy, which is fragile by definition, was based on the confidence of investors. In 1994, the latter waned due to the rise in American interest rates and political unrest (guerrilla movement in Chiapas, the assassination of the PRI candidate etc.).

President Ernesto Zedillo now has to set up a new strategy, with unprecedented international financial support. In the short term, the adjustment process will probably hurt,

particularly in terms of social expenditure. But the potential for development remains intact.

With a population of 87 million, Mexico is the second-largest consumer market in Latin America. The proximity of the USA, the existence of an under-valued currency and the reduction of costs in dollars represents a unique opportunity for developing new exports. The current crisis could actually be an excellent opportunity to consolidate the "new model" implemented during the 1980s.

*Daniel SOLANO
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Reasons for investing in Mexico today

Mexico is currently at the heart of the debate on international financial markets, following the recent liquidity crisis. This is a consequence of excessive optimism in relation to the benefits of financing the trade deficit via the injection of "hot money" (short-term foreign investment). However, beyond past mistakes in terms of financial strategy, the country has undergone a series of radical changes over the past ten years. Over 50 investment sectors have benefited from the new economic regime, including those in telecommunications, electricity, the automobile industry, financial services, road infrastructure, secondary petrochemicals, real estate etc. The new bill on foreign investment enables foreign investors to take a stake of up to 80% in national economic activities.

In other words, the private sector has become the driving force in the country's economy. Those firms which have recently attained quality standards and price levels comparable with international levels will eventually benefit in the longer term from the devaluation of the peso. As the prices of imports continue to increase, the latter will be gradually substituted by domestic products, thus enabling a large number of Mexican businesses to improve their position on the internal market.

This whole mechanism shows that it is a good time to invest in Mexico, through new schemes for industrial cooperation, such as subcontracting - including its Mexican variant, or "maquiladora", specialising in exports to the United States - and

complementary agreements.

Now is the time to encourage such investment schemes, in the knowledge that the North American market, via NAFTA, is the largest consumer market worldwide, and still has unexploited business potential.

The agreements signed with various Latin American countries are equally promising. In this context, sectors such as agricultural engineering, the food processing industry, secondary petrochemicals and the chemical industry, inter alia, have enormous potential for foreign investors seeking to play a prominent role in world markets.

*Armando MUJICA ROMO
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at the National Chamber of Processing
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FUNDESA/Guatemala 10 years of experience in investment promotion

7

In the wake of the longest armed conflict in the history of the Latin American continent, Guatemala is now well on its way towards pacification. In this context, the country's economy should experience significant growth in the years to come.

As the Achilles heel of the Guatemalan economy has long been the persistent government deficit, the strategy for recovery will have to be largely based on private investment.

To this end,

the State has launched a campaign to abolish monopolies and privatise public services and facilities, which should open up significant opportunities for foreign investors.

The State is also endeavouring to lay the foundations of a liberal economy open to the outside world. Existing provisions designed to safeguard foreign investment should soon be complemented through the forthcoming adoption of a bill on the protection of intellectual property rights by Congress. In the immediate future, the export sector seems to be handling the transition to a more liberal economy rather well.

Although the trade deficit remains substantial, exports rose sharply in 1994. The fact that the rate of growth in exports of manufactured goods (up 27% to the United States and up 16% to the European Union) exceeds that of traditional farm products is an encouraging sign. It goes without saying that, despite the granting of unilateral and exceptional tariff concessions by the European Union, particularly for non-traditional pro-

ducts, Guatemala's integration into world markets is mainly occurring via its "traditional" partners, i.e. the United States and Central America (in particular El Salvador and Mexico). The United States has the lion's share of trade flows and inward investment (over 50% for both).

Guatemala is therefore a strategic base for access to the NAFTA market. However, Europe is a priority target for this medium-sized country which is seeking to diversify its risks and increase the gross margin of its exports. The recent, sharp devaluation of the Mexican peso and the ensuing distortions in competition have emphasised the risks of excessive dependency on NAFTA. In this context, AL-INVEST was given a particularly warm welcome by the coun-

try's private sector, in particular FUNDESA, which hosts the new Eurocentre. The originality of this organisation lies in the fact that it is a foundation specialising in the field of investment promotion, set up and managed over the last ten years by Guatemalan businesses. Thanks to its in-depth knowledge of the local economic fabric, FUNDESA's experience is based on the provision of services adapted to the specific needs of foreign investors, mainly from NAFTA and Asia. It is FUNDESA's belief that, via AL-INVEST, relations with Europe should open new windows of opportunity in terms of development.

FUNDESA
Guatemalan ECE



8 Business-to-business meetings held or scheduled as part of the AL-Invest Programme: Status 31 March 1995

N°	Meeting location	Sector	Latin American country involved (*)	European partner countries (*)	Title and context of the meeting	Actions already carried out
1	SC France (Paris)	All sectors	All countries	All countries	MIDEST'93	December 93
2	SC Brazil (Sao Paolo)	Metal processing, mechanical engineering	Brazil and others	All countries	5th sub-contracting fair	21-26 March 94
3	SC Germany (Hannover)	Plastics, machine tools	All countries	All countries	ZULIEFERME	20-27 April 94
4	Chile (Santiago)	Mining equipment	Chile and other countries	France, Germany, United Kingdom	EXPOMIN'94	11-13 May 94
5	Chile (Santiago)	Information technology and telecommunications	Chile, Argentina, Brazil	France, Spain, Italy	SOFTTEL	5-10 July 94
6	SC Argentina (Cordoba)	Metallurgical industry, mechanical engineering	Argentina and others	All countries	FICO, 6th sub-contracting fair	5-19 September 94
7	Spain (Bilbao)	Machine tools	Colombia and Andean Pact	Spain, France, Portugal	BIEMH	19-26 October 94
8	France (Paris)	Fruit & vegetables, food industry preparation, agricultural engineering	11 countries	France, Germany, Italy Greece and COOPECO	SIAL, IPA, BERCY EXPO	20-25 October 94
9	Chile (Santiago)	Metals and mechanical engineering	Chile and other countries	Spain, Italy, and France	FISA '94	26 October-6 November 94
10	Germany (Düsseldorf)	Biotechnology	Chile	Belgium, France, Germany	BIOTEC MEDICA 94	16-19 November 94
11	Brazil (Sao Paolo)	Urban management	Brazil and Mercosur countries	France, Germany, Netherlands	Meetings between various industries	21-25 November 94
12	Chile (Santiago)	Fishing	Chile and other countries	Denmark, France, Netherlands	EXPOPESCA	30 November-3 December 94
13	SC France (Paris)	All sectors	Chile	All countries	MIDEST '94	December 94
14	Brazil (Sao Paolo)	New technologies	Brazil	France, Belgium, Portugal, Denmark, Italy	Meetings between various industries	
15	Italy (Bologna)	Publishing	Brazil, Argentina, Colombia, Chile	Belgium, Germany, Italy, Portugal	FIERA DEL LIBRO PER RAGAZZI	
16	Italy (Cesena)	Farm- produce industry	Bolivia, Andean Pact	Italy, Spain, Netherlands	MACFRUT	
17	Denmark (Copenhagen)	Fishing	Peru, Ecuador	Denmark, France Spain	WORLD FISHING EXHIBITION	
18	Italy (Vicenza)	Jewellery	Colombia	Italy, Spain, France	VICENZA ORO	
19	Brazil (Sao Paolo)	Farm- produce industry, agricult. industry engineering (continuation of meeting 8)	13 countries	France, Italy, Spain	FISPAL '95	
20	Mexico (Guadalajara)	Furniture	Mexico	Italy, Belgium, Spain	TECNOMUEBLE INTERNACIONAL '95	
21	Bolivia (La Paz)	Tourisme	Bolivia, Colombia	Spain, Italy, Portugal	1st FORO DE ECOTURISMO	
22	Chile (Santiago)	Food Industry	Chile, Argentina	France, Italy, Netherlands	EXPOAGRO	
23	Bolivia (Santa Cruz)	Farm- produce industry (continuation of meeting 16)	Bolivia, Andean Pact	Italy, Spain, Netherlands	EXPOCRUZ	
24	Italy (Monza)	Furniture (continuation of meeting 20)	Mexico	Italy, Belgium, Spain	MOSTRA INTERNAZIONALE DELL'ARRENDAMENTO	
25	Colombia (Bocaramanga)	Jewellery (continuation of meeting 18)	Colombia	Italy, Spain, France	Meetings between various industries	
26	Germany (Frankfurt)	Publishing (continuation of meeting 15)	Brazil, Argentina, Colombia, Chile	Belgium, Germany, Italy, Portugal	BUCHMESSE	
27	Peru (Lima)	Fishing (continuation of meeting 17)	Peru	Denmark, France, Spain	FERIA INTERNACIONAL DEL PACIFICO	
28	Peru (Lima)	Environment	Uruguay, Peru	Spain, Portugal, Germany	ECOTECNIA 95	
29	Spain (Madrid)	Tourisme	Brazil, Uruguay	Portugal, Spain, Italy, France	FITUR '96	
30	Spain (Madrid)	Tourisme (continuation of meeting 21)	Bolivia, Colombia	Spain, Italy, Portugal	FITUR '96	
31	France (Montpellier)	Farm-produce industry (continuation of meeting 22)	Chile, Argentina	France, Italy, the Netherlands	Pôle AGROPOLIS	
32	Colombia (Cartagena)	Tourisme (continuation of meeting 30)	Bolivia, Colombia	Spain, Italy, Portugal		





In Latin America: ECEs approved up to 28 February 1995

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7 FIERGS-CIERGS

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9 FIESP

(Federação das Indústrias do Estado de São Paulo)
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Chile

10 EUROCHILE

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Colombia

11 Cámara de Comercio de Bogotá

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Ecuador

12 Cámara de Comercio de Guayaquil

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Venezuela

20 CONAPRI

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Argentina

1 Fundación de Empresas

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2 Cámara Argentina de Comercio

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3 Fundación Bolsa de Comercio de Mar del Plata

Olavarría 2464, esq. Gascón
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Bolivia

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Eurochambers/AICO

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AICO: rapprochement with the European Union

In November 1994, AICO (Ibero-American Association of Chambers of Commerce) held its 11th General Meeting in Cali (Colombia). The central theme of the meeting was "Solidarity and social investment: key factors in development". It was also on this occasion that M. Carlos Eugenio Jorquera, President of the Santiago de Chile Chamber of Commerce, was appointed President of AICO.

There was also a review of the previous two years, presented by Mr. Adrien Piera, President of the Chamber of Commerce and Industry of Madrid. The active role played by AICO in Ibero-American cooperation was emphasised, and it was pointed out that this is what had enabled AICO, in particular, to take part in the meetings of the Cartagena summit.

One of the main objectives pursued during this presidential mandate was to strengthen the ties between the European Union and AICO, formalised through the signature of a framework agreement for cooperation with the Commission, thus enabling the organisations affiliated to AICO to be considered as bodies which could play an important role in the European Commission's cooperation

programmes, such as the AL-INVEST and ECIP programmes.

It should be noted that a large number of the "Eurocentros de Cooperación Empresarial" (ECEs) set up in the context of the AL-INVEST programme, on the basis of private initiative, consist of Chambers of Commerce, particularly in Lima (Peru), Guayaquil (Ecuador), Bogota (Colombia), Buenos Aires (Argentina) and Santa Cruz (Bolivia).

These ECEs, set up within Latin American Chambers of Commerce, through close cooperation with the bi-national European Chambers in Latin America, with the support of the European Chamber of Commerce and Industry, show the extent to which the objective of intensifying the dialogue between the internal network of the AL-INVEST programme has contributed to the pursuit of greater institutional cooperation and the strengthening of links between businesses.

These ECEs can call on the European network of Chambers of Commerce and Industry, of which a large number have joined forces in the COOPECO network.

AICO - For further information, please contact Arturo Martinez Ronda, CCI Madrid, tel (34 1) 538 3680.

Genoa: Italian Chambers in Latin America

On 29-30 November 1994, the Annual Convention of the Italian Chambers of Commerce Abroad was held in Genoa. On this occasion, an information session was organised for officials from the Italian Chambers of Commerce in Latin America with a view to introducing them to AL-INVEST. This meeting was attended by executives (Presidents or Secretaries General) of Italian Chambers of Commerce and Industry from the majority of Latin American countries : *Asunción, Bogota, Buenos Aires, Caracas, Cordoba, La Paz, Lima, Mexico, Montevideo, Porto Alegre, Rio de Janeiro, Rosario, San Jose, Sao Paolo, Santiago.* Mr. Victorio Macchirella presented various aspects of the programme, and distributed documentation on business operator networks in Latin America (ECEs), as well as the agendas of business-to-business meetings initiated by the ECE and COOPECO network in Europe. The participants showed a keen interest in these initiatives, and asked to be given regular updates on the programme's progress. They agreed to participate in the organisation of meetings with Eurocentres and the COOPECO network. In addition, they expressed a wish to be integrated into the existing networks as a support network.

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ACFCI: support in foreign markets

In recent years the CCIF, the French Chambers of Commerce and Industry, have shown great interest in Latin America. Their assembly, the ACFCI, has enabled a consular network to establish numerous business contacts. The Latin America Club, which has around thirty national members, meets regularly to examine programmes targeted on Latin American countries.

It invited the representative of Eurochambers, Dieter Schierloh, to its quarterly meeting in January 1995. In 1993, from the institutional viewpoint, two consular delegations, led by its President Mr. CERRUTI, travelled to Venezuela, Argentina, Uruguay and Chile in May, and to Mexico in October. These two initiatives strengthened links between the French consu-

lar network and the CCIFE, the French Chambers of Commerce and Industry in Latin America.

Numerous activities were initiated, in particular by the Chambers of Commerce of Paris, Le Havre, the Loire, La Rochelle and Languedoc-Roussillon. Several projects in Brazil, Argentina and Chile were monitored by the ACFCI and the regional Chambers of Ile-de-France and Burgundy.

Argentina and Brazil

ARGENTINA

In 1989, Argentina launched an economic recovery programme, implementing reforms the most spectacular of which put the peso on a par with the dollar, on a 1:1 basis, with a view to controlling inflation.

EU projects with Argentina

The main lines of action for cooperation are:

- scientific and technical cooperation, amounting to some 3.5 billion ECU;
- trade in the timber industry;
- aromatic plants.

In the future, actions will be stepped up in the following fields:

- social affairs (aboriginal population of northern Argentina, the Formosa province, and social integration of homeless children in greater Buenos Aires);
- industrial cooperation. Provisions have been made for two projects:
 - European Union-Argentina Inter-business Foundation, and
 - Reinforcement of Provincial Support

Structures for Argentina's SMEs

- the environment;
- hydraulic resources (Pilcomayo river);

■ tourism cooperation;

■ as part of ECIP, where Argentina holds the most promise for European businesses, after Mexico and Brazil.

Promising sectors

Both Argentina's membership of MERCOSUR and the introduction of the afore-mentioned reforms at national level, should enable it to capitalise on its strengths very rapidly. These are:

- abundant natural food resources, which are currently exported as raw materials;
- the development of processing industries;
- highly promising industries, according to the classification conducted by Argentina's Economics Ministry during the last quarter of 1994:

- mining (gold, silver and copper);
- forestry (seeds, tree plantations for the furniture industry, wooden objects, paper pulp and chemical by-products);
- tourism;
- fishing;
- construction;
- leather;
- energy;
- the automobile industry.

Sources: Argentina Desk of the European Commission, Mission of the Argentine Republic to the European Union.

BRAZIL

The Real Plan With the implementation of the "Real Plan", which introduced a new currency on 1/7/94, Brazil's monthly inflation rate of around 50%, fell to 1% in December 1994.

The purpose of the Real Plan was to bring the rate of inflation down to European levels. The exchange rate was tied to the dollar, at a rate of 1 Real = \$1.35, which was possible due to Brazil's huge foreign currency reserves. The latter amount to some 36 billion dollars, which covers more than a year's imports.

Brazil-Europe: a boost for relations

With the election of President Fernando Henrique Cardoso, in conjunction with a competent and highly motivated team, on one hand, and with a new Commission representing a 15-strong Union, prospects for cooperation between Brazil and the EU are encouraging. There is a definite will to intensify dialogue and develop existing relations. From

the bilateral point of view, and more particularly in the field of industrial cooperation, considerable efforts have been made in the past two years to give renewed impetus to the process.

It appeared that it was necessary to increase the Brazilian community's awareness of the existing possibilities for cooperation, which was done through four events or "fora" which proved instrumental in encouraging cooperation. These events were

organised in four states throughout 1994 (Minas Gerais, Rio Grande do Sul, Rio de Janeiro, Sao Paulo) and are due to be continued in 1995.

It is vital that such efforts be sustained, that existing instruments be reinforced (in particular the ECEs), and that further actions be taken to this end.

Source: Brazil Desk of the European Commission, Mission of Brazil to the European Union.

Promising sectors

Brazil has enormous potential in the following fields:

■ AGRICULTURE:

Crops: coffee, sugar cane, maize, soya, manioc, cotton, rice

Livestock: cattle, sheep, pigs and poultry.

■ MINING:

Abundant mineral resources: iron,

manganese, bauxite, nickel, lead, gold, tungsten, chrome, copper, tin, uranium, oil and natural gas.

■ MAIN INDUSTRIES

Food, chemicals, metals, steel, automobiles (and accessories), textiles, electrical equipment, communications.

Paraguay and Uruguay

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PARAGUAY

Paraguay has benefited considerably from the creation of MERCOSUR. It has expressed an interest in developing industries which could put to use the hydro-electric potential of Itaipu, and in particular chemical industries specialised in cellulose and paper, phosphates, caustic soda, chlorine, aluminium, nitric acid or copper ore refining.

Industrial cooperation with the European Union

The European Union and Paraguay have cooperation agreements in the following fields:

1) industrial development: a first phase is already underway in three specific areas:

- industrial restructuring;
 - training of trainers;
 - modernisation of government.
- Provisions have been made for a second phase focusing on industrial restructuring. This is intended to develop:
- production of aromatic and medicinal plants;
 - support for the horticultural processing industries;
 - a project to support the development of the country's eastern region.

2) Two additional projects are also

underway in the field of agriculture, i.e. the Chaco and San Pedro-Caaguazu projects, the aim of which is to develop the region while respecting the rights of the indigenous peoples, protecting the environment and preserving the tropical rain forest. In addition,

there is a programme for the promotion of tourism and a feasibility study for the steel, textile and aluminium industries.

Last but not least, there are plans to integrate Paraguay into the BC-NET network.

Promising sectors

Paraguay's soil is rich in natural resources, ideal for agriculture and cattle farming, and offering viable investment opportunities in the food industry. Agricultural production in Paraguay consists mainly of cotton, soya, sugar cane, meat, timber, maize, rice, tobacco, manioc, fruit and berries, vegetables (asparagus), flowers and flowering plants, herbs and spices. These raw materials are an indication as to the numerous investment opportunities in various sectors, including:

- oils and essences;
- textiles;
- sugar, alcohol and other by-products of sugar cane;

- cattle farming and food processing industries;
- ostrich, alligator and lizard farming and processing;
- leather;
- forestry;
- green tourism;
- mining;
- transport;
- services;
- private education and training;
- capital markets.

Source: Paraguay Desk of the European Commission Mission of Paraguay to the European Union

URUGUAY

Uruguay's development strategy hinges on the active participation of the private sector within the framework of a market economy, which is open both to Latin America and the rest of the world.

The country looks set to become a manufacturing and distribution centre to and from the countries of the region.

As a member of MERCOSUR, of which it is the geographical centre, Uruguay will be in a position to derive maximum benefit from its assets:

- a banking system which makes it a major regional financial market;
- a skilled and motivated workforce;
- economic and political stability;
- open and equitable legislation for foreign and domestic investment;
- free-port areas under public or private control.

Cooperation between the EU and Uruguay

A number of projects are currently

underway:

- comprehensive rural development;
- tourism;
- forests;
- industrial restructuring;

- timber;
- computerisation of public services;
- campaign for the prevention of drug abuse.

Promising sectors

- Tourism (tourist complexes, shopping centres, luxury hotels, marinas);
- forestry and timber: Estimates put the area which could be used for tree plantations at 2 million hectares, near to export ports. Uruguay manufactures, inter alia, panels and other intermediate products derived from wood;
- out-of-season agriculture for export (frozen food, citrus fruits, fruit juice and concentrates, jellies).
- mining and related industries (granite quarrying, granite and marble cutting, manufacturing of shelves and panels,

- mining and cutting of semiprecious stones, gold mining);
- textile and leather products;
- the food processing industry (products derived from meat, fish and vegetables, pork and its derivatives, dairy products including yoghurt);
- services related to maritime and land transport (building of ports, coastal shipping, warehousing in free zones);
- graphic arts for markets in the Southern Cone.

Source: Mission of Uruguay to the European Union

Latin America in search of new medical technologies

Although some Latin American countries were amongst the first to set up health insurance schemes (in particular Chile and Uruguay in the 1920s and 1930s), there is a definite need for all to overhaul their current systems in order to ensure that their respective welfare systems are both economically viable and universal. To this end, the majority of Latin American countries have embarked on a series of far-reaching reforms, engaging in the privatisation of entire sectors of their health services. These developments open up attractive opportunities for European firms. Prospects may be in fields as varied as the sale and maintenance of equipment, staff training or hospital management. Example: Argentina and Mexico, whose health markets are expanding rapidly and which are currently undergoing major restructuring.

ARGENTINA: a promising market for foreign firms

Since the Argentinian market was opened up to foreign firms in 1990, sales of scanners and ultrasound equipment have rocketed at an annual rate of 410%. "In Argentina, we have the best health service in Latin America" states the Health Ministry in Buenos Aires. With a total of 88,000 physicians for a population of 33 million - or one doctor for every 375 inhabitants - the largest country in the Southern Cone is the leader among its South American peers. Argentina has a total of 139,000 beds shared between public hospitals (3,180 establishments) and clinics (1,500). However, the country suffers from the American syndrome, characterized by a highly developed, albeit expensive private medical sector, in stark contrast to its public health services, which are chronically under-equipped, often with inadequately trained staff and limited resources. The structural adjustment plan launched three years ago by the Economics Minister, Domingo Cavallo, has done little to improve public sector services. Nevertheless, the health services constitute a rapidly expanding market. The government, keen to curb public expenditure, is looking to privatise a number of hospitals in the

capital and surrounding provinces, in the short and medium term. In the meantime, the Health Ministry intends to take advantage of the multilateral funding granted by the World Bank or the Inter-American Development Bank (IDB) to launch several invitations to tender to enable hospitals to acquire medical equipment.

Three European companies (one French, one Italian and one German) have recently been short-listed to equip public hospitals in the cities of Neuquén, Córdoba, Rosario and Jujuy. Furthermore, the risk factor is limited and "local manufacturing of medical equipment accounts for less than 15% of sales on the market", says the Argentinian Chamber of Importers of Medical Equipment (CADIEM). There is a demand for equipment with a high added value. The private sector has bought large amounts of equipment, and public hospitals should now follow suit. In the space of a few years, American, Italian and German companies have become market leaders in this sector, where local supply remains limited (Argentina's production barely exceeds seven or eight machines per month).

Continued on page 15

MEXICO: A huge demand for medical and hospital equipment

For European enterprises, the Mexican market represents an attractive outlet for medical equipment sales. Mexico imports the majority of its medical and hospital equipment. All the major world manufacturers of medical equipment have sales representatives in Mexico, which is a sizeable market for them. Only the smaller medical devices, laboratory equipment and consumables are manufactured locally, either by subsidiaries of foreign firms or, more recently, by Mexican firms. In fact, industrial research in the field of medical equipment is virtually non-existent in Mexico. Moreover, equipment which has been approved in its country of origin has no problems obtaining approval in Mexico: the SSA (Secretaria de Salubridad y Asistencia), the Mexican Health Ministry, has hitherto restricted itself to checking that the equipment conforms with the standards applicable in its country of origin, or failing this, the prevailing international standards.

Purchasing of small medical devices or consumables is conducted in accordance with a nomenclature known as the "cuadro básico". This is a list of equipment and drugs drawn up in January by the public health authorities, and which corresponds to annual purchases. Major purchases are made outside this "cuadro básico", and in general, via restricted invitations to tender. In the private sector, contracts are signed directly with representatives of foreign companies. At the same time, the SSA tries to prevent "cash" purchases at the border with the USA. This is second-hand hospital equipment, sold in lots and without the possibility of prior inspection, by an American clinic or hospital which is upgrading its own equipment. As far as maintenance of hospital equipment is concerned, the SSA set up the CEDAT (Centro de Desarrollo y Aplicaciones Tecnológicas), the aim of which is to:

- provide maintenance services for Mexican health organisations;

- establish testing models for equipment;

- train maintenance personnel.

Two encouraging features should be borne in mind when considering investments in Mexico:

- the Mexican government is allocating an increasing proportion of its budget to health expenditure;
- the Mexican health care system looks set to undergo radical changes in the next few years. In future, the Health Ministry will have to restrict itself to a strictly regulatory role, while the various social security bodies will have to be merged, and their activities limited to health insurance. Finally, the IDB (Inter-American Development Bank) has just granted Mexico a loan for research funding. The loan, which will also benefit the medical sector, should contribute to the promotion of medical research activities.

Leading medical researchers often migrate to the USA, where they have access to better working conditions.

Courrier International

Argentina, a promising market for foreign firms

Continued from page 14

Another rapidly expanding sector is that of orthopaedic prostheses. Thanks to the return of growth and monetary stability, Argentinians now

have access to affordable treatment, which was considered a luxury until just recently.

Last but not least, hospital management in Argentina is perceived as the next big health market.

While the private sector may be a step ahead in this field, the managers of public hospitals make no secret of their own requirements for hardware and administrative data processing systems.

Bulletin AL-INVEST N° 3

will address the following topics:

MARKET INFO

- ✓ Mexico, within the framework of NAFTA
- ✓ The countries of Central America
- ✓ A detailed report on the AL-INVEST Seminar of 13 and 14 March 1995

Another aspect of economic cooperation: the ALFA programme

On 10 March 1994, the European Commission adopted the ALFA programme, a graduate exchange programme between the European Union and Latin America. The programme falls within the framework of economic cooperation between the two continents.

It is divided into three sub-programmes, and intended to strengthen relations between higher education establishments, to set up programmes for cooperation via existing networks, and to encourage exchanges of post-graduate and graduate students between Latin America and Europe. The emphasis is placed on economics and social sciences, engineering, and certain medical specialties.

To date, approximately 500 projects have been submitted by universities. Projects will be examined for compliance with prevailing requirements, undergo formal examination by the Technical Assistance Office, as well as an examination of their merit by the Scientific Committee. The final decision rests with the Commission's services.

For any further information, please contact Mrs. Maria-Cristina FRUTUOSO-MELO, tel. (32 2) 295 14 63.

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