



Republic of Argentina
Ministry of Foreign Affairs, International Trade and Worship

III WORKING GROUP MEETING
-Economy and Society-

FORUM FOR EAST ASIA - LATIN AMERICA
COOPERATION
(FEALAC)

Final Report

July 2005

IIIrd MEETING
OF THE
“ECONOMY AND SOCIETY” WORKING GROUP

FORUM FOR EAST ASIA-LATIN AMERICA COOPERATION
(FEALAC)

FINAL REPORT

The 3rd. “Economy and Society” Working Group (WG) meeting of the Forum for East Asia- Latin American Cooperation (FEALAC), was held from November 23rd to November 25th , 2004, in Buenos Aires.

The discussions were moderated by the cochairs of the Group, Ambassador Felipe Frydman for Argentina and Ambassador Akio Hosono for Japan. This final report of the meeting will be submitted to the next FEALAC Senior Officials Meeting to be held in Seoul, Republic of Korea later in 2005.

There was a consensus regarding the need to move forward the activity of the WG into a new phase to take concrete actions, building on the basis that have been established in the previous two meetings of the WG.

The WG meeting was comprised of three main themes and five sessions, each of them devoted to a specific subject, on which guidelines were sent in advance by the host coordinator country to all the delegations. Invited delegations offered an introductory presentation of the subject at the beginning of each session, followed by a general discussion.

The present report includes the topics that have been discussed during the meeting.

ITEM I. Strengthening of business exchanges. Possibility of creating a FEALAC Business Council or Forum.

The main point of this issue subject, was the analysis of the possibility of creating a council or forum as a way for generating a suitable framework for appropriate business environment in both regions. This issue has been recurrently taken up in the FEALAC.

At the FMM II in Manila, the Ministers considered the establishment of a FEALAC Business Council (FBC), as an important mean to strengthen partnership between the two regions. Based on this guideline, it was mentioned that expected outcomes of the FBC were the creation of venues for dialogue and cooperation among FEALAC member countries entrepreneurs and the exchange of information related to trade and investment facilitation, among others.

Two countries made introductory speeches, Colombia and Korea, and a power point presentation was exhibited by the latter to the audience.

Colombia made a presentation, explaining their support to the organization of a Business Council, as a way to enhance business opportunities. The Korean delegation went into details on the structure of the new organization, that was placed on the motto "A new locomotive of Cooperation between East Asia and Latin America", proposing as well the establishment of the FBC which could not only invigorate the development of FEALAC, but also enhance the cooperation between the two regions. The FBC is supposed to keep close contact with FEALAC FMM, the SOM and the "Economy & Society" WG and meet annually.

Most member countries supported the proposal. Others emphasised the need to advance in a step by step process, in order to build awareness and gain support from the business community of each member country as well as to avoid excessive costs to members countries and eventual overlapping with similar bodies already existing, although a need for permanent relationship between both regions entrepreneurs was unanimously recognised.

It was also pointed out that the creation of the FBC, should be discussed and approved by the SOM and the FMM, after which the FBC could be joined by those countries willing to do so. The WG agreed that FEALAC member countries continue to develop the idea for the establishment of the FBC, reflecting the suggestions and comments made at the meeting.

As the discussion went on, suggestions were made to promote business encounters between the two regions, as for instance, the possibility of holding a business encounter as well as a public - private sector dialogue, on the occasion of the SOM VII meeting in the Republic of Korea in the second half of 2005.

During the afternoon session of the first day of the meetings, attending delegations listened to businessmen from several member countries' enterprises, who expressed their views on the subject on their own capacity. It was mentioned that trade between countries of both regions remains relatively weak and has the potential to increase in the future. It was said that an increase of personal contacts between the private sectors of the FEALAC countries was needed to improve trade and investment between both regions, and setting up the FBC, or a similar mechanism would play a significant role to that end.

It was also mentioned that some landlock countries in Latin America lack enough industrial infrastructure to get the most of new commercial opportunities in Asia. It is well known that those countries have a large amount of natural resources at their disposal, meaning that good opportunities still exist for investment.

Item II. Promotion of development and exchange between small and medium sized enterprises (SMEs).

A power point presentation was delivered by Dr. Hugo Kantis on the study about "Entrepreneurships in emerging economies in Latin America and East Asia", financed by the "Japanese Trust Fund for Consultancy Services" and the "Japan Program" of IDB. On this work, it was argued that interesting differences between SMEs and promotion agencies in East Asia, and their counterparts in Latin America stay in place, indicating that the first ones developed the appropriate structure and enjoy an adequate environment for business, although both regions have something to learn from each other.

Subitem 1. Export promotion. The exchange of opportunities.

It was recognized that comprising about 90 % of all the existing enterprises in both EA and LA regions, SMEs play a crucial role in driving the economic growth, as well as being an important source of employment.

The organization of a "Promotion and application of ICT for the SMEs competitiveness Symposium in the first half of 2005 was announced by Peru's delegation and an Asian country member (Thailand), offered to host by the end of 2005, a seminar dedicated exclusively to the SMEs situation, opened to all FEALAC member countries.

On the second day of the WG meetings, the Working Group listened to the Peruvian and Malaysian presentations, the latter on power point format, on the promotion of SMEs.

Peru's presentation informed that 32% of its total exports are sent to FEALAC countries, of which 48% goes to Asian members and 52% to the Latinamerican ones. A point was made on the ability of SMEs to fight poverty.

The Malaysian presentation emphasized that the SMEs constitutes a relevant key sector of the regional business and industrial community, the backbone of a country's industrial structure. A crucial question was raised, how can the SMEs integrate into the supply chain of larger companies, such as the multinational corporations, and at the same time become part of the regional and global supply network.

In the general discussion which followed, delegations informed that many difficulties in the globalized economy, prevent a growing relationship among SMEs of both regions. Among these, it was recalled that long distances, language barriers, cultural differences, still prevail.

Some countries found the opportunity to lecture on the regulations promoting SMEs in their jurisdictions, sharing this experience with the rest, to consider specially developing countries. Australia delivered a document stating in a detailed way, Australian programmes on development and exchanges between SMEs and the government role in helping them to gain access to foreign markets.

During this session and after some discussion, it was conformed a ten countries commission to write down a Proposal in order to gather the different SMEs issues in one document. Based on Manila's Plan of Action guidelines, this proposal on the SMEs has been called "Competitiveness, best practices and export promotion". Each member country followed the discussions around the different points of the proposal attached to this Final Report as Annex I.

Promotion of Small and Medium Enterprises has always been considered as an important FEALAC cooperation item. During the discussions, it was mentioned that the activities of SMEs were important for the economic and social development of each country, but they face diverse challenges in the globalization.

As a first step of cooperation in this field within the framework of the FEALAC, it was stressed the convenience to identify SMEs export promotion agencies or relevant institutions and their training programmes on Information and Communication Technologies, in each of the member countries.

The document presented is a good basis to promote an active interaction and cooperation between concerning official agencies of interested member countries, by sharing information to build up a common working agenda and proposals concerned. These qualified Agencies, will be able to agree on specific promotion and development actions.

This initiative was considered a turning point in the FEALAC WG activities. From this point on, the WG should work on concrete projects with the potentiality to reach country members' domestic markets with a sensible and positive impact.

In this context, the following proposals on the SMEs export promotion agencies including training programs were presented by some delegations.

- "Invitation Program for Young Leaders of the FEALAC member countries, SMEs promotion and IT" (Japan).
- "Workshops on Economic Reform and Development in China" (China).
- International training programs (Korea).
- Small and Medium Enterprises, "Competitiveness, Best Practices and Export Promotion" (10 delegations).

Subitem 2. Training as a tool to optimize the offer of SMEs.

Singapore presented the comments on this subitem, stating that due to the small size of its economy, a great deal of concern is devoted to help SMEs in their endeavours for growth and adaptation, bearing in mind that the only resource they count with, is the human one.

Japan told the Working Group, that the fourth young FEALAC leaders Symposium to take place in early 2005 will be devoted to SMEs and ICT development in both regions. Republic of Korea also informed that it will invite

members of FEALAC to explain the mechanisms used in Korea in helping SMEs. China took the opportunity to explain about two training programmes for FEALAC participation on Economic Reform and Development that will be organized in the near future.

Some delegations explain the strategies used in their countries, for the purpose of improving the capabilities of SMEs, specially using ICT.

Item III. Use of information and communications technology (ICT) in the promotion of business exchange.

Subitem 1. Design and installation in the Ministry of Foreign Affairs web site of each country of a chosen number of official links with information provided by the members.

During the meeting, it was recognized that in nearly all FEALAC member countries there are SMEs promotion agencies, many of them with websites.

It was suggested that FEALAC member countries should give their support to the project of including in the concerned web pages, those links that would be most relevant to users, including those oriented to the SMEs. These would ideally be companies interested in either establishing a relationship with their counterparts in other regions, or having access to useful information and database.

Websites will be used to announce action plans by each one of the network promotion agencies that are related to other FEALAC member countries. This will be done in order to institutionalize the relationship between all agencies in charge of SMEs and/or business promotion for the purpose of consolidating ideas discussed at general meetings.

FEALAC member countries will facilitate cooperation in sharing technical expertise and capabilities that will help to carry out this project. The development of e-learning, e-business and similar platforms should be properly analyzed.

Support was heard on the proposal that Foreign Affairs Ministries provide in their web pages a FEALAC link connecting the correspondent areas of Government of other member countries, supplied with specific information envisaged as appropriate for the "E&S" W.G. purposes.

Also there were expressions on the convenience of having in the long run, a unified portal for the FEALAC, covering the three WGs, and FEALAC as a whole.

Subitem 2. Promotion of the information and communication technology (ICT) in the private sector, particularly in developing countries, with a view to increasing trade relations and inter-company relationships between FEALAC member countries.

At this stage, the WG took the time to watch a power point presentation produced by a ECLAC research team headed by Dr. Eduardo Rodríguez Rodríguez, on the "Comparative Study on East Asian Latin American IT industries", financed by the Japan Fund of UNDP.

It was generally admitted that there is a long way to go in the use of ICT by the private sectors in developing countries, both in LA and EA regions.

Other Business

Chilean delegation presented the proposal of the "Chilean Alliance for the International Trade of FOCO".

There were comments about the benefits of having different speed approaches, for members willing to incorporate themselves in certain projects.

It was mentioned that a door remains open for individual industrialized countries within FEALAC, to organize seminars and symposia as well as technical training programmes, aimed at young entrepreneurs and public officials of member states. It was welcomed that a number of events are already being planned for 2005.

CONCLUSIONS

It was also mentioned that work on the business forum or council, should start among those countries that feel ready and that the same pattern should be followed with the SMEs proposal.

Buenos Aires, july 2005.

**FEALAC
FORUM FOR EAST ASIA - LATIN AMERICA COOPERATION
Working Group Meeting
Economy and Society
November 2004 – Buenos Aires – Argentina**

Small & Medium Enterprises
"Competitiveness, Best Practices and Export Promotion"

FINAL PROPOSAL

Identification

The WG recommend to delegations to identify SMEs Promotion Agencies in their own countries, and a focal point within it in order to establish a communication channel between them. The commitment will be to share information in order to build up a common working agenda and to consider the project proposals concerned. These qualified Agencies, will be able to agree on specific promotion and development actions.

- Japan and Argentina, as co-coordinators of the WG are requested to
 1. Collect the focal points contacts information, draft a directory with them and make it available for members in order to facilitate the exchanges of information
 2. Agree, through consultations with FEALAC member countries, on a number of common criteria for contents and basic information about SMEs, Trade Promotion for SMEs, capabilities, resources, etc that could be used as the basis for an exchange of contents

These focal points will start to work on a proposal agenda that can include the following objectives:

Focal Points Short Term Objectives

- Exchange information, to identify Chambers of Commerce in each country and Trade Promotion offices, problems, obstacles, opportunities, challenges, and so forth.
- Contribute to the definition of the issues for the workshops that are proposed to be held in Peru and Thailand on 2005.
- Provide contents and other necessary information for the said Workshops to the host and the participants

Focal Points Long Term Objectives

- For all FEALAC country members involved: Foster the creation of websites specialized in the promotion of SMEs internationalization which would be linked to the national FEALAC websites and thence to the global FEALAC portal. Generate a relationship system on the basis of the advantages of Information Technology and Communication (ITC's). This will enable SMEs to receive and offer information in a timely manner.
- Links between portals will make it easier to distribute information to all network member countries. This will also facilitate communications between companies and all new network members.
- Website contents should be aimed at internationalizing SME's and not only promoting exports. Aside from exportable goods and trade opportunities, websites and portals may also include SME's interest in capital investments from third-countries in the network, technical cooperation agreements, sharing of patents, production subcontracting requirements, etc.
- Promotion of relationship between SME's, Transnational and Multinational Corporations: this will produce qualitative and quantitative benefits for the promotion of exports and the development of the industry.
- Portals may include information, surveys, analysis and academic papers. This will facilitate the relationship between universities and college professors of each one of the network countries.
- Fostering of training and development activities based on all state-of-the art technology available such as E-Learning Programs and the like. This can be done on the basis of jointly developed contents, exchange of information and experience and best practices of each one of the countries in the region. Educational materials may be subsequently distributed as Handbooks, easily downloadable documents, video-conferences, forums, workshops, consulting services, etc. The website may also be used as a discussion forum of common interests and problems by businessmen.
- Websites will be used to announce action plans by each one of the network promotion agencies that are related to other FEALAC member countries. This will be done in order to institutionalize the relationship between all agencies in charge of SME's for the purpose of consolidating ideas discussed at general meetings.

FEALAC member countries will facilitate cooperation in sharing technical expertise and capabilities that will help to carry out this project. The development of e-learning, e-business and similar platforms should be properly analyzed.

Workshops

The Committee welcomes the SMEs Workshops projects proposed by Peru and Thailand to be held in 2005.

Both countries would alternatively host the meetings and cooperate in the organization.

The main issues in the agenda of both meetings would be, among others

- Technical assistance on ICT Business,
- Strengthening of competitiveness of Micro and SMEs,
- E-learning,
- Training activities
- Public-private partnership
- Linkages with TNCs
- Foster partnership and network
- Encourage the Plan of Action for SMEs Promotion and development in the FEALAC region

**FEALAC III WORKING GROUP "ECONOMY AND SOCIETY" MEETING
Buenos Aires, Argentina
November 23rd to 25th, 2004**

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