



**FINLAND'S  
LATIN AMERICA  
AND  
CARIBBEAN ACTION PLAN**



MINISTRY FOR FOREIGN  
AFFAIRS OF FINLAND



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ISSN 0358-1489

ISBN 978-952-281-069-4

PDF ISBN 978-952-281-070-0

e-julkaisu ISBN 978-952-281-071-7

Print: Kopijyvä Oy, Jyväskylä

Layout: Erja Hirvonen, Kopijyvä Oy, Joensuu

This publication is printed on environmentally friendly paper-Reprint, which is made from 60% recycled fiber. Reprint paper has received the following certificates: ISO 9001, ISO 14001, EMAS, DIN 6738, EN 71-3, the FSC and the EU Flower.

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# INTRODUCTION

*The purpose of this Action Plan is to highlight the importance of Latin America and the Caribbean for Finland and to outline Finland's objectives and actions in the region. The Action Plan was prepared at the Ministry for Foreign Affairs in close cooperation with other ministries and Finnish interest groups involved in Latin American affairs. The Action Plan focuses on a pragmatic approach, and one of its aims is to achieve closer cooperation between Finnish actors in Latin America in a 'Team Finland' spirit.*

The international importance of Latin America and the Caribbean is increasing. The politically and economically stable countries in the region are of growing interest as trade partners on the one hand and as actors in the international community on the other. Latin America has been overshadowed in the Finnish perspective by certain other regions, even though it has significant growth potential.

Despite the geographical distance between Finland and the countries of Latin America and the Caribbean, there is a long history of connections. Merchant ships have been carrying coffee to Finland and forestry products from Finland since the 19th century, and some Finns have also emigrated to Latin America. Finland's first diplomatic mission in Latin America was set up in Buenos Aires in 1929. The countries of Latin America sided with Finland in the League of Nations when Finland was attacked by the Soviet Union in the Winter War, and during the war years Finland received humanitarian aid from Latin America.

Finland has almost without exception enjoyed good and unproblematic political relationships with the countries of Latin America and the Caribbean. Finland has engaged in development cooperation in the region, both intergovernmentally and through NGOs. There has also

been cultural exchange. Latin America and the Caribbean account for only about 3% of Finland's foreign trade at present, even though there is potential for far more trade.

Economic growth, social development and internationalisation in Latin America and the Caribbean offer interesting new cooperation opportunities for Finland as a country and for Finnish companies, research institutions and other actors. Many of the countries in the region are in a rapid process of modernisation, and in such a process Finland has much to contribute and also much to gain. With development in Latin America, there are excellent opportunities for cooperation in a number of new sectors such as renewable energy and environmental cooperation, offshore industry, science and innovation, and education and culture exports. Even now, subsidiaries of Finnish companies operating in Brazil have a combined output whose value is six times greater than that of Finnish exports to Brazil. Contributing to stable economic and social development on this continent is in Finland's best interests.

Cooperation between the European Union and Latin America provides Finland with a channel for diverse relationships with countries in the region. Cooperation with the countries in the region through international organisations can also be enhanced with a view to managing global challenges.

# 1 LATIN AMERICA AND THE CARIBBEAN TODAY

The various areas and peoples of Latin America and the Caribbean have rich and distinctive cultural heritages of their own, on which European civilisation began to exert an influence in the 16th century. Despite the differences, the culture and operating environment are relatively familiar for Finns and easy to understand.

The region has 33 countries with a combined population of 588 million. The principal language is Spanish except in Brazil (Portuguese) and the Caribbean (English). The most populous country by far is Brazil, but Mexico, Argentina, Chile, Colombia, Peru and Venezuela also rank as large or medium-sized countries. (APPENDIX 1, basic statistics)

Despite certain general cultural similarities, there are sometimes considerable differences even between neighbouring countries. Each country in the region has its own character, whether considering size, population, geographical features, social conditions or the structure of the national economy.

Ethnic and cultural diversity is manifold even within countries. Multiculturalism and linguistic plurality are a richness in Latin American countries, but these are not without their challenges. For instance, the indigenous peoples have throughout history been relegated to the margins of society. Today, indigenous peoples have organised themselves throughout the continent to stand up for their rights regarding language, culture and land ownership.

## **POLITICAL STABILISATION**

Political conditions in Latin America today may be considered relatively stable. Democracy is fairly well established in the region, and nearly all governments are democratically elected. Most of the countries in the region have acceded to the key UN human rights conventions. The Organization of American States (OAS) has a human rights commission and a human rights court.

Despite border disputes and a number of other unresolved issues, armed conflicts between countries are unlikely to erupt. Disputes are being resolved through negotiation or through an international court. The Treaty of Tlatelolco, signed in 1967, has gradually led to the creation of the world's first nuclear-weapon-free zone in Latin America and the Caribbean, and the nuclear powers have recognised it. Economic cooperation has increased mutual dependence and fostered common interests. A number of intergovernmental organisations and arrangements have been set up across the continent, even if deep integration has been slow to progress.

## **MODERNISING AND DIVERSIFYING ECONOMIES**

Latin America plays a major role on the international commodity market. Many of the world's largest deposits of important minerals may be found on the continent: for instance, Chile and Mexico are the world leaders in the production of copper and silver, respectively. Brazil is one of the world's largest producers of iron ore and bauxite, while Bolivia, Chile and Argentina are estimated to hold more than half of the world's entire deposits of lithium. The continent is also a world leader in the production of gold, zinc and tin.

The principal oil-producing countries in the region are Venezuela, Brazil, Mexico, Colombia and Argentina. Recently, new significant offshore oil fields have been discovered in Brazil and Mexico. However, it will be a few years before these can be extensively exploited. Sig-

nificant shale gas basins have also been discovered in Latin America. Brazil is a pioneer in the use of ethanol as an energy source.

Also, the world market prices of several foods such as beef, fish, soy, coffee, sugar and certain fruits and vegetables are largely determined by production in South America.

Latin American exports have grown, but their percentage of world trade has remained more or less the same, at about 6% of the world's total exports. In recent years, this growth has been driven by exploitation of natural resources and the export of basic commodities particularly to China and the USA.

The economies in the region still face major challenges in prospering in global competition. Protectionism is on the rise in certain countries. There are uncertainties such as the dominance of basic commodities and the low degree of processing, which makes the region highly sensitive to cyclic fluctuations in the world economy. In education, research and innovation, Latin America falls behind other emerging economies. Economic development is hampered by a lack of trained labour and in some places by an underdeveloped infrastructure. Poverty and inequality complicate the development of a strong domestic market. In order to succeed, these countries must be able to respond to all these challenges. Indeed, many governments have already drawn up extensive reform programmes for this very purpose.

## **SOCIAL CHALLENGES**

The benefits of economic growth are not equally distributed in Latin America. Several countries in the region have serious social problems with issues such as poverty and social inequality, human rights violations, gender inequality, low attainment in sexual and reproductive rights, as well as organised crime and drug trade. Uncontrolled urbanisation has exacerbated these problems. Income differences across the continent remain considerably larger than in developed countries,

and even larger than the average in Africa or Asia. Taxation does little to equalise these differences, as a large portion of it consists of indirect taxes. Many countries also have problems with weak institutions, corruption, fragmented civil societies and a troublesome operating environment. The increase in criminal activity and violence with the growth of the international drug trade has escalated to such levels that it is jeopardising the stability of societies, especially in Central America. However, in many countries crime is concentrated in specific areas and does not unreasonably complicate the conducting of business, even by foreigners, in other parts of those countries.

Some countries have sought solutions through systematic development and modernisation of their society and economy. For instance, Brazil has managed to lift 40 million people from poverty to the middle class with an appropriate fiscal and income transfer policy. Others have not yet been able to lay a sustainable foundation for their national economy or social development. This difference is significant also for Finnish actors when selecting partners in Latin America.

Indigenous peoples are in a highly vulnerable position in several countries in the region, although increasing attention is being paid to the securing of their human, linguistic and cultural rights. Using natural resources sustainably while safeguarding the living conditions of the indigenous peoples and local residents are also challenges for economic development.

## **ENVIRONMENT**

Latin America and the Caribbean is a region heterogeneous in natural environment and rich in biodiversity. It includes the world's largest rain forest and major water resources. There is also a wide range of environmental problems. Surface water contamination, groundwater use in excess of the replenishment rate, deforestation, air pollution, inadequate waste management, energy based on fossil fuels and contamination of arable land are examples of these. The oil and mineral industry,

and uncontrolled mining and excavation in particular have led to the destruction of forest and the polluting of the soil and waterways in extensive areas. Increased wealth means more cars, more consumption and more production. There is great concern in the Caribbean, Central America and the Andes about the impact of climate change. Its effect on the glaciers of the Andes and thereby on water resources in the region has been estimated as severe. By 2020, an estimated 40 million people around the Andes range will suffer from water shortages, and this figure is predicted to rise to 50 million by 2050. Deforestation will further accelerate global climate change.

Latin America has been active in climate and environmental matters in international politics. In recent years, Mexico and Brazil have hosted major international conferences on the climate and the environment.

## **EXTERNAL RELATIONS OF THE COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN – FROM OBJECT TO SUBJECT**

The international relations of the countries of Latin America are derived from immigration, close trade relations particularly with North America and Europe, and active participation in international organisations. In recent years, the countries of Latin America have come to have more weight in global debate thanks for instance to the G20 membership of Brazil, Mexico and Argentina. Also, Chile and Mexico are members of the OECD. Many countries in the region are cultivating a more independent profile in their relationships with traditional partners such as key countries in Europe and the USA.

Economic relations between the countries of Latin America and Asia, particularly China, have become much closer in recent years. The growing importance of Asia has resulted in increased institutional cooperation across the Pacific, with the principal focus on economic matters. Several Latin American countries are members of APEC, and Pacific coastal countries Mexico, Colombia, Peru and Chile have formed

the Pacific Alliance, a dynamic economic bloc. Chile is also involved in the new, growing Transpacific Partnership free trade area together with the USA and countries in Asia and the Pacific, and Peru and Mexico are in talks about joining.

The EU is one of the three biggest foreign trade partners of Latin America. Spain and Portugal in particular have close historical, cultural and linguistic bonds with the region, but the people of Latin America have roots in many other European countries too. Immigration is robust, but due to the financial situation in Europe migration is now becoming bidirectional.

The USA has been the largest external actor in the region with broad influence. It has traditionally been the region's major foreign trade partner and used to be its biggest foreign investor too. About 75% of remittances by migrant workers come from the USA. Mexican economy in particular is closely linked to that of the USA. Over the decades, particularly during the Cold War, the USA has attempted to influence political and economic trends in Latin America, sometimes in ways that prompted opposition in the countries concerned; but the USA has also provided a model in many fields. It continues to play an active role in the region. It is important for the USA to step up action against the drug trade and organised crime.

China has increased in importance considerably in recent years. It is an emerging trade and investment partner particularly in areas such as raw materials, agriculture, energy and infrastructure. The huge Chinese market has enabled robust growth of exports in Latin American countries that export natural resources and agricultural products, such as Brazil, Chile, Argentina and Venezuela. On the other hand, the competitiveness of the Chinese economy – cheap labour in the consumer goods industry, for instance – and China's interest in extensive investments in Latin America are also causes for concern in the region.

While the region has had lively trade relationships with other continents, internal trade within the region has been slower to develop. In-

ternational transport connections and infrastructure in the region are inadequate in many places.

Integration in Latin America has progressed in the 21<sup>st</sup> century as it is a precondition for the dynamic development of the economies. The progress seems to be bidirectional: Countries in the west and north have recently established Pacific Alliance that is mainly focused on free-trade. Countries in the east and south concentrate in developing their own markets via Mercosur.

The traditional cooperation organisation for countries in the Western Hemisphere is the Organization of American States (OAS), founded in 1948. It has a number of sub-organisations and programmes, the oldest of which date back to the early 20th century. All of the countries in the region except for Cuba contribute to the work of this organisation.

A new cooperation and coordination mechanism for the region as a whole, known as the Comunidad de Estados Latinoamericanos y Caribeños (CELAC), was founded in Caracas in 2011. Its purpose is to promote coordinated action together with other regional organisations. CELAC is now also representing Latin America and the Caribbean in the dialogue with the EU.

(APPENDIX 2, organisations in Latin America and the Caribbean)



## **2 RELATIONS BETWEEN THE EUROPEAN UNION AND THE COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN**

The European Union is the largest foreign investor in Latin America and its second largest trading partner (USA 35%, EU 15%). The EU also contributes substantial development funding and is the major development cooperation partner operating in the region.

The EU concluded an agreement on strategic partnership with Latin America and the Caribbean in 1999. This partnership involves close political dialogue about international and bilateral issues and a comprehensive action plan. A summit is held once every two years.

The overriding theme of the EU is to promote democracy, human rights and the rule of law. In the case of Latin America and the Caribbean, the objective is to support political, economic and social stability through means of the common foreign policy. The EU cooperates with countries in the region to combat such issues as impunity, organised crime, human trafficking, drug production and the drug trade. Increasingly, cooperation is also involving measures to combat threats to the climate and the environment and to enhance food safety.

The EU has agreed on a strategic partnership also with Brazil and Mexico, with a view to engaging in close and diverse cooperation.

The EU is creating a network of free trade and association treaties with countries and areas in Latin America. The free trade facilitated by these EU treaties will improve the potential for Finnish commerce too.

Significant new treaties include the Association Agreement with the Central American countries and Chile and the Trade Agreement with Colombia and Peru. In 2000, the EU signed a Global Agreement with Mexico, which includes a free trade agreement. The EU has proposed starting talks to revise this agreement to include services and investments. The free trade talks between the EU and Mercosur, which were discontinued for a long period, were resumed in 2010.

An Economic Partnership Agreement (EPA) was signed between the EU and the Cariforum organisation of Caribbean countries in 2008. This agreement forms part of the arrangements between the EU and countries in Africa, the Caribbean and the Pacific to facilitate their flexible integration into the world economy and sustainable development. This agreement frees up trade between the EU and the Caribbean, in accordance with WTO rules.

So far, Cuba is the only country in the region that does not have an agreement in place with the EU, but talks concerning closer relations are ongoing.

The EU-LAC foundation, which began operations in Hamburg in 2011, promotes cultural exchange and communication between the EU and Latin America particularly at the civil society level. Its activities include seminars, publications, research programmes and training. The foundation is a potential vehicle for Finnish actors to find new cooperation channels.

The EU has several instruments available for promoting cooperation with Latin America and the Caribbean in the areas of higher education and research. These include the student mobility programme Erasmus Mundus, the @Lis communications programme and various funding instruments available in the EU Framework Programmes for Research.

## OBJECTIVES

- promoting and developing strategic partnership between the EU on the one hand and Latin America and the Caribbean on the other to the benefit of both parties,
- advancing Finland's bilateral objectives vis-à-vis Latin America systematically through partnership arrangements between the EU and the region (including summits and association councils),
- advancing the signing and implementation of bilateral and regional agreements by the EU, with WTO compliance, with the ultimate aim of creating an Atlantic economic area,
- acting to remove obstacles to trade and to improve corporate social responsibility, promoting sustainable growth and the innovative economy in economic relations,
- contributing to the determination of focus areas in EU development cooperation with a view to improving the human rights situation and solving structural problems such as poverty and social inequality,
- supporting comprehensive security and participating in cooperation in multilateral fora for tackling global problems, strengthening the shared responsibility, strategic cooperation and mutual coordination between the EU and Latin America, and
- supporting cooperation with the Cariforum countries in accordance with the partnership strategy between the EU and the Caribbean.



### **3 FINLAND'S RELATIONS WITH THE COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN**

Finland's good relations with all countries in Latin America and the Caribbean derive from long-standing trade relationships and economic cooperation, political dialogue, long-term development cooperation (particularly in Central America and the Andes), cultural exchange and a variety of connections on the civil society level, especially between NGOs.

Finland considers it important that the countries in Latin America and the Caribbean should be stable, democratic societies developing in economically, socially and ecologically sustainable ways. Finland is committed to combating poverty and upholding human rights internationally.

The countries of Latin America and the Caribbean offer interesting potential partnerships for Finland. Bilateral political relations are of crucial importance. The significant shared issues to be addressed in the context of international organisations and multilateral cooperation are responding to global challenges, such as the availability of basic commodities and food security, and tackling climate change.

Finland's interests in Latin America and the Caribbean have traditionally been of the economic kind. In addition to exports, imports of key products have lately grown in importance, as have mutual investments. Exporting know-how and services is also becoming a more important part of bilateral relations. Finland's connections to the re-

gion are also reinforced by increasing tourism, diversifying cultural exchange and cooperation in the education, research and innovation sectors.

Finland's first diplomatic missions in Latin America were established in Buenos Aires in 1929 and in Rio de Janeiro in 1937. Diplomatic missions in Mexico and Lima were opened in the 1960s. At the moment, Finland has an embassy with an ambassador in five countries – Argentina, Brazil, Chile, Mexico and Peru – and a diplomatic mission led by a chargé d'affaires in Colombia starting 2013. The diplomatic mission in Nicaragua will be closed by the end of 2013. Finpro currently has trade centres in four countries. The network of diplomatic missions is being developed in accordance with changing cooperation needs and resources available. In addition to diplomatic missions, Finland has appointed 65 honorary consuls in 28 countries in the region. Finland is contributing actively to the development of the European External Action Service (EEAS) as a channel for information and influence for the Member States. In countries where Finland does not have a diplomatic mission of its own, a mission run by another Nordic country or another EU Member State may provide an important base, especially in consular services.

(APPENDIX 3, Actors in the cooperation between Finland and the region of Latin America and the Caribbean)

## **POLITICAL RELATIONS**

Despite the geographical distance, Finland enjoys good political relations with the countries of Latin America and the Caribbean. High-level visits have been made fairly regularly to several key partner countries. The majority of these have been working visits by the minister responsible for foreign trade, together with a delegation of business representatives. Heads of state, government ministers and delegations of civil servants from Latin America have visited Finland from time to time.

Another important vehicle in addition to high-level visits are consultations carried out by civil servants: political consultations on foreign policy matters and bilateral consultations exploring all areas of cooperation with each relevant country in turn. These consultations are held with several Latin American countries. There are efforts to make these consultations more regular and more frequent and to extend them to further countries in the region. Partnership arrangements between the EU and the countries of Latin America and the Caribbean, such as summits and Association Councils, are also an important channel for political dialogue.

Finland's active participation in international contexts such as the UN and the World Bank enables communication on a broader front with various countries, including those in Latin America and the Caribbean, and also supports bilateral efforts. Comprehensive cooperation for addressing international issues and promoting sustainable development both requires and strengthens bilateral political relations. Finland supports economic and social development in the countries of Latin America and the Caribbean through the World Bank by participating in the monitoring of their debt situation, for instance.

It is beneficial for Finland to engage in cooperation with organisations that are active in Latin America. Finland has observer status in the Organization of American States (OAS), having cooperated with the organisation for a long time and participated in some of its programmes. Finland is also a non-regional member of the Inter-American Development Bank (IDB), with a seat on its Board of Governors in rotation and lobbies through its constituency in accordance with Finland's development policy. It is useful for Finland to monitor the project plans of international development banks and to inform interested companies of them through Team Finland and the Finpro project advisory services. It is important to promote the leveraging of Finnish expertise and the recruitment of Finns at the IDB, with a focus on education, the information society, climate sustainability and clean tech sectors.

Connections to countries in the Caribbean are upheld for instance through a presence in organisations active in the region.

## OBJECTIVES

- increasing political visits to and dialogue with countries in the region with a view to closer bilateral relations especially with key partner countries and countries with emerging cooperation opportunities,
- contributing to stable social development and the reinforcement of democracy, human rights, the rule of law, law enforcement and the civil society, reducing social inequality and building social cohesion, good governance and a market economy,
- improving communication at the level of civil servants for instance through regular bilateral consultation on foreign policy issues (political consultations) and on bilateral cooperation in general (bilateral consultations),
- supporting development and modernisation in countries in the region by diversifying cooperation, consultation and expertise transfer in issues of shared importance, leveraging the strengths of Finland and Finnish society,
- encouraging governments to engage in regional cooperation,
- seeking closer cooperation with countries in the region through international organisations in addressing shared global issues,
- promoting human rights in the region through the UN and the Human Rights Council, bringing up human rights issues in bilateral dialogue and enhancing the potential of the countries in the region in this respect,
- supporting measures in international climate negotiations that will prevent climate change, help countries in the region adapt to climate change and mitigate its impacts, and
- supporting the OAS, the IDB, the World Bank and the CARICOM development fund to help development in the region, and also supporting the development through the Nordic Development Fund.

## **OPPORTUNITIES FOR TRADE AND INVESTMENTS**

The countries of Latin America and the Caribbean constitute a market area with significant growth potential for Finland.

Although trade with the countries in the region currently only amounts to about 3% of Finland's total foreign trade, the continent is a significant trade partner in certain sectors, and in mining equipment, for instance, it accounts for one fifth of Finland's exports. Latin America is also of great importance for raw material imports to Finland.

The structure of the trade relationships is one-sided: basically, Finland imports raw materials and exports technology. An exception to this rule is Mexico, whose exports to Finland consist mainly of cars. The volume and balance of trade may vary greatly from one year to the next. The value of imports depends mainly on how the world market prices of raw materials fluctuate, while exports focusing on investment commodities depend on the implementation of investment projects. It should also be noted that some Finnish companies export to the region from third countries.

The free trade facilitated by EU treaties will improve the potential for Finnish commercial relations with many countries in Latin America and the Caribbean. At the same time, growing protectionism in some countries and difficulties in pursuing certain key free trade treaties between the EU and countries in the region pose considerable challenges.

When estimating the commercial potential of the region, it should also be taken into account that these countries are opening up and becoming more active towards the Pacific and Asia. While this means that countries in the region are shifting their commercial focus away from Europe, it also opens up new export potential in other sectors such as the port industry.

Unlike our principal competitors, Finnish businesses still have only limited experience of operating in the region, which makes it even

more urgent to invest in expertise and cooperation. After all, the culture and operating practices in Latin America are closer to what Finns are used to than in the Asian market, for instance. Political relations are still an important factor in developing trade relations in Latin America, and therefore good contacts and smooth cooperation with decision-makers and administrations are an essential factor in efforts to gain access and success for Finnish businesses on this market.

The countries of Latin America are seeking to develop and diversify their economies, to raise the level of their research and education and to ensure environmental sustainability, all of which represent opportunities for Finland to engage in more comprehensive cooperation and to develop trade, investments and innovations. Cooperation in higher education and research has significant potential with regard to modernisation efforts in societies in the region.

Investments by Finnish industry in Latin America are growing. There are approximately 160 subsidiaries of Finnish companies in the region, with a combined turnover of more than EUR 6 billion. The major sectors are engineering and metal industry, forestry, and the electrical and electronics industry. The trade statistics do not reflect Finland's economic relationships with Latin America accurately, as some of the major exporters in some countries in the region are also Finnish companies.

Latin America has cooperation potential in many sectors where Finland has strengths and which are of interest for Finnish businesses. Apart from growth potential in traditional sectors of cooperation such as the mining and forest industries, the chemical industry and the food trade, there are also new growth sectors such as ICT, renewable energy, clean tech (including water and waste management), defence, health, the marine industry and offshore operations. There are also interesting opportunities in the areas of education and cultural exports of significance for Finland's international stature. The focus in developing commercial and economic relations should be in those sectors and areas where Finnish actors can find a relative advantage over other actors.

Finnish diplomatic missions report on economic trends, investment programmes and the investment environment in their respective areas and convey information to business organisations in Finland. They are also able to report at a company-specific level on the economy and the business environment and to offer their prestige as support for corporate representatives in establishing contacts. Import limitations, currency control and export financing problems are growing challenges for all foreign actors in the region, including Finnish ones.

In evaluating the investment potential of each country, diplomatic missions draw the attention of potential investors not only to the national economic statistics but also to employment, environmental and social legislation, to special cultural features and to any tensions in society that exist. Companies are expected to abide by the internationally accepted principles of corporate social responsibility.

In recent years, Finland has also been investing in the promotion of commercial cultural exports. Design, architecture, music and tourism are growth industries in which Finland could continue to invest. There will also be potential for commercial cooperation in sports and recreation in the near future.

## OBJECTIVES

- enhancing Finland's export and internationalisation efforts and economic relations significantly,
- aiming to gain investments in Finland from Latin America,
- establishing the Team Finland network in Latin America and Finland by engaging various actors in closer cooperation and coordination and by pursuing projects that further the shared interests of Finnish actors,
- promoting Finland's economic interests and obstacle-free operations by Finnish businesses in the countries of Latin America and the Caribbean through various means including official relations, and working actively both bilaterally and through the EU to eliminate obstacles to trade and investments in the region,
- leveraging the networking of Finnish embassies with officials, academia and the business world with a view to identifying cooperation opportunities and disseminating information on them,
- leveraging the reputation of Finnish companies that are well known and leaders in their fields and established national brands, such as Cleantech Finland, to project a positive image of Finland,
- highlighting the global responsibility and corporate social responsibility of Finnish companies, and pursuing a consistent policy to promote business in the region that takes into account the pursuit of human rights and sustainable development locally,
- having Finland's diplomatic missions in the region evaluate economic development, commercial potential, the investment environment and trade barriers in countries in the region along with more general issues such as environmental policy, climate change, promotion for clean tech sectors, food security and issues of corporate social responsibility,
- having Finland's diplomatic missions monitor energy and telecommunications policy, infrastructure projects and related cooperation opportunities in countries in the region and to report on trends of interest for Finnish actors,

- having Finland's diplomatic missions provide Finnish companies and other actors with introduction, networking and promotional services as agreed separately,
- having Finland's diplomatic missions and other Team Finland participants contribute actively to implementing the Action Plan on External Economic Relations, including its objectives in the areas of trade policy, development policy, export promotion, investment promotion, etc.,
- ensuring that Finland and Finnish actors are represented sufficiently and appropriately in Latin America and the Caribbean in a way consistent with the needs of Finnish actors,
- linking Finland's honorary consuls in Latin America and the Caribbean more closely to promoting Finland and Finnish exports by developing operating practices and distributing more information, and
- supporting exports of education and culture to countries in the region.

## **AGREEMENTS SIGNED BY FINLAND WITH COUNTRIES IN LATIN AMERICA AND THE CARIBBEAN**

### **INVESTMENT PROTECTION AGREEMENT:**

Argentina, Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Panama, Peru and Uruguay. Talks with two countries are ongoing.

### **DOUBLE TAXATION TREATY:**

Argentina, Barbados, Brazil and Mexico. A treaty with Chile is being finalised.

## RESEARCH – INNOVATION – EDUCATION

Finland is known in Latin America and the Caribbean as an interesting country with a high level of expertise, education, research and innovation. Many countries in the region are interested in Finnish know-how in these fields. Finland has excellent potential for sharing experiences and developing cooperation based on emerging challenges and demand in the region on the one hand and on existing cooperation and networks on the other. Countries in the region also have to offer expertise that is of interest for Finnish actors.

In research and innovation, Finnish actors such as the Academy of Finland, the Finnish Funding Agency for Technology and Innovation (TEKES) and VTT are mostly involved in Brazil and Chile. There are ongoing research projects in various scientific disciplines. Good potential for research cooperation in various fields may be found in other countries in the region too. Areas particularly interesting for research and innovation cooperation in Latin America include renewable energy and biofuels. Climate change, the environment and forests are also fruitful areas for research.

An extensive network of partnerships between universities, research institutions and research funding providers is emerging, thanks in part to channels provided by cooperation programmes between the EU and Latin America. The Ministry of Education and Culture is funding a two-year project facilitating the participation of Finnish universities in the Madrid Action Plan. Finnish foundations and the Academy of Finland are also funding Finnish academic research in a variety of disciplines in the Andes, in Central America and in the Caribbean.

Exchange of students and researchers with countries in Latin America should be increased. Several countries in the region have launched programmes to create new opportunities for cooperation in education and science. For instance, Brazil and Chile are willing to pay substantial sums of money for their students to participate in top-level international master's and doctoral degree programmes.

There is demand for Finnish educational expertise, as countries in Latin America are just now making major investments in improving their education systems. Uniformity of language and culture together with democracy trends and equality objectives make Latin America a good partner for education. The region also offers plenty of potential for commercial cooperation in various key areas in education, such as teacher and headmaster training, technology applications and learning environments.

In the teaching sector, there are opportunities for exporting know-how on education planning and administration, teacher training, learning environments and technological solutions. Finnish expertise should be packaged according to needs and demand arising from local circumstances.

Finland and Finnish actors have special competence in the development of teaching and education for linguistic and cultural minorities, both in Finland and in Latin America. Consistent development cooperation among indigenous peoples in Central America and in the Andes has laid a solid foundation of expertise and networking that can be leveraged to develop new forms of cooperation for education exports and information exchange.

There is also potential for sharing best experiences and practices in Finnish administrative know-how more generally, as in the development of the rule of law, for instance.

Knowledge of the countries of Latin America – their culture, society and history – is important in Finland for all kinds of cooperation with those countries, as is the promoting of knowledge about Finland there. It would be worthwhile to study how this knowledge could be enhanced. Spanish and Portuguese language skills are essential for anyone operating in Latin America. Although there is a focus on English as an international business language in many of the countries in the region, in many areas and sectors it is still essential to be able to speak the local language at least to a moderate level of competence.

## OBJECTIVES

- promoting cooperation in higher education and scientific research with countries in Latin America,
- promoting student and researcher mobility between Finland and Latin America,
- enhancing national cooperation in higher education and research efforts aimed at Latin America,
- supporting social development through higher education and research cooperation as possible,
- establishing the networked Team Finland concept among actors promoting research, innovation, exports and internationalisation in Finland and in the countries of Latin America and the Caribbean in order to identify opportunities for research and innovation cooperation and to initiate such cooperation,
- participating actively in research and innovation cooperation between the EU and the countries of Latin America and the Caribbean (implementation of the Madrid Action Plan) and monitoring higher education cooperation projects of interest for Finland,
- estimating the need for improving knowledge of the countries of Latin America and language skills in its principal languages in Finland,
- developing educational cooperation opportunities and educational exports with countries in the region, and
- producing material on Finland's education system and education expertise in Spanish and Portuguese.

## DEVELOPMENT COOPERATION

The Finnish government has been engaged in development cooperation in the region for a considerable time, particularly in Central America and the Andes. It has been implemented through central government, local government and NGOs. Finnish development cooperation is being revised in Latin America. Currently, the countries in the region, except Haiti, are at the medium income level. As modernisation progresses in these countries, traditional project-based and programme-based development cooperation will gradually be phased out and replaced with capacity building to respond to local needs, reinforcing the countries' own development potential while supporting human rights and democracy. Operations and support are channelled into normal commercial, academic and inter-institutional cooperation. Many countries in Latin America are interested in the Nordic social model. All the support provided helps lay a foundation for a positive relationship between Finland and the recipient countries in the future. The cross-cutting goals of Finland's development policy and development cooperation – gender equality, social equality and climate sustainability – are being promoted in Latin America, and they are taken into account in all Finland's activities in the region.

Institutional Cooperation Instrument, or ICI projects, are intended to support information exchange, research, education and innovation to promote sustainable development and to reinforce the administrative structures or operating potential of our partners. The purpose of local cooperation projects is to work towards development goals together with the local civil society while reinforcing its potential. Commercial cooperation is supported through programmes such as the Finnpartnership programme. Implementation may be undertaken together with international organisations and other countries providing support.

Finland also provides significant support for development in the region through the EU, the UN and international financing institutions.

International cooperation at the civil society level will continue to be reinforced by supporting the work of Finnish NGOs in countries in the region.

## OBJECTIVES

- investing in capacity building instead of project-based or programme-based development cooperation,
- channelling support into normal commercial, academic and inter-institutional cooperation,
- continuing to support development cooperation by NGOs, and
- exploring possibilities for increasing cooperation in the area of the rule of law.

### TOOLS FOR DEVELOPMENT COOPERATION

#### **INSTRUMENTS SUITABLE FOR VARIOUS APPLICATIONS WILL BE USED IN IMPLEMENTING COOPERATION:**

**Institutional Cooperation Instrument (ICI):** Enables government institutions and agencies to participate in development cooperation. The purpose of these projects is to strengthen the competence of government bodies such as ministries and agencies in developing countries with the assistance of a Finnish government institution or agency.

**Finnfund:** Projects funded by Finnfund have primary development goals such as improving production capacity in developing countries.

**Finnpartnership:** A business partnership programme to strengthen the contribution of Finnish businesses in their areas of expertise.

**Local cooperation funds:** A tool for diplomatic missions to support various actors in their respective countries and to establish contacts with the society's key players.

**Economic Partnership Agreement (EPA):** In the Caribbean, this agreement and the related support comprise the cooperation framework.

**NGOs:** These play an important role in cooperation, augmenting and complementing governmental development cooperation. They provide added value through their direct contacts at the grass-roots level and their work in strengthening the civil society. The Ministry for Foreign Affairs also funds NGO projects in various countries.

## CULTURAL RELATIONS

The cultural scene in Latin America and the Caribbean is dynamic and highly diverse. Generally, the region is culturally more closely related to Europe than many Asian countries are. Cooperation is also simplified by the fact that the region is linguistically relatively homogeneous.

In November 2012, the Finnish Institute in Madrid submitted a report to the Ministry of Education and Culture evaluating the current status of cooperation in education, science and culture and proposing measures for improving that cooperation. The report notes that Finland has extensive connections with Latin America but that the current volume of cooperation is not commensurate with the increased importance of the region.

Instead of proposing additional funds to be allocated to the broadening and deepening of cooperation, the report suggests that existing funding should be gradually realigned to reflect the changing significance of Latin America and the Caribbean. Cooperation should be explored principally in the context of the Team Finland concept by enhancing communications and coordination among Finnish actors, by improving cultural knowledge and language skills in Finland, and by supporting cooperation in various areas of culture, education and science.

A promising outlook for cultural exchange and exports may be found in design, architecture, dance, dramatic arts and audiovisual arts, and there is much potential still to explore in music, sport and literature.

## **OBJECTIVES**

- promoting exchange and exports in culture and sports towards Latin America and developing the marketing of culture and the creative sector,
- working with Finnish bodies to leverage the potential of the major cities in Latin America in particular,
- enhancing national coordination among ministries and other key players,
- actively promoting networking among actors in the cultural sector and access to existing national and European support programmes,
- having broad-based actors such as embassies, Finpro, cultural institutes, information centres and culture promotion organisations cooperate to support creative-sector and cultural projects in the region, and
- paying special attention to the role of cultural activities in supporting indigenous peoples and human rights; Finnish actors have plenty of good experiences of this sort of thing.

## **PUBLIC DIPLOMACY**

Public diplomacy is comprehensive, planned and long-term lobbying of carefully selected foreign non-governmental target groups to further Finland's objectives. This is a growth sector where Finland has to compete with other players. Public diplomacy is conducted through media and culture, but also other promotional and lobbying means. Grounded in Finland's real strengths and strong country brand, public diplomacy serves to promote Finland's influence, attractiveness and credibility abroad. Of the countries in this region, Finland has a public diplomacy country programme in place for Brazil.

## **OBJECTIVES**

- promoting knowledge of Finnish society and culture in the Team Finland spirit and at reasonable cost,
- ensuring that communications are conducted in the principal languages of Latin America,
- using public diplomacy to support other efforts and to enhance cooperation in various sectors,
- promoting awareness of Latin America and the Caribbean in Finland.



## 4 FINLAND'S RELATIONSHIPS WITH CERTAIN COUNTRIES IN THE REGION

### COLOMBIA

Colombia is one of the largest countries in South America in terms of area and has the second largest population. It is also logistically excellently placed, as it lies on both the Caribbean Sea and the Pacific Ocean and borders both Central America and Brazil. The stability of the country has been undermined by half a century of guerrilla warfare, but the security situation is expected to improve now that the government and the guerrillas are in peace talks.

The rapidly growing Colombian economy is the fourth largest national economy in Latin America. The business environment has improved hugely in recent years, and the country has investment needs running up to several dozens of billions of dollars in the near future. Mining, agriculture, infrastructure, tourism and construction are major growth industries. Direct foreign investment in Colombia has quadrupled over the past ten years. The country has an extensive free trade network and a strong foothold in trade throughout the American continents and with Asia and the Pacific.

There is much untapped potential in political and trade relations between Finland and Colombia. There are plans to strengthen political connections. Trade between our two countries has been stable, but there is potential for increasing its volume and diversifying its structure. Finnish companies have been operating here in the forest and electronics industries, energy technology, meteorology and port logis-

tics. There is plenty of room for expansion for Finnish businesses in forestry, mining and infrastructure. However, projects in these sectors tend to involve land ownership disputes and human rights issues, and this must be taken into account. Colombia is involved in the ongoing cooperation between Finland and the Andes area, where environmental issues in particular are of key importance.

## **PERU**

Peru has enjoyed robust economic growth in this century, which has supported social development and helped reduce poverty considerably. Improving the overall competence of citizens has been considered a major task in diversifying the economy and developing the country's industry. The stable macroeconomic situation, policy favourable to economic growth and investments in social and structural reform have laid a solid foundation for sustainable development. The country's economic growth is fuelled by mining, but also by extensive oil and gas reserves.

Peru has a strong international position thanks to its exceptionally active foreign and free trade policy. It is a key player in continental integration. Its geographical position next door to Brazil and on the coast of the Pacific Ocean place it well to deal with both Latin America and Asia.

Finland and Peru have a long-standing relationship whose roots are in development cooperation. This has facilitated close economic interaction too, and there are plans to strengthen this further. Finnish institutions and companies have know-how and expertise in sectors that are important to the rapid development of the Peruvian economy. Cultural exchange too is lively between Finland and Peru, particularly in design, music, visual arts and literature.

Peru's abundant natural resources offer potential for cooperation by Finnish companies in sectors such as sustainable forestry, energy efficiency, renewable energy and environmentally friendly technology.

Sustainable use of natural resources, preparing for climate change and improving the overall level of competence in Peru are key elements in cooperation between Peru and Finland. From the Finnish point of view, potential for cooperation may be found in forestry, mining, the energy sector, meteorology, environmental technology, the marine and offshore cluster, health care and the food industry, including fishing. There is particular interest in the country in Finland's education and innovation sectors.

The EU free trade agreement with Colombia and Peru is expected to boost trade relations between Finland and these two countries.

## **ECUADOR AND BOLIVIA**

Ecuador and Bolivia are also countries of the Andean community and involved in regional and inter-institutional development cooperation with Finland. Potential for increasing Finnish trade with these countries is being explored for instance on fact-finding missions by business delegations. Finland is actively involved in the development of the forest and energy sectors in Ecuador, while in Bolivia there is emerging cooperation in mining.

Both Ecuador and Bolivia are hoped to strengthen their relations with the EU, which would facilitate new bilateral channels too.

## **ARGENTINA**

Argentina is still recovering from the severe economic and political crisis that the country suffered at the turn of the millennium. In the past decade, the political situation has been relatively stable, and the Argentinean economy has grown in step with its neighbours. The high world market prices of soy and other major Argentinean export products, help from Brazil and subsidised domestic demand have helped sustain economic growth.

Argentina has a population of more than 40 million. It is a member of the G20 and a non-permanent member of the UN Security Council in 2013–2014. Argentina has significant natural resources and a relatively well-educated population, and the country thus has the potential for becoming a regional economic giant like Brazil and Mexico. However, the economic and trade policy pursued in recent years hampers investment and technology imports. As economic growth is slowing, protectionism is rising. The trade unions remain strong, and domestic production continues to be subsidised. Relations between the EU and Argentina remain tense because of i.a. disputes over trade and investment protection. The debts incurred as a result of the financial crisis and the dubious reliability of Argentinean statistics weaken the country's international credibility.

Finnish exports to Argentina grew until 2011, but no significant Finnish investments have been made in the country. There are problems in obtaining export credit and guarantees. The greatest potential for future economic and commercial cooperation lies in renewable energy, other environmental technology, mining and forestry. It is important that Finland be ready to invest in cooperation with Argentina if the operating environment there changes at any time in the near future. There are some active measures in areas of science, education and culture, and augmentation of these is being sought. There is interest in Argentina in Finnish innovation and technology know-how and in certain specialist areas such as the exploration of Arctic regions and meteorology.

## **URUGUAY**

Despite its small size, Uruguay is a very interesting and like-minded partner for Finland in trade, investments, political cooperation and scientific and technical cooperation. It is politically and socially stable with a transparent approach to governance, which provide a healthy framework for foreign companies to establish operations. Uruguay is at the forefront of education reform in Latin America and has expressed considerable interest in Finnish expertise and experience. It is particularly important to ensure that conditions for substantial Finn-

ish investments remain favourable in Uruguay. There are efforts to expand economic and commercial relationships with Uruguay so that small and medium-sized businesses could also develop exports, joint ventures or investments.

## **BRAZIL**

Brazil is the largest country in Latin America, in terms of both area and population. In the 2000s, it has become one of the engines of the world economy, one of the 'BRICS' countries, and also a major player in international politics. Peaceful social developments, the establishment of democracy and increasing wealth as well as Brazil's rise to the position of the sixth largest national economy in the world have improved the country's potential for raising its profile in other international issues too.

Brazil is one of the strongest candidates for permanent membership of the UN Security Council and has been a non-permanent member 10 times. Brazil carries a lot of weight in issues of international trade and environmental policy. In multilateral activities, Brazil is an opinion leader especially among developing countries. As a large and established democratic state, Brazil is a stabilising influence on its continent and has sought to promote regional integration, albeit progress has been slow in free trade. Brazil is also increasingly a political and economic force to be reckoned with on the global scale. One of the manifestations of the increasing visibility and impact of Brazil's foreign policy is the fact that the government has opened many new embassies particularly in Africa and the Caribbean.

As active players in the UN, Finland and Brazil share certain interests for instance in the objectives of UN peacekeeping and peace brokering, and on issues of sustainable development and climate policy. Political and other visits between our two countries have been increasing in recent years, and the aim is to keep a regular intergovernmental dialogue going.

For the European Union, Brazil is a strategic partner and a focus of closer cooperation in the interests of identifying shared interests in international politics, trade and economy, in environmental policy and in human rights issues. From the perspective of the EU, trade policy is limited by the fact that Brazil is a member of Mercosur.

With an internal market of 190 million people and abundant natural resources, it is an attractive objective for investments. Brazil has succeeded in cutting poverty substantially.

The Brazilian economic boom stems from two decades of methodical economic policy combining stabilisation of public finances, holding inflation in check and increasing domestic consumption for instance through major income transfer programmes. In the 2000s, the Brazilian economy has managed an average annual growth rate of 3.5%. This is roughly equal to the growth of the world economy on average over the same period. This growth has been fuelled above all by increasing domestic consumption and favourable trends in the world market prices of raw materials. Indeed, it is the growth in exports of raw materials and semi-processed goods that powers Brazil's foreign trade. Brazil is one of the world's leading producers of orange juice, coffee, meat, soy and iron ore. As recently discovered offshore oil reserves are exploited in the next decade or so, Brazil will join the ranks of the world's largest oil exporters.

Brazil has advanced industrial production and is a world leader in technological expertise in certain fields. Brazil has been engaging in long-term efforts to improve agricultural production, going back to the 1970s, with research and development investments playing a vital role. Ethanol production and the ethanol car industry in Brazil are also among the finest in the world. Embraer is the world's third largest manufacturer of passenger aircraft. Brazil also has excellent know-how in deep-sea oil drilling, and major investments are forthcoming in this sector in the near future for exploiting oil reserves under the sea bed.

Finnish industry has had investments in Brazil for half a century. The oldest Finnish production investment in Brazil and in Latin America was the Valmet tractor factory (1960), which has since been renamed Valtra and sold to an American owner. The Finnish forest sector, telecommunications industry, energy sector and mining industry have subsequently established a firm bridgehead in Brazil, and all of these have substantial growth potential.

Emerging sectors in Brazil that are of interest to Finland are the offshore industry for exploiting oil reserves, shipbuilding and marine technology. Brazil is about to make substantial investments in these industries. There is also potential for Finnish companies in infrastructure projects such as harbour construction and renovation. Finland's advantage in commercial relations with Brazil is that the technology expertise of Finnish companies and the Brazilian business environment, driven by raw material cost advantages, are mutually complementary rather than mutually competing. On the other hand, our financing opportunities are more limited than those of some of our competitors, which is a challenge for Finnish companies.

Brazilian industry suffers from a poor international price competitiveness. This is due to a heavy cost structure, including high taxes and energy costs, and a weak infrastructure. Economic growth has been hampered by the fact that investments account for an unduly low percentage of the GNP, in contrast with other emerging economies. Only in recent years has this percentage reached close to 20%. The business environment in Brazil is Western in style but challenging because of the complicated tax system, the heavy employment legislation and other legislation that favours and protects domestic production. There is a long tradition of protecting domestic industries in the country, and protectionism has even begun to increase in the 2010s. Despite these challenges, however, the significant growth potential on the domestic market and substantial forthcoming investments make Brazil an attractive prospect.

In Brazil, public decision-making and steering play a large role in the business sector, major investments and foreign trade. Issues related to these may be raised in talks at the political level, thus concretely lobbying for businesses and marketing Finnish expertise in sectors where Brazil wants to utilise foreign expertise and engage in mutually beneficial cooperation. As Brazilian companies and investors become more wealthy, Brazil is looking more likely as a source of foreign investment.

Investments in innovation, science and research and educational reform are among the priorities of the Brazilian government. Poor results in the education system and a shortage of well-trained labour, resulting in a low growth rate for the productivity of work, are major long-term problems hampering Brazil's economic growth. Brazil is keen to engage in cooperation with countries like Finland that invest in innovation and are among the world leaders in learning outcomes. Finland has good potential for exporting education expertise to Brazil. Finland is generally known in Brazil for Nokia, for good comprehensive education and for innovations. An education export brand would be easy to build on that foundation.

In recent years, Finnish universities and scientific and research institutions have signed several new agreements with Brazilian partners. Promoting exchange of students and researchers and joint projects in science and research will be of major interest in diversifying relations between Finland and Brazil in the near future. In November 2012, the Centre for International Mobility (CIMO) signed a Memorandum of Understanding concerning the Brazilian exchange programme 'Science without frontiers' (Ciência sem Fronteiras) with its Brazilian administrator, the Conselho Nacional de Desenvolvimento Científico e Tecnológico (CNPq). This programme, where CIMO will be responsible for student mobility and the Academy of Finland for researcher mobility, will open up significant opportunities for Brazilian students and researchers to complete part of their degree at a Finnish university.

## CHILE

Chile is a politically stable country and in many respects the most developed country in the region. However, despite political stability and economic growth there have been demonstrations lately, reflecting a deeper social and political frustration. One explanation for this may be the paradox of rising expectations, as the ambitions of this upper-middle-income country's citizens, especially young people, outstrip the growth of the national economy and the capacity of society to deliver the expected prosperity.

The Chilean economy has weathered recent difficulties in the world economy well. Economic growth is stable, even if mostly driven by basic commodities. Inflation, unemployment and public debt are low. The year 2012 marked the tenth anniversary of the Association Agreement between EU and Chile. Over this period, trade between the EU and Chile has grown by 200%. Chile has a wide range of free trade agreements.

Finland and Chile enjoy a good relationship, which is very active considering the geographical distance between the two countries. Indeed, Chile has become one of Finland's principal partners in Latin America. Finland has a good reputation in Chile as a world leader in technology, innovation, education and design. Also, Finnish technology is known and in use in Chile's most important economic sector, the mining industry. The forest industry is also important for both countries, and in addition to Chile buying Finnish technology there are also joint projects for instance between Stora Enso and Arauco, the world's largest producer of pulp, in third countries such as Uruguay.

Trade between Finland and Chile is not especially voluminous, but several Finnish companies are expressing an increasing interest in the Chilean mining, forestry and energy industries, and there is also more recent interest in the health care, wellbeing and telecommunications sectors. Finland mainly exports specialist machinery and equipment for industry and other sectors to Chile. Imports from

Chile to Finland are mainly mining products, and also wine and fruit. Finland and Chile have had an agreement on reciprocal protection of investments since 1993, and preparation of a double taxation treaty is almost completed. Finnish technology and expertise have a good reputation in Chile, to which Finnish companies operating in the country have contributed. Nearly 20 Finnish companies have a presence in Chile, and a further 80 have an agent or a representative there. Despite its relatively small size, Chile is an interesting market, being a transparent economy and an easy environment in which to do business.

There is interest in Chile in Finnish culture, innovations, education and culture. Prospects for education exports are good. Finnish design is also well known, and the growing and increasingly wealthy middle class provides a good consumer base.

## VENEZUELA

Venezuela is rich in natural resources such as oil, natural gas, minerals and forests. Domestic production declined sharply in the course of the 2000s, while imports of food, consumer goods and capital commodities has increased along with the national debt. Oil production has fallen by one third. Trade between Finland and Venezuela has been in decline since 2001. Venezuela's stated trade policy is to prioritise trade with Mercosur and ALBA member countries and with China, Russia and Iran. It has become more difficult to obtain export credit for sales to Venezuela, and there have sometimes been considerable delays with payments to companies. Investments in Venezuela from other countries, Finland included, have dried up. Transparency International gives Venezuela a poor ranking in a comparison of countries for corruption. Venezuela has comprehensive price regulation and two official exchange rates. Venezuela has major challenges with the independence of its judicial system and a soaring violent crime rate. For foreign companies, Venezuela is an extremely challenging operating environment, and it is often difficult to collect receivables.

## MEXICO

Mexico is rich in natural resources and culture and occupies a strategically vital position between North and South America. It is an active multilateral player and hosted the COP-16 climate change conference in 2010. It has clearly grown in regional and global importance in recent years. Mexico is a member of the G20, a regional superpower, a party to NAFTA and a strategic partner of the European Union. The country was also a non-permanent member of the UN Security Council until the end of 2011 and is a contender for permanent membership. It is well represented in the administrative bodies of the specialist organisations of the UN.

Mexico is stable in macroeconomic terms and enjoys steady economic growth. Compared with many other emerging economies, Mexico is quite a transparent and functional society. It is the only one of the strategic partners of the EU to also have a free trade agreement with the EU. In all, Mexico has free trade agreements with more than 40 countries or regions. Mexico also has other advantages such as a young population, high productivity, advantageous geographical location, significant energy resources and a green economy. According to the World Bank, Mexico is currently the 13th largest national economy in the world, or 11th largest if adjusted for purchasing power parity. In 2012, Mexico ranked 53rd out of 142 countries in the competitiveness study published by the World Economic Forum (WEF).

During many years the Mexican authorities have been engaged in a drug war that has also escalated conflicts among drug cartels. Tens of thousands of people have been killed in the violence, the majority of them in clashes between drug cartels. There is no quick fix in sight for drug-related violence, which is estimated to have reduced Mexico's national income by about 1%. However, the majority of the violence is confined to specific geographical locations, especially the northern border areas. Foreign companies can operate more or less normally in most of Mexico if they plan well and prepare for contingencies.

Despite its domestic problems, Mexico is considered a highly promising country, which by the year 2050 may develop into one of the world's leading national economies. The government has enacted reforms in pensions, health care, education and competition legislation that have been crucial in stabilising the macroeconomic environment. Mexico faces a challenge in implementing major social and economic reforms: making the labour market more efficient, improving the education system, rooting out crime and corruption, deregulating certain sectors of the economy, and increasing investments by businesses in research and development. The prosperity of Mexico still depends largely on the economic situation to the north, as about 80% of Mexico's exports go to the USA.

Direct foreign investments in Mexico are increasing, totalling about EUR 20 billion in 2012. The branch of industry with the largest volume of direct foreign investments is the automotive industry, followed by the aviation industry. Several EU Member States have increased their investments in Mexico, and the EU combined is at the moment the most significant foreign investor in the country.

There are 36 subsidiaries of Finnish companies operating in Mexico, 13 of which have one or more production plants in the country. Some 70 further companies have a local agent or representative in Mexico. The largest Finnish-owned employers in Mexico at the moment are the Nokia mobile phone plants in Reynosa, the Luvata plant in Monterrey and the Kone plant in Coahuila. Finland and Mexico have signed an investment protection agreement and a double taxation treaty.

Finland and Mexico share common views on economic issues and on foreign and security policy. There is potential for cooperation in teaching, promoting the rule of law, environmental management, water supply, human rights and peace mediation. Mexico is a gateway to the markets of North America and Latin America for Finnish companies. Mexico offers plenty of opportunities for Finnish business in a number of sectors. At the moment, the most interesting ones are: 1) the en-

vironment, green construction, clean tech; 2) transport; 3) health care and wellbeing (life sciences), the food sector and retail trade; 4) energy and mining; 5) infrastructure; 6) offshore industry; 7) forest and pulp technologies; and 8) IT.

## CENTRAL AMERICA

The six countries that make up Central America – Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama – comprise an emerging market and economic area with a combined population of about 42 million. Their exports consist mostly of foods, but thanks to the free trade area set up together with the USA, a considerable volume of export-oriented textile industry has relocated to these countries. Remittances by emigrants from these countries to the USA and Europe plays a significant part in their national economy. The Association Agreement between the EU and the countries of Central America is expected to make economic relations less complicated.

These countries face many challenges, some historical and some resulting from disaster-prone natural circumstances. There is a long history of violence and inequality in the area, escalating into open civil wars in the 1970s and 1980s. Even after peace was re-established, developments have not been unproblematic; economic and social inequality persist, the rule of law is weak, and corruption is rife. High emigration numbers, international organised crime involved in the smuggling of drugs, guns and people, and unemployment are also major challenges.

Finland has experience of development cooperation in Central America over a considerable period of time. Nicaragua was for a long time one of the Finnish government's development cooperation partners. This cooperation is now being converted to normal commercial, academic and inter-institutional relationships. However, we support human rights and the promotion of democracy and continue to support development cooperation by NGOs.

Elsewhere in Central America, Finland has engaged in regional development cooperation. In the near future, the focus will shift to security cooperation.

## **THE CARIBBEAN**

In Finland, the Caribbean is principally known as a tourist destination. Trade has been slight, with large annual fluctuations. Certain countries in the region, such as the Dominican Republic, offer prospects for bilateral economic and bilateral cooperation, and there is potential for NGO cooperation too.

Some countries in the Caribbean have risen to the category of developed countries, and others have evolved into medium-income developing countries. Many of them are struggling with spiralling debt, exacerbated by hurricane damage. Debt arrangements by the International Monetary Fund (IMF) have helped several countries ease their debt burden. Countries in the eastern Caribbean have geothermal energy development potential, and here Finnish actors might have something to offer. Finland also has climate change expertise that could be of use in the Caribbean in general.

Officially, Finland has initiated cooperation with the Caribbean Community (CARICOM), the Organisation of Eastern Caribbean States (OECS) and the Association of Caribbean States (ACS), and these efforts will be continued.

## 5 CLOSER COOPERATION AMONG FINNISH ACTORS

It is in Finland's best interests for the long term that all Finnish actors involved in the region work more closely together. The Team Finland concept is a cooperation network model whose development in the various countries in the region now takes top priority. The heads of diplomatic missions in the various countries are charged with the responsibility of bringing together Finnish actors in their respective areas under the Team Finland banner.

There is a need to support operations in the region by putting together a Latin America task force coordinated by the Ministry for Foreign Affairs and with representatives from all the key authorities, research institutions, NGOs and business organisations. This task force could meet at regular intervals and open up a shared online workspace to improve communication and distribution of information. The task force could divide up into sub-regional networks as necessary.

(APPENDIX 3: Finnish actors)

Safeguarding Finland's interests successfully also requires better knowledge of the region and monitoring of its trends. Particular attention should be paid to improving language skills in the principal languages of Latin America, Spanish and Portuguese, and to producing materials in these languages. This is absolutely vital for all cooperation and communications.

## **OBJECTIVES**

- ensuring that the Team Finland concept is swiftly set up in countries in the region,
- enhancing coordination and communication among Finnish actors in Finland by launching regular coordination meetings for Latin America and the Caribbean and by setting up an online workspace maintained by the Ministry for Foreign Affairs, and
- stepping up cooperation among Finnish actors to ensure that key materials on Finland will be available in Spanish and Portuguese.

## **APPENDICES**

1. Regional statistics: population, area, GNP and GNP per capita, growth figures
2. Regional organisations: list and basic information
3. Actors in the cooperation between Finland and the region of Latin America and the Caribbean

## APPENDIX 1

### BASIC STATISTICS ON LATIN AMERICA AND THE CARIBBEAN (INDEPENDENT STATES)

	Area (km <sup>2</sup> )	Population 2010	Population prognosis 2050	GNP (USD bn) 2011	GNP per capita adjusted for purchasing power parity (USD)	Human Development Index 2011
<b>SOUTH AMERICA</b>						
Argentina	2,766,890	41,343,201	50,900,000	447.6	17516	0.797
Bolivia	1,098,580	9,947,418	14,900,000	24.6	1789	0.663
Brazil	8,511,965	193,700,000	218,500,000	2492.9	11769	0.718
Chile	756,950	16,746,491	20,700,000	248.4	17222	0.805
Ecuador	283,560	14,790,608	18,000,000	66.4	8492	0.720
Guyana	214,970	748,486	600,000	2.5	7466	0.633
Colombia	1,138,910	44,205,293	62,900,000	328.4	10249	0.710
Paraguay	406,750	6,375,830	9,900,000	21.2	5413	0.665
Peru	1,285,220	29,907,003	39,800,000	173.5	10062	0.725
Suriname	163,270	486,618	600,000	3.8	9475	0.680
Uruguay	176,220	3,510,386	3,600,000	46.9	15113	0.783
Venezuela	912,050	27,223,228	42,000,000	315.8	12568	0.735
<b>CENTRAL AMERICA</b>						
Belize	22,960	314,522	500,000	1.5	8264	0.699
Costa Rica	51,100	4,516,220	6,400,000	40.9	11927	0.744
El Salvador	21,040	6,052,064	7,900,000	22.8	7550	0.674
Guatemala	108,890	13,550,440	27,500,000	46.9	5070	0.574
Honduras	112,090	7,989,415	12,400,000	17.4	4345	0.625
Mexico	1,972,550	112,468,855	129,000,000	1154.8	14610	0.770
Nicaragua	129,494	5,995,928	8,100,000	7.3	3206	0.589
Panama	78,200	3,410,676	5,100,000	30.6	14097	0.768

	Area (km <sup>2</sup> )	Population 2010	Population prognosis 2050	GNP (USD bn) 2011	GNP per capita adjusted for purchasing power parity (USD)	Human Development Index 2011
<b>THE CARIBBEAN</b>						
Antigua and Barbuda	440	86,754	–	1.2	17981	0.764
Bahama	13,940	310,426	500,000	8.1	30959	0.771
Barbados	430	285,653	200,000	4.5	23417	0.793
Dominica	750	72,813	–	0.5	13816	0.724
Dominican Republic	48,730	9,794,487	13,400,000	56.7	9287	0.689
Grenada	340	107,818	–	0.8	13896	0.748
Haiti	27,750	9,203,083	15,500,000	7.4	1235	0.454
Jamaica	10,990	2,847,232	2,700,000	14.8	9029	0.727
Cuba	110,860	11,477,459	9,700,000	–	–	0.776
Saint Kitts and Nevis	269	49,898	–	0.7	15573	0.735
Saint Lucia	620	160,922	–	1.2	12607	0.723
Saint Vincent and the Grenadines	340	104,217	–	0.7	11491	0.717
Trinidad and Tobago	5,130	1,228,691	1,300,000	22.7	20053	0.760

IMF: GNP and GNP per capita adjusted for purchasing power parity

UNDP: Human Development Index

## APPENDIX 2

### ORGANISATIONS IN LATIN AMERICA AND THE CARIBBEAN

#### GENERAL AND POLITICAL ORGANISATIONS

- Organization of American States (OAS): an organisation whose membership includes the entire Western Hemisphere (except Cuba) and whose roots go back to Pan-American conferences held in the late 19th century. Several sub-programmes and bodies, including the Inter-American Human Rights Commission (IACHR, founded 1960) and the Inter-American Court of Human Rights (founded 1979).
- Pan-American Health Organization (PAHO, founded 1918): a regional health organisation subordinate to the World Health Organization (WHO).
- Organización para Proscripción de las Armas Nucleares en América Latina y el Caribe (OPANAL), founded in 1967 to enforce the Treaty of Tlatelolco and to establish a nuclear-free zone in Latin America and the Caribbean; 33 member states.
- PARLATINO, the Latin American parliament, founded in 1964 and relocated to Lima in 1987; an intergovernmental forum. Other parliamentary organisations include the Andean Parliament, the Central American Parliament, the MERCOSUR Parliament and the UNASUR Parliament.
- Las Cumbres Iberoamericanas, a system for summits between the countries on the Iberian peninsula and Latin America, was set up in 1991. It has had a secretariat (Secretaría General Iberoamericana, SEGIB) since 2003.

## LATIN AMERICAN INTEGRATION ORGANISATIONS

- Comunidad de Estados Latinoamericanos y Caribeños (CELAC), founded in December 2011; 33 member states, all the countries in the region except for the USA and Canada.
- ALADI: founded in 1960 as a general integration organisation to provide a legal framework for sub-regional and bilateral agreements. It links the countries of the Mercosur and Andean community, Chile, Mexico and Cuba.
- Mercosur (founded 1991) aims to establish an economic community. Its members are Argentina, Brazil, Paraguay, Uruguay and Venezuela. Chile is an associate member.
- Comunidad Andina (CAN), the Andean Community, was founded in 1969; it is a customs union whose members are Bolivia, Colombia, Ecuador and Peru. The Community has an investment fund, CAF.
- Union de Naciones Suramericanas (UNASUR), a union of South American states set up at the initiative of Brazil in 2008. This is an intergovernmental union that brings together two earlier customs unions, Mercosur and the Andean Community. It functions as a political conference organisation for issues of security and stability in the region. There are 12 member states – the members of Mercosur and CAN, and also Guyana and Suriname.
- Sistema Económico de America Latina y del Caribe (SELA), founded in 1974, 28 member states. Its purpose is to coordinate the trade and economic policies of its members and to foster cooperation at the international level.
- SICA (founded 1991) is an integration organisation for Central American countries. The Dominican Republic is an associate member.
- ALBA is a group set up at the initiative of Venezuela in 2004, the 'Bolívar alternative for the peoples of our America'. Its members are Cuba, Nicaragua, Ecuador, Bolivia, Antigua and Barbuda, Dominica and Saint Vincent and the Grenadines.

- The Bank of the South is a currency fund and credit institution founded at the initiative of Venezuela in 2009 to counterbalance the World Bank Group. Its members are Argentina, Brazil, Paraguay, Uruguay, Ecuador, Bolivia and Venezuela.
- One of the most recent integration projects is the Alianza del Pacífico (Pacific Alliance) formed by Peru, Chile, Colombia and Mexico in April 2011 for the purpose of integrating their economies for competing on the Asian and Pacific markets. Panama intends to join later.

## **CARIBBEAN COOPERATION AND INTEGRATION ORGANISATIONS:**

- Association of Caribbean States (ACS, founded 1994) has 25 member states, including all the states of the region. Its purpose is to promote economic cooperation and infrastructure in the region.
- Caricom (founded 1973) is an economic community with 15 member states. Its purpose is to create a single market area known as SME. Together with the Dominican Republic it forms the CARI-FORUM group, which is a partner in trade and cooperation agreements between the EU and ACP countries.
- The Caribbean Development Bank (founded 1969) funds economic and social development projects in the region.
- Organisation of Eastern Caribbean States (OECS, founded 1981): an organisation formed by seven independent states and two non-independent territories in the eastern Caribbean.



## APPENDIX 3

### ACTORS IN THE COOPERATION BETWEEN FINLAND AND THE REGION OF LATIN AMERICA AND THE CARIBBEAN (NOT A COMPLETE LIST)

#### MINISTRY FOR FOREIGN AFFAIRS

Unit for Latin America and Caribbean

#### FINNISH EMBASSIES

Buenos Aires, Argentina

Brasilia, Brazil

Santiago de Chile, Chile

Mexico, D.F. Mexico

Lima, Peru

Managua, Nicaragua, to be closed by the end of 2013

Bogota, Colombia, to be opened during 2013

**Roving ambassador**, Helsinki. Accreditations: Venezuela, Dominican Republic, Barbados, Jamaica, Trinidad and Tobago, Guyana, Grenada, Antigua and Barbuda, Saint Kitts and Nevis, Saint Vincent and the Grenadines

## **LATIN AMERICAN COUNTRIES THAT HAVE AN EMBASSY IN HELSINKI**

Argentina, Brazil, Chile, Cuba, Mexico, Nicaragua, Peru and Venezuela

## **SIDE ACCREDITATIONS TO FINLAND**

From Brussels: Barbados, Grenada, Guyana, Honduras,

From Stockholm: Bolivia, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Panama, Paraguay and Uruguay.

From Oslo: Costa Rica

From London: Jamaica, Trinidad and Tobago

## **FINLAND'S HONORARY CONSULS (2012)**

Argentina (6), Bahama (1), Barbados (1), Belize (1), Bolivia (1), Brazil (10), Chile (3), Colombia (6), Costa Rica (2), Cuba (1), Dominica (1), Dominican Republic (2), Ecuador (2), El Salvador (2), Grenada (1), Guyana (1), Haiti (1), Honduras (2), Jamaica (1), Mexico (10), Paraguay (1), Peru (3), Saint Kitts and Nevis (1), Saint Lucia (1), Saint Vincent and the Grenadines (1), Trinidad and Tobago (1), Uruguay (1), Venezuela (3)

## **HONORARY CONSULS OF COUNTRIES OF LATIN AMERICA AND THE CARIBBEAN IN FINLAND**

Bolivia (2), Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala (2), Haiti, Jamaica, Nicaragua, Panama, Peru, Trinidad and Tobago, Uruguay

## **ECONOMIC AND TRADE BODIES**

- FINPRO: Trade centres in Mexico City, São Paulo and Santiago de Chile. Cooperation based on an agreement between the ministry and Finpro and on local agreements in the target countries. Embassies and trade centres are the ‘godfathers’ of local Finnish or Nordic trade associations.
- Organisations and groups in the economic sector and principal companies operating in the region; the Confederation of Finnish Industries participates in coordinating high-level VKE (export and internationalisation) visits.
- The Finnish – Latin American Trade Association aims to foster commercial and technical cooperation between Finland and Latin America.
- Finnish or Nordic chambers of commerce and trade associations in target countries.
- Finnfund provides funding for companies operating in or being founded in developing countries. The Finnpartnership programme offers services for both Finnish and domestic companies in target countries.

## **EDUCATION AND RESEARCH BODIES**

- Ministry of Education and Culture
- National Board of Education
- Academy of Finland, Finnish Funding Agency for Technology and Innovation (TEKES), VTT and the Finnish Innovation Fund (SITRA) all have interests and contacts in the region in the fields of research and innovation.
- Finnish universities have contacts to their opposite numbers in the region. They can take an active role in education exports. Latin American research and training at the University of Helsinki is a key function.
- The Institute of Educational Leadership at the University of Jyväskylä provides education expertise.

- UniPID is a network comprising ten Finnish universities.
- The Centre for International Mobility (CIMO) is an expert and service organisation for international mobility and cooperation. It works with universities, authorities and organisations responsible for exchanges abroad and with Finnish diplomatic missions and cultural institutes. CIMO is also linked to the Alfa III programme, which supports cooperation projects between universities and other actors in the European Union and Latin America.
- The Ibero-American Foundation runs the Madrid Centre and operates in the entire Ibero-American region. The Centre will shortly open a branch in Buenos Aires, which will improve its capacity for engaging in culture and science in Latin America.

## DEVELOPMENT COOPERATION BODIES

- KEPA (Development cooperation service centre)
- SASK (Trade Union Solidary Centre of Finland)
- International Solidarity Foundation
- Finn Church Aid
- Finnish Evangelical Lutheran Mission
- Free Church Federation of Finland
- Evangelical Free Church of Finland
- Pyhän Henrikin säätiö (St Henry's foundation)
- Finnish Red Cross
- *Lääkärin sosiaalinen vastuu* (Physician's social responsibility) association
- *Kehitysumaayhdistys Pääskyt* (Pääskyt developing country association)
- Finnish Children and Youth Foundation
- Taksvärkki – Operation a Day's Work Finland
- Caritas Finland
- Plan Finland Foundation

- Feminist Association Unioni
- World Vision Finland
- All Our Children
- *Parasta lapsille* (Best for children) association
- Findeco – Finnish development cooperation association
- Projecto Amigos da Comunidade PADC
- Nuevo Mundo association
- Finnish Federation of the Visually Impaired
- Siemenpuu Foundation
- *Uusi Tuuli* (New wind) association
- Peace Union of Finland

## **FRIENDSHIP SOCIETIES AND OTHER ORGANISATIONS**

- Friendship groups at the Finnish Parliament
- Finland – Brazil society
- Finland – Chile society
- Finland – Costa Rica society
- Finland – Dominican Republic society
- Finland – Cuba society
- Finland – Mexico society
- Finland – Nicaragua society
- Latin American culture centre

**PUBLICATIONS OF  
THE MINISTRY FOR FOREIGN AFFAIRS  
2 / 2013**

ISSN 0358-1489  
ISBN 978-952-281-069-4  
PDF ISBN 978-952-281-070-0  
e-julkaisu ISBN 978-952-281-071-7